



**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

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ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2018

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The background of the lower half of the cover features a grayscale photograph of a utility plant interior, showing rows of pipes and structural elements. This image is overlaid with a semi-transparent teal header at the top and a semi-transparent orange footer at the bottom. The text 'SIKICH.COM' is printed in white on the orange footer.

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**ROCHELLE, ILLINOIS**  
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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor  
Members of the City Council  
City of Rochelle, Illinois

We have audited the accompanying financial statements of the Rochelle Municipal Utilities (enterprise funds of the City of Rochelle, Illinois (the City)) (RMU) as of and for the year ended December 31, 2018, and the related notes to financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to RMU's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RMU's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rochelle Municipal Utilities (enterprise funds of the City of Rochelle, Illinois), as of December 31, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the funds comprising RMU and do not purport to, and do not present fairly the financial position of the City of Rochelle, Illinois as of December 31, 2018, the respective changes in financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Change in Accounting Principle**

RMU adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which established standards for measuring and recognizing liabilities, deferred inflows and outflows of resources and expenses; and modified certain disclosures in the notes to financial statements and the required supplementary information as discussed in Note 11 to the basic financial statements. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RMU's basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, RMU's basic financial statements for the fiscal year ended December 31, 2017, which are not presented with the accompanying financial statements and we expressed an unmodified opinion on the respective financial statements. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the RMU's basic financial statements as a whole. The supplemental information for the year ended December 31, 2017, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the December 31, 2017 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the December 31, 2017 supplemental information is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

*Sikich LLP*

Naperville, Illinois  
July 15, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# ROCHELLE MUNICIPAL UTILITIES

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018, December 31, 2017 and December 31, 2016

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Management of the City of Rochelle's Department of Utilities, Rochelle Municipal Utilities (RMU) offers all persons interested in the financial position of RMU this narrative overview and analysis of the utilities' financial performance during the fiscal years ending December 31, 2018, December 31, 2017 and December 31, 2016. You are invited to read this narrative in conjunction with the financial statements.

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### FINANCIAL HIGHLIGHTS

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- The assets and deferred outflows of resources of the Electric Utility exceed its liabilities and deferred inflows of resources by \$47,299,398 (net position). Of this amount, \$10,540,860 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, \$8,009,471 is restricted for debt service (restricted net position), and \$28,749,067 is the net investment in capital assets.
  - The assets and deferred outflows of resources of the Water and Water Reclamation Utility exceeded its liabilities and deferred inflows of resources by \$41,884,032 (net position). Of this amount, \$7,813,274 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, \$555,194 is restricted for debt service (restricted net position), and \$33,515,564 is the net investment in capital assets.
  - The assets and deferred outflows of resources of the Technology Center Utility exceed its liabilities and deferred inflows of resources by \$558,667. Of this amount (\$1,474,339) (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors and \$2,033,006 is the net investment in capital assets.
  - Operating revenues for the Electric Utility did not change significantly while expenses were down 3%. The decrease in expenses are due to a lower purchase power cost.
  - Operating revenues for the Water and Water Reclamation Utility remained flat while operating expenses were up 21%. The increase is due to higher materials and supplies expenses.
  - Operating revenues for the Technology Center Utility increased 8% while operating expenses decreased 6%. The increase in operating revenue is due to additional fiber customers and the decrease in expenses is due to a retirement.
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### OVERVIEW OF THE FINANCIAL STATEMENTS

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The purpose of this discussion and analysis is an introduction to RMU's basic financial statements. Enclosed are two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The basic statements that follow this analysis provide individual fund statements that demonstrate the financial strength of the utility.



# ROCHELLE MUNICIPAL UTILITIES

## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2018, December 31, 2017 and December 31, 2016

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- For each of the reporting funds provided there will be a Statement of Net Position (Balance Sheet); next the Statement of Revenues, Expenses and Changes in Net Position, followed by a Statement of Cash Flows.
- The remaining notes provide detailed information about the methods of asset and liability valuations and other supplemental information critical to a proper analysis of the financial statements.

### **STATEMENTS**

The utility-wide statements report information about RMU using accounting methods similar to those used by private-sector utilities. The Balance Sheet includes all the utilities' assets and deferred outflows of resources and liabilities and deferred inflows of resources. All the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position regardless of when cash is received or paid.

The utility-wide statements report RMU's net position and how they have changed. Net Position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure financial health, or position. Over time, increases or decreases in RMU's net position are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of RMU, it is necessary to review and consider non-financial factors as well, such as changes in utility rates and the condition of utility plant in service.

The Statement of Revenues, Expenses and Changes in Net Position presents information demonstrating how the net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods.

*Notes to Financial Statements* – The notes provide additional information that is essential to a full understanding of the data provided in the utility-wide financial statements.

# ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018, December 31, 2017 and December 31, 2016

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## FINANCIAL ANALYSIS OF RMU

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A summary of RMU's Statement of Net Position is presented below.

**Table 1**  
**Condensed Statements of Net Position**

	<b>Electric Utility</b>		
	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>
Current Assets/Deferred Outflows of Resources	\$ 23,006,998	\$ 21,703,385	\$ 22,782,466
Capital Assets	<u>43,319,929</u>	<u>44,000,031</u>	<u>42,957,659</u>
Total Assets and Deferred Outflows	<u><b>66,326,927</b></u>	<u><b>65,703,416</b></u>	<u><b>65,740,125</b></u>
Long-term Liabilities	14,735,713	16,509,987	17,202,217
Current Liabilities/Deferred Inflows of Resources	<u>4,291,816</u>	<u>3,822,859</u>	<u>3,956,048</u>
Total Liabilities and Deferred Inflows	<u><b>19,027,529</b></u>	<u><b>20,332,846</b></u>	<u><b>21,158,265</b></u>
Net Investment in Capital Assets	28,749,067	28,760,969	27,065,398
Restricted	8,009,471	7,040,080	6,741,880
Unrestricted	<u>10,540,860</u>	<u>9,569,521</u>	<u>10,774,582</u>
Total Net Position	<u><b>\$ 47,299,398</b></u>	<u><b>\$ 45,370,570</b></u>	<u><b>\$ 44,581,860</b></u>

## ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018, December 31, 2017 and December 31, 2016

### FINANCIAL ANALYSIS OF RMU (cont.)

**Table 2**  
**Condensed Statements of Net Position**

**Water and Water Reclamation Utility**

	12/31/18	12/31/17	12/31/16
Current Assets/Deferred Outflows of Resources	\$ 10,559,529	\$ 10,498,115	\$ 7,865,350
Capital Assets	39,910,131	37,268,990	37,313,858
<b>Total Assets and Deferred Outflows</b>	<b>50,469,660</b>	<b>47,767,105</b>	<b>45,179,208</b>
Long-term Liabilities	6,492,145	5,651,070	4,100,068
Other Liabilities/Deferred Inflows of Resources	2,093,483	1,132,956	1,262,707
<b>Total Liabilities and Deferred Inflows</b>	<b>8,585,628</b>	<b>6,799,983</b>	<b>5,362,775</b>
Net Investment in Capital Assets	35,515,564	32,214,795	33,705,066
Restricted	555,194	541,403	912
Unrestricted	7,813,274	8,210,924	6,110,455
<b>Total Net Position</b>	<b>\$ 41,884,032</b>	<b>\$ 40,967,122</b>	<b>\$ 39,816,433</b>

## ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018, December 31, 2017 and December 31, 2016

### FINANCIAL ANALYSIS OF RMU (cont.)

**Table 3**  
**Condensed Statements of Net Position**

	<b>Technology Center Utility</b>		
	<u>12/31/18</u>	<u>12/31/17*</u>	<u>12/31/16</u>
Current and Other Assets	\$ 624,490	\$ 329,687	\$ 152,156
Capital Assets	<u>5,190,475</u>	<u>5,396,806</u>	<u>4,753,952</u>
 Total Assets and Deferred Outflows	 <b><u>5,726,493</u></b>	 <b><u>5,726,493</u></b>	 <b><u>4,906,108</u></b>
 Long-term Liabilities	 4,742,511	 4,989,195	 3,681,365
Other Liabilities/Deferred Inflows of Resources	<u>513,787</u>	<u>737,298</u>	<u>345,694</u>
 Total Liabilities and Deferred Inflows	 <b><u>5,256,298</u></b>	 <b><u>5,344,264</u></b>	 <b><u>4,027,059</u></b>
 Net Investment in Capital Assets	 2,033,006	 1,926,092	 1,268,952
Restricted	-	-	-
Unrestricted (Deficit)	<u>(1,474,339)</u>	<u>(1,543,863)</u>	<u>(389,903)</u>
 Total Net Position	 <b><u>\$ 558,667</u></b>	 <b><u>\$ 382,229</u></b>	 <b><u>\$ 879,049</u></b>

\*The Communications Utility was combined with the Technology Center Utility in 2017.

The largest portion of RMU's net position (72%) reflects its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and infrastructure), less any outstanding debt used to acquire those assets that is still outstanding. RMU employs these capital assets to provide electric, water, water reclamation, and communication services to our service area. Consequently, these assets are restricted for future spending. Although the utility's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the associated debt must be provided from other cash generating sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of RMU's net position (10%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (18%) may be used to meet the utilities' ongoing obligations to rate payers and creditors.

# ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018, December 31, 2017 and December 31, 2016

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## **FINANCIAL ANALYSIS OF RMU (cont.)**

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### ***ELECTRIC OPERATIONS***

Electric operations increased the 2018 utility's net position by \$2,342,284. This increase is primarily a result of the following items:

- Stability of purchased power costs
- Continuation of the 5kV conversion
- Increase of FERC tariff revenue stream

### ***WATER/WATER RECLAMATION OPERATIONS***

Water/Water Reclamation operations increased the 2018 utility's net position by \$1,108,281. This increase is primarily a result of the following items:

- Construction of radium removal plant
- Improvements at the wastewater treatment plant
- Sewer lining project

### ***TECHNOLOGY CENTER***

Technology Center and Communication operations decreased the 2018 utility's net position by \$247,317. This increase is the result of the following item:

- Additional fiber customers

## ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018, December 31, 2017 and December 31, 2016

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### FINANCIAL ANALYSIS OF RMU (cont.)

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The Statement of Revenues, Expenses and Changes in Net Position provides an indication of the utilities' financial health.

**Table 4**  
**Condensed Statement of Revenues, Expenses**  
**and Changes in Net Position**

	<b>Electric Utility</b>		
	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>
Operating revenues	\$ 39,259,775	\$ 39,332,596	\$ 26,857,413
Non-operating revenues	<u>179,432</u>	<u>61,032</u>	<u>19,031</u>
Total Revenues	<u>39,439,007</u>	<u>39,393,628</u>	<u>26,876,444</u>
Depreciation expense	2,983,020	3,022,190	1,901,760
Other operating expenses	31,598,241	32,541,059	21,605,476
Non-operating expenses	<u>538,435</u>	<u>684,667</u>	<u>382,426</u>
Total Expenses	<u>35,119,696</u>	<u>36,247,916</u>	<u>23,889,662</u>
Income Before Capital Contributions and Transfers	4,319,311	3,145,712	2,986,782
Capital contributions Transfers	<u>(1,977,027)</u>	<u>(2,039,828)</u>	<u>(1,212,448)</u>
Changes in Net Position	2,342,284	1,105,884	1,774,334

# ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018, December 31, 2017 and December 31, 2016

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## FINANCIAL ANALYSIS OF RMU (cont.)

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**Table 5**  
**Condensed Statement of Revenues, Expenses**  
**and Changes in Net Position**

**Water and Water Reclamation Utility**

	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>
Operating revenues	\$ 6,200,812	\$ 6,185,697	\$ 3,879,222
Non-operating revenues	<u>86,445</u>	<u>24,546</u>	<u>6,935</u>
Total Revenues	<u>6,287,257</u>	<u>6,211,243</u>	<u>3,886,157</u>
Depreciation expense	1,713,851	1,581,642	999,044
Other operating expenses	3,811,732	2,992,224	2,080,786
Non-operating expenses	<u>98,467</u>	<u>108,404</u>	<u>6,730</u>
Total Expenses	<u>5,624,050</u>	<u>4,682,270</u>	<u>3,086,560</u>
Income Before Capital Contributions and Transfers	663,207	1,528,973	799,597
Capital contributions	724,344		1,290,000
Transfers	<u>(279,270)</u>	<u>(230,341)</u>	<u>(169,555)</u>
Changes in Net Position	1,108,281	1,298,632	1,920,042

# ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018, December 31, 2017 and December 31, 2016

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## FINANCIAL ANALYSIS OF RMU (cont.)

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**Table 6**  
**Condensed Statement of Revenues, Expenses**  
**and Changes in Net Position**

**Technology Center Utility**

	<u>12/31/18</u>	<u>12/31/17*</u>	<u>12/31/16</u>
Operating revenues	\$ 1,394,169	\$ 1,287,994	\$ 761,308
Non-operating revenues	<u>2,533</u>	<u>459</u>	<u>188</u>
Total Revenues	<u>1,396,702</u>	<u>1,288,453</u>	<u>761,496</u>
Depreciation expense	206,331	218,515	94,355
Other operating expenses	827,465	884,161	450,033
Non-operating expenses	<u>115,589</u>	<u>81,644</u>	<u>102,281</u>
Total Expenses	<u>1,149,385</u>	<u>1,184,320</u>	<u>646,669</u>
Changes in Net Position	247,317	(316,574)	114,827

\*The Communications Utility was combined with the Technology Center Utility in 2017.



# ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018, December 31, 2017 and December 31, 2016

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## RMU BUDGETARY HIGHLIGHTS

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The final Electric Fund revenue budget, including other non-operating income, totaled \$40,262,373. Actual revenues, including non-operating income were \$39,439,007. Total budgeted expenses were \$39,856,622. The Electric Fund's actual expenses totaled \$35,119,696 including non-operating expenses. This provided income before contributions and transfers of \$4,319,311.

The final Water/Water Reclamation Fund revenue budget totaled \$6,695,038 with actual revenues of \$6,287,257. The Water/Water Reclamation Fund's budgeted expenses were \$5,857,510, while actual expenses totaled \$5,624,050. This provided income before contributions and transfers of \$663,207.

The final Technology Center Fund expenditure budget totaled \$1,236,375 while the revenue budget was \$1,418,200. The actual expenses totaled \$1,149,385 while total revenues were \$1,396,702. This provided income before contributions of \$247,317.

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## LONG-TERM DEBT

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At December 31, 2018, the Electric fund had \$13,895,000 of long-term bonds outstanding. According to the ordinances authorizing the issuance of the Series 2014 and 2015 Electric System Revenue Bonds, RMU will provide net revenues in each fiscal year in the amount equal to not less than 1.2 times the principal and interest requirements coming due during the current year with respect to outstanding bonds. RMU – Electric Fund had net revenues of \$7,302,331 and the fiscal year 2018 revenue bond debt service amounted to \$1,228,865 resulting in a debt service coverage ratio of 5.94.

The repayment of bonds is covered by operating revenues.

On October 21, 2014, the utility issued \$6,000,000 of electric debt to finance projects relating to the electric system. The debt is payable over 20 years at interest rates ranging from 2.00% to 5.00%.

On February 18, 2015, the utility currently refunded \$9,455,000 of electric debt at interest rates ranging from 3.00% - 4.00%. The refunded debt is payable over a 15-year period with the final payment commencing in 2030.

At December 31, 2018, the Water and Water Reclamation fund had \$6,394,567 of long-term IEPA loans outstanding.

The repayment of loans is covered by operating revenues.

On August 30, 2017, the utility borrowed \$3,345,195 from the IEPA to finance the Well #11 project. The debt is payable over 20 years and bears an interest rate of 1.32%. Construction is expected to be completed in the fall of 2018 with the first payment due December 12, 2018.

On October 17, 2015, the utility borrowed \$4,879,732 from the IEPA to finance the Well #12 project. The debt is payable over 20 years and bears an interest rate of 1.86%.

## **ROCHELLE MUNICIPAL UTILITIES**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2018, December 31, 2017 and December 31, 2016

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### **LONG-TERM DEBT (cont.)**

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On March 1, 2007, the utility borrowed \$600,000 from the IEPA to finance the Askvig Sewer project. The debt is payable over 20 years and bears an interest rate of 2.50%.

The repayment of debt certificates is covered from operating revenues.

At December 31, 2018, the Technology Center fund had \$3,075,000 of long-term debt certificates outstanding.

On December 12, 2017, the utility issued \$3,140,000 of limited tax refunding debt certificates to refund the 2008 issue. The debt is payable over 10 years and bears an interest rate ranging from 2%-4%.

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### **CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS**

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All currently known facts and economic conditions were considered in preparing the 2019 utility budget. None of these conditions are anticipated to significantly change the overall financial position of the utility.

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### **REQUESTS FOR INFORMATION**

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The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the utilities' finances. If you have questions about this report, or need any additional information, contact Rochelle Municipal Utilities, Chris Cardott, Finance Director, 420 N. 6<sup>th</sup> St., Rochelle, IL 61068 or e-mail [ccardott@rochelleil.us](mailto:ccardott@rochelleil.us).

## **BASIC FINANCIAL STATEMENTS**

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION

December 31, 2018

	<b>Electric</b>	<b>Water and Water Reclamation</b>	<b>Technology Center</b>	<b>Total</b>
<b>CAPITAL ASSETS</b>				
Depreciable - Plant in Service	\$ 86,302,679	\$ 67,271,456	\$ 9,218,544	\$ 162,792,679
Accumulated Depreciation	(50,312,065)	(32,828,571)	(4,547,522)	(87,688,158)
Nondepreciable	7,329,315	5,467,246	519,453	13,316,014
Net Capital Assets	43,319,929	39,910,131	5,190,475	88,420,535
<b>CURRENT ASSETS</b>				
Cash and Investments	7,701,657	7,025,480	320,850	15,047,987
Receivables				
Accounts	4,521,828	899,378	135,121	5,556,327
Accrued Interest	-	378	-	378
Other	174,630	17,055	-	191,685
Due from Other Governments	-	293,981	-	293,981
Due from Other Funds	-	39,591	-	39,591
Prepaid Expenses	2,350	1,945	7,520	11,815
Deposits	300,000	-	-	300,000
Inventory	1,278,485	-	-	1,278,485
Restricted Assets				
Cash and Investments	8,009,471	555,194	-	8,564,665
Total Current Assets	21,988,421	8,833,002	463,491	31,284,914
<b>NONCURRENT ASSETS</b>				
Advances to Other Funds	409,044	1,345,736	-	1,754,780
Special Assessments	-	205,955	-	205,955
Total Noncurrent Assets	409,044	1,551,691	-	1,960,735
Total Assets	65,717,394	50,294,824	5,653,966	121,666,184
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Items - IMRF	370,321	174,836	66,419	611,576
Unamortized Loss on Refunding	239,212	-	94,580	333,792
Total Deferred Outflows of Resources	609,533	174,836	160,999	945,368
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 66,326,927</b>	<b>\$ 50,469,660</b>	<b>\$ 5,814,965</b>	<b>\$ 122,611,552</b>

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)

December 31, 2018

	<b>Electric</b>	<b>Water and Water Reclamation</b>	<b>Technology Center</b>	<b>Total</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 28,749,067	\$ 33,515,564	\$ 2,033,006	\$ 64,297,637
Restricted for Debt Service	8,009,471	555,194	-	8,564,665
Unrestricted (Deficit)	10,540,860	7,813,274	(1,474,339)	16,879,795
<b>Total Net Position</b>	<b>47,299,398</b>	<b>41,884,032</b>	<b>558,667</b>	<b>89,742,097</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Items - IMRF	1,000,863	463,380	171,682	1,635,925
Pension Items - OPEB	9,307	4,308	1,595	15,210
<b>Total Deferred Inflows of Resources</b>	<b>1,010,170</b>	<b>467,688</b>	<b>173,277</b>	<b>1,651,135</b>
<b>LONG-TERM LIABILITIES</b>				
General Obligation Bonds Payable	-	-	2,887,469	2,887,469
Revenue Bonds Payable	14,180,074	-	-	14,180,074
IEPA Loans Payable	-	6,229,109	-	6,229,109
Net Pension Liability	320,083	154,008	59,880	533,971
OPEB Liability	235,556	109,028	40,382	384,966
Advance from Other Funds	-	-	1,754,780	1,754,780
<b>Total Long-Term Liabilities</b>	<b>14,735,713</b>	<b>6,492,145</b>	<b>4,742,511</b>	<b>25,970,369</b>
<b>CURRENT LIABILITIES</b>				
Accounts Payable	2,240,225	1,298,205	42,703	3,581,133
Accrued Payroll	8,589	4,043	690	13,322
Accrued Interest Payable	98,273	5,948	-	104,221
Other Payables	82,366	61,783	2,738	146,887
General Obligation Debt Payable	-	-	270,000	270,000
Revenue Bonds Payable	630,000	-	-	630,000
IEPA Loans Payable	-	165,458	-	165,458
OPEB Liability	94,101	43,556	16,132	153,789
Compensated Absences Payable	128,092	46,802	8,247	183,141
<b>Total Current Liabilities</b>	<b>3,281,646</b>	<b>1,625,795</b>	<b>340,510</b>	<b>5,247,951</b>
<b>Total Liabilities</b>	<b>18,017,359</b>	<b>8,117,940</b>	<b>5,083,021</b>	<b>31,218,320</b>
<b>TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES</b>	<b>\$ 66,326,927</b>	<b>\$ 50,469,660</b>	<b>\$ 5,814,965</b>	<b>\$ 122,611,552</b>

See accompanying notes to financial statements.

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2018

	<b>Electric</b>	<b>Water and Water Reclamation</b>	<b>Technology Center</b>	<b>Total</b>
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 39,026,749	\$ 6,183,478	\$ 1,394,169	\$ 46,604,396
Miscellaneous	233,026	17,334	-	250,360
Total Operating Revenues	<u>39,259,775</u>	<u>6,200,812</u>	<u>1,394,169</u>	<u>46,854,756</u>
<b>OPERATING EXPENSES</b>				
Operations	31,598,241	3,811,732	827,465	36,237,438
Depreciation and Amortization	2,983,020	1,713,851	206,331	4,903,202
Total Operating Expenses	<u>34,581,261</u>	<u>5,525,583</u>	<u>1,033,796</u>	<u>41,140,640</u>
OPERATING INCOME	<u>4,678,514</u>	<u>675,229</u>	<u>360,373</u>	<u>5,714,116</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment Income	179,232	86,445	2,533	268,210
Interest Expense	(538,435)	(98,467)	(115,589)	(752,491)
Total Non-Operating Revenues (Expenses)	<u>(359,203)</u>	<u>(12,022)</u>	<u>(113,056)</u>	<u>(484,281)</u>
NET INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	<u>4,319,311</u>	<u>663,207</u>	<u>247,317</u>	<u>5,229,835</u>
<b>TRANSFERS</b>				
Transfers to the City	(1,977,027)	(279,270)	-	(2,256,297)
Total Transfers	<u>(1,977,027)</u>	<u>(279,270)</u>	<u>-</u>	<u>(2,256,297)</u>
<b>CONTRIBUTIONS</b>	<u>-</u>	<u>724,344</u>	<u>-</u>	<u>724,344</u>
CHANGE IN NET POSITION	<u>2,342,284</u>	<u>1,108,281</u>	<u>247,317</u>	<u>3,697,882</u>
NET POSITION, JANUARY 1	<u>45,370,570</u>	<u>40,967,122</u>	<u>382,229</u>	<u>86,719,921</u>
Change in Accounting Principle	(413,456)	(191,371)	(70,879)	(675,706)
NET POSITION, JANUARY 1, RESTATED	<u>44,957,114</u>	<u>40,775,751</u>	<u>311,350</u>	<u>86,044,215</u>
<b>NET POSITION, DECEMBER 31</b>	<u>\$ 47,299,398</u>	<u>\$ 41,884,032</u>	<u>\$ 558,667</u>	<u>\$ 89,742,097</u>

See accompanying notes to financial statements.

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

	Electric	Water and Reclamation	Technology Center	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers and Users	\$ 39,683,087	\$ 6,701,483	\$ 1,243,177	\$ 47,627,747
Receipts from Interfund Service Transactions	-	-	67,223	67,223
Payments to Suppliers	(29,683,760)	(1,426,271)	(178,957)	(31,288,988)
Payments to Employees	(1,209,259)	(1,552,223)	(224,329)	(2,985,811)
Payments to Other Funds	(469,476)	(438,712)	(380,494)	(1,288,682)
Net Cash from Operating Activities	8,320,592	3,284,277	526,620	12,131,489
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Receipts of Loans from Other Funds	49,389	-	265,586	314,975
Repayment of Loans from Other Funds	-	-	(49,389)	(49,389)
Loans Provided to Other Funds	-	(305,177)	-	(305,177)
Transfers to the City	(1,977,027)	(279,270)	-	(2,256,297)
Net Cash from Noncapital Financing Activities	(1,927,638)	(584,447)	216,197	(2,295,888)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital Assets Purchased	(2,810,932)	(4,243,675)	-	(7,054,607)
Issuance of Long-Term Debt	-	2,073,609	-	2,073,609
Principal Payments on Long-Term Debt	(615,000)	(733,237)	(305,000)	(1,653,237)
Interest Payments on Long-Term Debt	(594,521)	(93,578)	(119,500)	(807,599)
Grant Receipts	-	724,344	-	724,344
Net Cash from Capital and Related Financing Activities	(4,020,453)	(2,272,537)	(424,500)	(6,717,490)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest Received on Investments	179,232	86,460	2,533	268,225
Net Cash from Investing Activities	179,232	86,460	2,533	268,225
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,551,733	513,753	320,850	3,386,336
CASH AND CASH EQUIVALENTS, JANUARY 1	13,159,395	7,066,921	-	20,226,316
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 15,711,128</b>	<b>\$ 7,580,674</b>	<b>\$ 320,850</b>	<b>\$ 23,612,652</b>

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS (Continued)

For the Year Ended December 31, 2018

	Electric	Water and Reclamation	Technology Center	Total
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating Income	\$ 4,678,514	\$ 675,229	\$ 360,373	\$ 5,714,116
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities				
Depreciation and Amortization	2,983,020	1,713,851	206,331	4,903,202
Changes in Assets and Liabilities				
Accounts Receivable	296,952	415,661	(83,769)	628,844
Other Receivables	126,360	41,021	-	167,381
Prepaid Expenses	67,303	-	(164)	67,139
Inventory	102,706	-	-	102,706
Deposits	-	14,579	-	14,579
Special Assessments	-	29,410	-	29,410
Pension Items - IMRF	240,432	111,286	41,217	392,935
OPEB Items	(74,492)	(34,479)	(12,770)	(121,741)
Accounts Payable	(79,803)	330,354	29,280	279,831
Accrued Payroll	8,829	4,043	690	13,562
Other Payables	(28,096)	-	-	(28,096)
Compensated Absences	(1,133)	(16,678)	(14,568)	(32,379)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 8,320,592</b>	<b>\$ 3,284,277</b>	<b>\$ 526,620</b>	<b>\$ 12,131,489</b>
<b>CASH AND INVESTMENTS</b>				
Cash and Cash Investments	\$ 7,701,657	\$ 7,025,480	\$ 320,850	\$ 15,047,987
Restricted Assets				
Cash and Investments	8,009,471	555,194	-	8,564,665
<b>TOTAL CASH AND INVESTMENTS</b>	<b>\$ 15,711,128</b>	<b>\$ 7,580,674</b>	<b>\$ 320,850</b>	<b>\$ 23,612,652</b>
<b>NONCASH TRANSACTIONS</b>				
Illinois EPA Loan Receivable	\$ -	\$ 79,977	\$ -	\$ 79,977
Illinois EPA Loan Payable	-	(79,977)	-	(79,977)
<b>TOTAL NONCASH TRANSACTIONS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying notes to financial statements.



**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Rochelle Municipal Utilities (RMU) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units and regulated enterprises (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the RMU's accounting policies are described below.

**A. Reporting Entity**

RMU is comprised of certain proprietary funds of the City of Rochelle, Illinois (the City). RMU is accounted for as a distinct and separate departmental entity of the City and includes the City's Electric Fund, the Water and Water Reclamation Fund, the Communications Fund and the Technology Center Fund.

The Electric Utility Fund accounts for the activities of the electric system. The Electric Fund's present generation capacity consists of ten diesel generating units (with an aggregate a nameplate rating of 22,700 KW) and one solar gas turbine generator unit (with a nameplate rating of 4,200 KW).

The Water and Water Reclamation Fund accounts for the activities of the water and water reclamation system. The water and water reclamation system provides water supply to residents and businesses in the City and operates and maintains sanitary sewers and wastewater treatment facilities. Water is obtained from four deep wells with a combined capacity of approximately 8.0 million gallons per day, compared to a daily demand of 3.4 million gallons in the service area. A 4.9 million gallon per day sewerage plant provides primary, secondary and tertiary treatment for the 2.5 million gallons per day wastewater flow discharge from the plant.

The Technology Center Fund accounts for the activities of the RMU Technology Center that accounts for revenue received for rack space, collocation space and dark fiber and expenses associated with the construction of the Technology Center, debt service and fiber infrastructure. This fund also accounts for the activities of a fiber optic network that provides internet and high-speed data transfer services to customers in the City and the surrounding area.

**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting**

RMU uses funds to report on its financial position and changes in its financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. RMU's funds are classified as proprietary funds.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

RMU's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Operating revenues/expenses include all revenues/expenses directly related to providing enterprise fund services. Incidental revenues/expenses are reported as non-operating.

RMU reports unearned revenue on its financial statements. Unearned revenue arises when a revenue is measurable but not earned under the accrual basis of accounting. Unearned revenues also arise when resources are received by RMU before it has a legal claim to them or prior to the provision of services, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when RMU has a legal claim to the resources, the liability for unearned revenue is removed from the financial statements and revenue is recognized.

**D. Cash and Investments**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, RMU considers their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Cash and Investments (Continued)

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

E. Materials and Supplies Inventory

Electric Fund - Inventory consisting of natural gas, diesel fuel and materials and supplies are generally used for construction or operations, not for resale. They are valued at average cost and charged to construction or expense when used.

Water and Water Reclamation Fund - Inventory consisting of materials and supplies are generally used for construction or operations, not for resale. Inventory is valued at average cost and is charged to system improvements or expense when used.

Technology Center Fund - Inventory consisting of fiber optic cable and materials and supplies, are used in the course of operation. They are valued at average cost and are charged to system improvements or expense when used.

F. Restricted Assets

Certain cash and investments of RMU are restricted in accordance with the ordinances authorizing the issuance of the revenue bonds and loan agreements with the Illinois Environmental Protection Agency (IEPA). These assets are reflected as restricted cash and investments and restrictions of net position.

G. Prepaid Items/Expenses

Payments made to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid items/expenses.

**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

H. Capital Assets

Capital assets are defined by RMU as assets with an initial, individual cost in excess of the following and an estimated useful life in excess of one year.

Asset Class	Capitalization Threshold
Vehicles, Machinery, Furniture and Equipment	\$ 5,000
Buildings, Land Improvements and Infrastructure (All Systems)	25,000

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs, including street overlays that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	25-40
Vehicles, Machinery and Equipment	5-20
Land Improvements	20-30
Utilities System	5-77
Infrastructure	10-50

I. Vacation, Sick Pay and Other Employee Benefits

Vested and accumulated vacation is recorded as an expense and liability as the benefits accrue to employees. Sick leave does not vest or accumulate and, therefore, no liability has been recorded for sick leave.

**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

J. Interfund Transactions

Interfund service transactions are accounted for as revenues or expenses. Transactions that constitute reimbursements to a fund for expenses initially made from it that are properly applicable to another fund, are recorded as expenses in the reimbursing fund and as reductions of expenses in the fund that is reimbursed.

All other interfund transactions, except interfund service transactions and reimbursements, are reported as transfers.

K. Interfund Receivables/Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

L. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable proprietary fund financial statements. Bond premiums and discounts and gains/losses on refundings, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

M. Net Position

Restricted net position is legally restricted by outside parties for a specific purpose. None of RMU’s restricted net position result from enabling legislation adopted by the City. Net investment in capital assets represents RMU’s investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset.

When both restricted and unrestricted resources are available for use, it is RMU’s policy to use restricted resources first, then unrestricted resources as they are needed.

**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

O. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**2. CASH AND INVESTMENTS**

RMU participates in a cash and investment pool maintained by the City. The investments are governed by an investment policy for the City adopted by the City Council.

RMU categorizes the fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

In accordance with the City's investment policy, monetary assets may be placed in all instruments permitted by the Illinois Public Funds Investment Act. This act permits deposits and investments in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, obligations of states and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services and The Illinois Funds.

It is the policy of the City to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio.

**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**2. CASH AND INVESTMENTS (Continued)**

The primary objectives of the policy are safety (preservation of capital and protection of investment principal), liquidity and yield.

Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the City's deposits may not be returned to it. The City's investment policy requires pledging of collateral with a fair value of 110% of all bank balances in excess of federal depository insurance, evidenced by a written collateral agreement with the collateral held by an agent of the City in the City's name.

Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City limits its exposure to interest rate risk by structuring the portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter term securities, money market mutual funds or similar investment pools. Unless matched to a specific cash flow, the City does not directly invest in securities maturing more than five years from the date of purchase.

The City limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in obligations guaranteed by the U.S. Treasury obligations or U.S. securities issued by agencies of the United States Government that are explicitly guaranteed by the United States Government (GNMAs and Federal Home Loan Bank). However, the investment policy is generally silent regarding credit risk.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the City will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the City's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by a third party acting as the City's agent separate from where the investment was purchased. The money market mutual funds are not subject to custodial credit risk.

The City's investment policy is silent on concentration of credit risk.

The City's investment policy specifically prohibits the use of or the investment in derivatives, unless separately approved by the City Council.

The City does not hold any investments required to be reported at fair value.

**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**3. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>ELECTRIC</b>				
Capital Assets not Being Depreciated				
Land	\$ 697,664	\$ -	\$ -	\$ 697,664
Construction in Progress	5,632,370	2,287,158	1,287,877	6,631,651
Total Capital Assets not Being Depreciated	6,330,034	2,287,158	1,287,877	7,329,315
Capital Assets Being Depreciated				
Generation	14,406,195	100,359	-	14,506,554
Transmission	15,979,852	75,405	-	16,055,257
Distribution	50,966,529	1,127,872	19,709	52,074,692
General	3,666,176	-	-	3,666,176
Total Capital Assets Being Depreciated	85,018,752	1,303,636	19,709	86,302,679
Less Accumulated Depreciation for				
Generation	7,103,223	316,301	-	7,419,524
Transmission	9,083,718	577,427	-	9,661,145
Distribution	30,101,533	2,015,951	19,709	32,097,775
General	1,060,281	73,340	-	1,133,621
Total Accumulated Depreciation	47,348,755	2,983,019	19,709	50,312,065
Total Capital Assets Being Depreciated, Net	37,669,997	(1,679,383)	-	35,990,614
<b>TOTAL ELECTRIC CAPITAL ASSETS, NET</b>	<b>\$ 44,000,031</b>	<b>\$ 607,775</b>	<b>\$ 1,287,877</b>	<b>\$ 43,319,929</b>
<b>WATER AND WATER RECLAMATION</b>				
Capital Assets not Being Depreciated				
Land	\$ 262,358	\$ -	\$ -	\$ 262,358
Construction in Progress	1,616,724	4,509,985	921,821	5,204,888
Total Capital Assets not Being Depreciated	1,879,082	4,509,985	921,821	5,467,246
Capital Assets Being Depreciated				
Infrastructure	56,136,860	748,588	-	56,885,448
Equipment	10,367,768	18,240	-	10,386,008
Total Capital Assets Being Depreciated	66,504,628	766,828	-	67,271,456
Less Accumulated Depreciation for				
Infrastructure	24,445,543	1,449,084	-	25,894,627
Equipment	6,669,177	264,767	-	6,933,944
Total Accumulated Depreciation	31,114,720	1,713,851	-	32,828,571
Total Capital Assets Being Depreciated, Net	35,389,908	(947,023)	-	34,442,885
<b>TOTAL WATER AND WATER RECLAMATION CAPITAL ASSETS, NET</b>	<b>\$ 37,268,990</b>	<b>\$ 3,562,962</b>	<b>\$ 921,821</b>	<b>\$ 39,910,131</b>



**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**3. CAPITAL ASSETS (Continued)**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>TECHNOLOGY CENTER</b>				
Capital Assets not Being Depreciated				
Land Rights	\$ 519,453	\$ -	\$ -	\$ 519,453
Total Capital Assets not Being Depreciated	519,453	-	-	519,453
Capital Assets Being Depreciated				
Building	4,426,727	428	-	4,427,155
General	4,791,817	-	428	4,791,389
Total Capital Assets Being Depreciated	9,218,544	428	428	9,218,544
Less Accumulated Depreciation for				
Building	3,979,542	164,568	428	4,143,682
General	361,649	42,191	-	403,840
Total Accumulated Depreciation	4,341,191	206,759	428	4,547,522
Total Capital Assets Being Depreciated, Net	4,877,353	(206,331)	-	4,671,022
<b>TOTAL TECHNOLOGY CENTER CAPITAL ASSETS, NET</b>	<b>\$ 5,396,806</b>	<b>\$ (206,331)</b>	<b>\$ -</b>	<b>\$ 5,190,475</b>

**4. LONG-TERM DEBT**

	Balances January 1, As restated	Additions	Reductions	Balances December 31	Current Portion
<b>BUSINESS-TYPE ACTIVITIES</b>					
Revenue Bonds					
2014 Electric System Bonds	\$ 5,905,000	\$ -	\$ 90,000	\$ 5,815,000	\$ 95,000
2015 Electric System Bonds	8,605,000	-	525,000	8,080,000	535,000
Total Revenue Bonds	14,510,000	-	615,000	13,895,000	630,000
General Obligation Debt Certificates	3,380,000	-	305,000	3,075,000	270,000
IEPA Revolving Loans	5,054,195	2,073,609	733,237	6,394,567	165,458
Unamortized Premium	1,078,020	-	80,477	997,543	-
Compensated Absences	215,520	183,141	215,520	183,141	183,141
Net Pension Liability - IMRF	2,679,131	-	2,145,160	533,971	-
OPEB Liability	675,706	-	136,951	538,755	153,789
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 27,592,572</b>	<b>\$ 2,256,750</b>	<b>\$ 4,231,345</b>	<b>\$ 25,617,977</b>	<b>\$ 1,402,388</b>

**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**4. LONG-TERM DEBT (Continued)**

Bonds payable at December 31, 2018 are comprised of the following:

General Obligation Debt

	Total	Current Portion
\$3,140,000 2017A Limited Tax Refunding Debt Certificates, due in annual installments of \$65,000 to \$350,000 from June 30, 2018 to June 30, 2028, interest at 2% to 4%, retired by the Technology Center Fund.	\$ 3,075,000	\$ 270,000
<b>TOTAL</b>	<b>\$ 3,075,000</b>	<b>\$ 270,000</b>

Revenue and Alternate Revenue Source Bonds

\$6,000,000 Series 2014 Electric System Revenue Bonds due in annual installments of \$95,000 to \$1,215,000, through May 1, 2034, interest from 2% to 5%.	\$ 5,815,000	\$ 95,000
\$9,110,000 Series 2015 Electric System Revenue Refunding Revenue Bonds, due in annual installments of \$505,000 to \$830,000, through May 1, 2030, interest from 3% to 4%.	8,080,000	535,000
<b>TOTAL</b>	<b>\$ 13,895,000</b>	<b>\$ 630,000</b>

Illinois EPA Loans

	Total	Current Portion
\$600,000 Illinois EPA low interest loan related to the Askvig Subdivision project, due in semiannual installments of \$19,532, through May 2027, interest at 2.50%.	\$ 297,472	\$ 31,825
\$4,879,732 Illinois EPA low interest loan related to the Well #12 Project, due in semiannual installments of \$94,545, through November 2036, interest at 1.86%.	3,437,261	133,633
\$3,345,195 Illinois EPA low interest loan related to the Well #11 Project.*	2,659,834	-
<b>TOTAL</b>	<b>\$ 6,394,567</b>	<b>\$ 165,458</b>

\*The City had not drawn the full amount of the Illinois EPA loan at December 31, 2018; therefore, a debt service to maturity schedule is not available.

**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**4. LONG-TERM DEBT (Continued)**

Debt Service to Maturity

The annual requirements to amortize all debt outstanding as of December 31, 2018, are as follows:

Year Ending December 31,	G.O. Debt Certificates		Revenue Bonds		Illinois EPA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 270,000	\$ 97,850	\$ 630,000	\$ 580,190	\$ 194,228	\$ 70,060
2020	275,000	89,675	650,000	558,240	198,064	66,224
2021	285,000	81,275	675,000	532,740	201,976	62,312
2022	290,000	72,650	700,000	506,240	205,966	58,322
2023	300,000	63,800	730,000	478,140	210,036	54,252
2024-2028	1,655,000	141,550	4,105,000	1,919,945	1,054,826	208,738
2029-2033	-	-	5,190,000	963,590	1,014,376	113,544
2034-2036	-	-	1,215,000	30,375	655,261	21,492
<b>TOTAL</b>	<b>\$ 3,075,000</b>	<b>\$ 546,800</b>	<b>\$ 13,895,000</b>	<b>\$ 5,569,460</b>	<b>\$ 3,734,733</b>	<b>\$ 654,944</b>

The bonds of several issues are subject to redemption and payment prior to their maturity, at the option of the City.

Revenue Source Bonds

The City issued the Series 2008 Refunding Electric Alternate Revenue Source Bonds, the Series 2014 Electric Revenue Alternate Revenue Source Bonds and the Series 2015 Refunding Electric Alternate Revenue Source Bonds to provide funds for electric capital improvements. These bonds are payable from a pledge of the City's electric revenues and are being repaid by the Electric Fund. The bonds are payable solely from electric revenues and are payable through 2034. The total principal and interest remaining to be paid on the bonds as of December 31, 2018 is \$19,464,460. Principal and interest paid for the current year was \$1,213,865 or 15.85% of total customer net revenues of \$7,656,460.

**5. REVENUE BONDS**

The revenue bond ordinances require that all revenues derived from the operation of the Electric Fund be segregated in separate accounts, in the priority indicated by the order of the following:

Account	Amount	Nature of Authorized Expenditures
Operation and Maintenance	Sufficient amount to pay reasonable expenses for one month's operations	Expenses of operating, maintaining and repairing the system
Bond and Interest	Amount sufficient to pay the current bond and interest maturities	Paying principal and interest on bonds

**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**5. REVENUE BONDS (Continued)**

Account	Amount	Nature of Authorized Expenditures
Bond Reserve	\$30,000 per month until account aggregates an amount equal to bond and interest requirements for any succeeding fiscal year	Paying principal and interest on bonds when there are insufficient funds in the bond and interest account
Depreciation, Improvement and Extension	\$20,000 per month until the account aggregates a minimum of \$7,000,000	Cost of extraordinary maintenance, necessary replacement and improvement or extension of the system
Capital Improvement	\$120,000 per month until the account aggregates a minimum of \$1,500,000	Capital improvements and repairs to or extensions of the system and any extraordinary repairs or replacements
Surplus Revenue	The amount remaining after payment into the above four accounts	Making up deficiencies in the aforementioned accounts, paying of junior lien bonds and for any other lawful corporate purpose

The City has complied with all significant limitations, restrictions and bond covenants during the year ended December 31, 2018. The restricted assets and restricted net position for purposes other than bond proceeds and the expenses of operating, maintaining and repairing the system, is as follows:

**RESTRICTED BOND ORDINANCE ACCOUNTS**

Bond and Interest Account	\$ 775,593
Bond Reserve Account	1,316,114
Capital Improvement Account	1,591,759
Depreciation, Improvement and Extension Account	<u>4,326,005</u>
<b>TOTAL</b>	<u><u>\$ 8,009,471</u></u>

**6. DEFINED BENEFIT PENSION PLAN**

RMU contributes, through the City, to the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system. However, RMU's participation in IMRF is equivalent to a cost sharing multiple-employer pension plan since only one actuarial valuation is performed for both the City and RMU combined. All disclosures for an agent plan can be found in the City's comprehensive annual financial report (CAFR).

**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**6. DEFINED BENEFIT PENSION PLAN (Continued)**

Illinois Municipal Retirement Fund

*Plan Administration*

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members.

The plan is accounted for on the economic resources measurement focus and the accrual basis of accounting. Employer and employee contributions are recognized when earned in the year that the contributions are required, benefits and refunds are recognized as an expense and liability when due and payable.

*Benefits Provided*

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

*Contributions*

Participating members are required to contribute 4.50% of their annual salary to IMRF. The City and RMU are required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution rate for the year ended December 31, 2018 was 11.34% of covered payroll. For the year ended December 31, 2018, salaries totaling \$3,551,656 were paid that required employer contributions of \$402,758, which was equal to the RMU's actual contributions.

**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**6. DEFINED BENEFIT PENSION PLAN (Continued)**

Illinois Municipal Retirement Fund (Continued)

*Net Pension Liability*

At December 31, 2018, RMU reported a liability of \$533,971 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. RMU's proportion of the net pension liability was based on RMU's actual contribution to the plan for the year ended December 31, 2018 relative to the contributions of the City, actuarially determined. At December 31, 2018, RMU's proportion was 57.20% of the total contribution.

*Actuarial Assumptions*

RMU's net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial Valuation Date	December 31, 2017
Actuarial Cost Method	Entry-Age Normal
Assumptions	
Inflation	2.50%
Salary Increases	3.39% to 14.25%
Interest Rate	7.50%
Cost of Living Adjustments	3.50%
Asset Valuation Method	Market Value

For nondisabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for nondisabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2017 (base year 2015). IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**6. DEFINED BENEFIT PENSION PLAN (Continued)**

Illinois Municipal Retirement Fund (Continued)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the employer's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources*

For the year ended December 31, 2018, RMU recognized pension expense of \$805,589. At December 31, 2018, RMU reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience Changes in Assumption	\$ 201,964	\$ 11,652
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,854	556,600
Contributions after Measurement Date	-	1,067,673
	402,758	-
<b>TOTAL</b>	<b>\$ 611,576</b>	<b>\$ 1,635,925</b>

\$402,758 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement period ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**6. DEFINED BENEFIT PENSION PLAN (Continued)**

Illinois Municipal Retirement Fund (Continued)

*Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)*

<u>Year Ending</u> <u>December 31,</u>	
2019	\$ (173,962)
2020	(276,194)
2021	(538,868)
2022	<u>(438,083)</u>
 TOTAL	 <u><u>\$ (1,427,107)</u></u>

*Discount Rate Sensitivity*

The following is a sensitive analysis of the net pension liability (asset) to changes in the discount rate. The table below presents the net pension liability (asset) of RMU calculated using the discount rate of 7.50% as well as what RMU's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability (Asset)	\$ 3,291,633	\$ 533,971	\$ (1,761,344)

**7. RISK MANAGEMENT**

RMU is exposed to various risks of loss, including but not limited to, property and casualty, general and public officials' liability, workers' compensation and employee's health. RMU mitigates these risks through participation in city-wide risk management programs. The City purchases commercial health insurance and is not aware of any additional amounts owed as of December 31, 2018 for the current or prior claim years. Additional information on the City's risk management program can be found in the City's CAFR.



**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**8. CONTRACTS, COMMITMENTS AND CONTINGENCIES**

A. Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

B. Grants

Amounts received and receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. Northern Illinois Municipal Power Agency

Northern Illinois Municipal Power Agency (NIMPA) is a joint municipal electric power agency and a body politic and corporate, municipal corporation and unit of local government of the State of Illinois. NIMPA was created by contract under Illinois' municipal joint action agency statutes as of May 24, 2004 for the purpose of effecting the joint development of electric energy resources for the production, transmission and distribution of electric power and energy. NIMPA's members currently consist of three Illinois municipalities, the Cities of Batavia, Geneva and Rochelle.

The City currently purchases power and energy from NIMPA under a power sales agreement, under which the City is allocated a percentage entitlement to NIMPA's 120 MW ownership interest in the Prairie State project. The Prairie State project is an approximately 1,620 MW "mine mouth" coal fired power generating facility located in Washington County, Illinois. The City's entitlement share of the Prairie State project is 25%, or 30 MW.

NIMPA's outstanding debt service obligation is to be paid by its members through their wholesale power charges through the remainder of the long-term contract, which is \$465 million as of December 31, 2018.

**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**9. INTERFUND ACCOUNTS**

A. Advances To/From

Advances to/from other RMU funds at December 31, 2018 consisted of the following:

	Advance From	Advance To
Electric Utility	\$ 409,044	\$ -
Water and Water Reclamation	1,345,736	-
Technology Center	-	1,754,780
<b>TOTAL</b>	<b>\$ 1,754,780</b>	<b>\$ 1,754,780</b>

The purposes of the advances from/to other funds are as follows:

- \$409,044 advanced from the Electric Utility Fund to the Technology Center Funds is for funding of cash shortfalls. Repayment is not expected within one year.
- \$1,345,736 advanced from the Water and Water Reclamation Fund to the Technology Center Funds is for funding of cash shortfalls. Repayment is not expected within one year.

B. Interfund Transfers

Interfund transfers during the year ended December 31, 2018 consisted of the following:

	Transfer In	Transfer Out
City - General Fund	\$ 2,256,297	\$ -
Electric Utility	-	1,977,027
Water and Water Reclamation	-	279,270
Technology	-	-
<b>TOTAL</b>	<b>\$ 2,256,297</b>	<b>\$ 2,256,297</b>

**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**9. INTERFUND ACCOUNTS (Continued)**

B. Interfund Transfers (Continued)

The purposes of significant interfund transfers are as follows:

- \$2,256,297 transferred to the City - General Fund was made up of \$1,977,027 from the Electric Fund and \$279,270 from the Water and Water Reclamation Fund for annual transfers as permitted under bond ordinances. The transfers will not be repaid.

**10. OTHER POSTEMPLOYMENT BENEFITS**

Plan Description

In addition to providing the pension benefits described, the City provides postemployment health care benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. Additional information regarding this plan can be found in the City's CAFR.

Benefits Provided

The City provides postemployment health care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the City's retirement plans.

The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous and substance abuse care; and prescriptions. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the City's plan becomes secondary.

Total OPEB Liability

RMU's total OPEB liability of \$538,755 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability at December 31, 2018, as determined by an actuarial valuation as of January 1, 2018 actuarial valuation, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liability was rolled forward by the actuary using updating procedures to December 31, 2018, including updating the discount rate at December 31, 2018, as noted on the following page.

**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**10. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Actuarial Assumptions and Other Inputs (Continued)

Actuarial Cost Method	Entry-Age Normal
Actuarial Value of Assets	Market Value
Salary Increases	2.50%
Discount Rate	4.10%
Healthcare Cost Trend Rates	6.00% Initial 5.00% Ultimate

The discount rate was based on the Bond Buyer 20-Bond GO Index, which is based on an average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA.

Rate Sensitivity

The following is a sensitivity analysis of the total OPEB liability to changes in the discount rate and the healthcare cost trend rate. The table below presents the total OPEB liability of the RMU calculated using the discount rate of 4.10% as well as what the RMU total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.10%) or 1 percentage point higher (5.10%) than the current rate:

	1% Decrease (3.10%)	Current Discount Rate (4.10%)	1% Increase (5.10%)
Total OPEB Liability	\$ 564,369	\$ 538,755	\$ 515,488

The table below presents the total OPEB liability of the RMU calculated using the healthcare rate of 6% to 5% as well as what the RMU's total OPEB liability would be if it were calculated using a healthcare rate that is 1 percentage point lower (5% to 4%) or 1 percentage point higher (7% to 6%) than the current rate:

**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

**10. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Rate Sensitivity (Continued)

	1% Decrease (5% to 4%)	Current Healthcare Rate (6% to 5%)	1% Increase (7% to 6%)
Total OPEB Liability	\$ 503,719	\$ 535,755	\$ 579,381

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the RMU recognized OPEB expense of \$32,046. At December 31, 2018, the RMU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes in Assumptions	-	15,210
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ 15,210</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	
2019	\$ (1,369)
2020	(1,369)
2021	(1,369)
2022	(1,369)
2023	(1,369)
Thereafter	(8,365)
<b>TOTAL</b>	<b>\$ (15,210)</b>

**ROCHELLE MUNICIPAL UTILITIES**  
**ROCHELLE, ILLINOIS**  
NOTES TO FINANCIAL STATEMENTS (Continued)

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**11. CHANGE IN ACCOUNTING PRINCIPLE**

The City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended December 31, 2018. The implementation of this guidance resulted in changes to the OPEB related liability, revenue, expense, notes presented in the notes to the financial statements and to the required supplementary information.

The beginning net position reported for RMU has been restated as follows:

RMU

	<u>Increase (Decrease)</u>
Change in Accounting Principle To Record the Opening RMU OPEB Liability	\$ (675,706)
<b>TOTAL RMU</b>	<b>\$ (675,706)</b>

Electric

	<u>Increase (Decrease)</u>
Change in Accounting Principle To Record the Opening Electric OPEB Liability	\$ (413,456)
<b>TOTAL ELECTRIC</b>	<b>\$ (413,456)</b>

Water and Water Reclamation

	<u>Increase (Decrease)</u>
Change in Accounting Principle To Record the Water/Water Reclamation OPEB Liability	\$ (191,371)
<b>TOTAL WATER AND WATER RECLAMATION</b>	<b>\$ (191,371)</b>

Technology Center

	<u>Increase (Decrease)</u>
Change in Accounting Principle To Record the Technology Center OPEB Liability	\$ (70,879)
<b>TOTAL TECHNOLOGY CENTER</b>	<b>\$ (70,879)</b>

**REQUIRED SUPPLEMENTARY INFORMATION**

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
ILLINOIS MUNICIPAL RETIREMENT FUND

Last Four Fiscal Years

<b>FISCAL YEAR ENDED</b>	<b>April 30,</b>		<b>December 31,</b>	
	<b>2016</b>	<b>2016*</b>	<b>2017</b>	<b>2018</b>
Contractually Required Contribution	\$ 391,212	\$ 281,121	\$ 445,537	\$ 402,758
Contributions in Relation to the Contractually Required Contribution	391,212	281,121	445,537	402,758
<b>CONTRIBUTION DEFICIENCY (Excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Covered Payroll	\$ 3,453,001	\$ 2,376,337	\$ 3,731,460	\$ 3,551,656
Contributions as a Percentage of Covered Payroll	11.33%	11.83%	11.94%	11.34%

\*Change in fiscal year end from April 30 to December 31. Amounts are for the eight months ended December 31, 2016.

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 26 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.50% annually, projected salary increases assumption of 3.39% to 14.25% compounded annually and postretirement benefit increases of 3.50% compounded annually.

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)



**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

SCHEDULE OF RMU'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
ILLINOIS MUNICIPAL RETIREMENT FUND

Last Three Fiscal Years

---

<b>MEASUREMENT DATE DECEMBER 31</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Employer's Proportion of Net Pension Liability	57.21%	57.21%	57.21%
Employer's Proportionate Share of Net Pension Liability	\$ 2,896,700	\$ 2,679,131	\$ 533,971
Employer's Covered Payroll	3,453,001	3,505,080	3,679,197
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	83.89%	76.44%	14.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.65%	88.11%	97.66%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

**SCHEDULE OF RMU'S PROPORTIONATE  
SHARE OF THE TOTAL OPEB LIABILITY  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Last Fiscal Years

---

<b>MEASUREMENT DATE DECEMBER 31</b>	<b>2018</b>
Employer's Proportion of Total Pension Liability	57.21%
Employer's Proportionate Share of Total OPEB Liability	\$ 538,755
Employer's Covered Payroll	4,420,600
Employer's Proportionate Share of the Total Pension Liability as a Percentage of its Covered Payroll	12.19%

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as is available.

(See independent auditor's report.)

## **SUPPLEMENTAL INFORMATION**

**ELECTRIC FUND**

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

**STATEMENT OF NET POSITION  
ELECTRIC FUND**

December 31, 2018  
(with Comparative Totals)

	<b>2018</b>	<b>2017</b>
<b>CAPITAL ASSETS</b>		
Depreciable - Plant in Service	\$ 86,302,679	\$ 85,018,752
Accumulated Depreciation	(50,312,065)	(47,348,755)
Nondepreciable	7,329,315	6,330,034
Net Capital Assets	43,319,929	44,000,031
<b>CURRENT ASSETS</b>		
Cash and Investments	7,701,657	6,119,315
Receivables		
Accounts	4,521,828	4,818,780
Other	174,630	300,990
Prepaid Expenses	2,350	69,653
Deposits	300,000	300,000
Inventory	1,278,485	1,381,191
Restricted Assets		
Cash and Investments	8,009,471	7,040,080
Total Current Assets	21,988,421	20,030,009
<b>NONCURRENT ASSETS</b>		
Advance to Other Funds	409,044	458,434
Total Noncurrent Assets	409,044	458,434
Total Assets	65,717,394	64,488,474
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Items - IMRF	370,321	956,698
Unamortized Loss on Refunding	239,212	258,244
Total Deferred Outflows of Resources	609,533	1,214,942
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 66,326,927</b>	<b>\$ 65,703,416</b>

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)  
ELECTRIC FUND

December 31, 2018  
(with Comparative Totals)

	<b>2018</b>	<b>2017</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 28,749,067	\$ 28,760,969
Restricted for Debt Service	8,009,471	7,040,080
Unrestricted	10,540,860	9,569,521
Total Net Position	47,299,398	45,370,570
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Items - IMRF	1,000,863	34,211
Pension Items - OPEB	9,307	-
Total Deferred Inflows of Resources	1,010,170	34,211
<b>LONG-TERM LIABILITIES</b>		
Revenue Bonds Payable	14,180,074	14,877,306
Net Pension Liability	320,083	1,632,681
OPEB Liability	235,556	-
Total Long-Term Liabilities	14,735,713	16,509,987
<b>CURRENT LIABILITIES</b>		
Accounts Payable	2,240,225	2,827,613
Accrued Payroll	8,589	-
Accrued Interest Payable	98,273	101,348
Other Payables	82,366	110,462
Revenue Bonds Payable	630,000	620,000
OPEB Liability	94,101	-
Compensated Absences Payable	128,092	129,225
Total Current Liabilities	3,281,646	3,788,648
Total Liabilities	18,017,359	20,298,635
<b>TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES</b>	<b>\$ 66,326,927</b>	<b>\$ 65,703,416</b>

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
ELECTRIC FUND

For the Year Ended December 31, 2018  
(with Comparative Totals)

	<b>2018</b>	<b>2017</b>
<b>OPERATING REVENUES</b>		
Charges for Services		
Residential	\$ 6,572,523	\$ 6,169,150
Commercial	5,368,989	5,625,977
Industrial	23,657,073	23,869,647
Public Street Lighting	150,145	156,091
Interdepartmental	645,499	666,656
Other Operating Revenue	2,632,520	2,501,016
Miscellaneous	233,026	344,059
	39,259,775	39,332,596
<b>OPERATING EXPENSES</b>		
Operations		
Purchased Power	23,690,156	24,677,676
Generation	1,758,128	2,264,046
Transmission and Distribution	2,568,469	3,730,535
Customer Accounts	252,271	302,837
Administration and General	3,329,217	1,565,965
Depreciation	2,983,020	3,022,190
	34,581,261	35,563,249
<b>OPERATING INCOME</b>	<b>4,678,514</b>	<b>3,769,347</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment Income	179,232	61,032
Loss on Disposal of Capital Assets	-	(128,131)
Interest Expense	(538,435)	(556,536)
	(359,203)	(623,635)
<b>NET INCOME BEFORE TRANSFERS</b>	<b>4,319,311</b>	<b>3,145,712</b>
<b>TRANSFERS</b>		
Transfers to the City	(1,977,027)	(2,039,828)
	(1,977,027)	(2,039,828)
<b>CHANGE IN NET POSITION</b>	<b>2,342,284</b>	<b>1,105,884</b>
<b>NET POSITION, BEGINNING OF PERIOD</b>	<b>45,370,570</b>	<b>44,581,860</b>
Change in Accounting Principle	(413,456)	(317,174)
<b>NET POSITION, BEGINNING OF PERIOD, RESTATED</b>	<b>44,957,114</b>	<b>44,264,686</b>
<b>NET POSITION, END OF PERIOD</b>	<b>\$ 47,299,398</b>	<b>\$ 45,370,570</b>

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS  
ELECTRIC FUND**

For the Year Ended December 31, 2018  
(with Comparative Totals)

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users	\$ 39,683,087	\$ 39,057,003
Payments to Suppliers	(29,683,760)	(29,123,752)
Payments to Employees	(1,209,259)	(1,557,020)
Payments to Other Funds	(469,476)	(515,426)
	8,320,592	7,860,805
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Repayment from Loans to Other Funds	-	1,022,163
Receipts of Loans from Other Funds	49,389	-
Transfers to the City	(1,977,027)	(2,039,828)
	(1,927,638)	(1,017,665)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Assets Purchased	(2,810,932)	(5,414,022)
Principal Payments on Long-Term Debt	(615,000)	(600,000)
Interest Payments on Long-Term Debt	(594,521)	(612,566)
	(4,020,453)	(6,626,588)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received on Investments	179,232	61,032
	179,232	61,032
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	2,551,733	277,584
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	13,159,395	12,881,811
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	\$ 15,711,128	\$ 13,159,395

(This statement is continued on the following page.)



**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS (Continued)  
ELECTRIC FUND

For the Year Ended December 31, 2018  
(with Comparative Totals)

	2018	2017
<b>RECONCILIATION OF OPERATING INCOME</b>		
<b>TO NET CASH FLOWS FROM</b>		
<b>OPERATING ACTIVITIES</b>		
Operating Income	\$ 4,678,514	\$ 3,769,347
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	2,983,020	3,022,190
Changes in Assets and Liabilities		
Accounts Receivable	296,952	53,578
Other Receivables	126,360	(69,689)
Prepaid Expenses	67,303	443,118
Inventory	102,706	458,943
Deposits	-	(300,000)
Pension Items - IMRF	240,432	(584,945)
OPEB Items	(74,492)	-
Accounts Payable	(79,803)	1,445,033
Customer Advances	-	(259,482)
Accrued Payroll	8,829	(104,550)
Other Payables	(28,096)	(8,208)
Compensated Absences	(1,133)	(4,530)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 8,320,592</b>	<b>\$ 7,860,805</b>
<b>CASH AND INVESTMENTS</b>		
Cash and Investments	\$ 7,701,657	\$ 6,119,315
Restricted Assets		
Cash and Investments	8,009,471	7,040,080
<b>TOTAL CASH AND INVESTMENTS</b>	<b>\$ 15,711,128</b>	<b>\$ 13,159,395</b>

(See independent auditor's report.)

**WATER AND WATER RECLAMATION FUND**

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION  
WATER AND WATER RECLAMATION FUND

December 31, 2018  
(with Comparative Totals)

	<b>2018</b>	<b>2017</b>
<b>CAPITAL ASSETS</b>		
Depreciable - Plant in Service	\$ 67,271,456	\$ 66,504,628
Accumulated Depreciation	(32,828,571)	(31,114,720)
Nondepreciable	5,467,246	1,879,082
Net Capital Assets	39,910,131	37,268,990
<b>CURRENT ASSETS</b>		
Cash and Investments	7,025,480	6,525,518
Receivables		
Accounts	899,378	925,255
Accrued Interest	378	393
Other	17,055	58,076
Prepaid Expenses	1,945	1,945
Due from Other Governments	293,981	683,765
Due from Other Funds	39,591	-
Restricted Assets		
Cash and Investments	555,194	541,403
Total Current Assets	8,833,002	8,736,355
<b>NONCURRENT ASSETS</b>		
Advances to Other Funds	1,345,736	1,080,150
Special Assessments	205,955	235,365
Total Noncurrent Assets	1,551,691	1,315,515
Total Assets	50,294,824	47,320,860
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Items - IMRF	174,836	446,245
Total Deferred Outflows of Resources	174,836	446,245
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 50,469,660</b>	<b>\$ 47,767,105</b>

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)  
WATER AND WATER RECLAMATION FUND

December 31, 2018  
(with Comparative Totals)

	<b>2018</b>	<b>2017</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 33,515,564	\$ 32,214,795
Restricted for Debt Service	555,194	541,403
Unrestricted	7,813,274	8,210,924
Total Net Position	41,884,032	40,967,122
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Items - IMRF	463,380	15,957
Pension Items - OPEB	4,308	-
Total Deferred Inflows of Resources	467,688	15,957
<b>LONG-TERM LIABILITIES</b>		
Illinois EPA Loans Payable	6,229,109	4,889,517
Net Pension Liability	154,008	761,553
OPEB Liability	109,028	-
Total Long-Term Liabilities	6,492,145	5,651,070
<b>CURRENT LIABILITIES</b>		
Accounts Payable	1,298,205	856,535
Accrued Payroll	4,043	-
Accrued Interest Payable	5,948	1,059
Deposits Payable	61,783	47,204
IEPA Loans Payable	165,458	164,678
OPEB Liability	43,556	-
Compensated Absences Payable	46,802	63,480
Total Current Liabilities	1,625,795	1,132,956
Total Liabilities	8,117,940	6,799,983
<b>TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES</b>	<b>\$ 50,469,660</b>	<b>\$ 47,767,105</b>

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
WATER AND WATER RECLAMATION FUND

For the Year Ended December 31, 2018  
(with Comparative Totals)

	2018	2017
<b>OPERATING REVENUES</b>		
Water		
Charges for Services		
Residential	\$ 934,570	\$ 950,033
Commercial	730,360	735,814
Industrial	887,514	803,855
Rental	91,254	87,825
Other Operating Revenue	42,678	40,298
Miscellaneous	656	(303)
	2,687,032	2,617,522
Water Reclamation		
Charges for Services		
Residential	1,120,817	1,127,247
Commercial	1,107,570	1,186,548
Industrial	1,159,458	1,104,896
Other Operating Revenue	109,257	138,828
Miscellaneous	16,678	10,656
	3,513,780	3,568,175
	6,200,812	6,185,697
<b>OPERATING EXPENSES</b>		
Operations		
Water Source of Supply	513,356	372,438
Water Treatment	133,275	272,513
Transmission, Distribution and Collection	846,169	666,586
Water Reclamation Operations	1,517,622	1,361,916
Administration and General	724,640	247,564
Taxes	76,670	71,207
Depreciation	1,713,851	1,581,642
	5,525,583	4,573,866
	675,229	1,611,831

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION (Continued)  
WATER AND WATER RECLAMATION FUND

For the Year Ended December 31, 2018  
(with Comparative Totals)

	<b>2018</b>	<b>2017</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment Income	\$ 86,445	\$ 25,546
Interest Expense	(98,467)	(108,404)
	(12,022)	(82,858)
<b>NET INCOME BEFORE TRANSFERS, CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>663,207</b>	<b>1,528,973</b>
<b>TRANSFERS</b>		
Transfers (Out)	(279,270)	(230,341)
	(279,270)	(230,341)
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>724,344</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>1,108,281</b>	<b>1,298,632</b>
<b>NET POSITION, BEGINNING OF PERIOD</b>	<b>40,967,122</b>	<b>39,816,433</b>
Change in Accounting Principle	(191,371)	(147,943)
<b>NET POSITION, BEGINNING OF PERIOD, RESTATED</b>	<b>40,775,751</b>	<b>39,668,490</b>
<b>NET POSITION, END OF PERIOD</b>	<b>\$ 41,884,032</b>	<b>\$ 40,967,122</b>

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS  
WATER AND WATER RECLAMATION FUND**

For the Year Ended December 31, 2018  
(with Comparative Totals)

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users	\$ 6,701,483	\$ 6,080,603
Payments to Suppliers	(1,426,271)	(1,148,497)
Payments to Employees	(1,552,223)	(1,452,802)
Payments to Other Funds	(438,712)	(689,952)
	<b>3,284,277</b>	<b>2,789,352</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Loans Provided to Other Funds	(305,177)	(1,080,150)
Transfers to the City	(279,270)	(230,341)
	<b>(584,447)</b>	<b>(1,310,491)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Assets Purchased	(4,243,675)	(1,415,049)
Issuance of Long-Term Debt	2,073,609	1,337,290
Principal Payments on Long-Term Debt	(733,237)	(312,057)
Interest Payments on Long-Term Debt	(93,578)	(111,357)
Grant Receipts	724,344	-
	<b>(2,272,537)</b>	<b>(501,173)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received on Investments	86,460	25,451
	<b>86,460</b>	<b>25,451</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>513,753</b>	<b>1,003,139</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>7,066,921</b>	<b>6,063,782</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 7,580,674</b>	<b>\$ 7,066,921</b>

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS (Continued)  
WATER AND WATER RECLAMATION FUND

For the Year Ended December 31, 2018  
(with Comparative Totals)

	2018	2017
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating Income	\$ 675,229	\$ 1,611,831
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	1,713,851	1,581,642
Changes in Assets and Liabilities		
Accounts Receivable	415,661	(109,509)
Other Receivables	41,021	(1,664)
Prepaid Expenses	-	74,045
Deposits	14,579	(23,257)
Inventory	-	3,480
Special Assessments	29,410	29,336
Pension Items - IMRF	111,286	(272,844)
OPEB Items	(34,479)	-
Accounts Payable	330,354	(69,015)
Accrued Payroll	4,043	(45,014)
Compensated Absences	(16,678)	10,321
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 3,284,277</b>	<b>\$ 2,789,352</b>
<b>CASH AND INVESTMENTS</b>		
Cash and Investments	\$ 7,025,480	\$ 6,525,518
Restricted Assets		
Cash and Investments	555,194	541,403
<b>TOTAL CASH AND INVESTMENTS</b>	<b>\$ 7,580,674</b>	<b>\$ 7,066,921</b>
<b>NONCASH TRANSACTIONS</b>		
Illinois EPA Loan Receivable	\$ 79,977	\$ 683,765
Illinois EPA Loan Payable	(79,977)	(683,765)
<b>TOTAL NONCASH TRANSACTIONS</b>	<b>\$ -</b>	<b>\$ -</b>

(See independent auditor's report.)



**COMMUNICATIONS FUND**

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

**STATEMENT OF NET POSITION  
COMMUNICATIONS FUND**

December 31, 2018  
(with Comparative Totals)

---

	<u>2018</u>	<u>2017</u>
<b>CAPITAL ASSETS</b>		
None	\$ -	\$ -
Net Capital Assets	-	-
<b>CURRENT ASSETS</b>		
None	-	-
Total Current Assets	-	-
Total Assets	-	-
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
None	-	-
Total deferred outflows of resources	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ -</u>	<u>\$ -</u>

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)  
COMMUNICATIONS FUND

December 31, 2018  
(with Comparative Totals)

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	<u>208</u>	<u>2017</u>
<b>NET POSITION</b>		
None	\$ -	\$ -
Total Net Position	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
None	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>
<b>LONG-TERM LIABILITIES</b>		
None	<u>-</u>	<u>-</u>
Total Long-Term Liabilities	<u>-</u>	<u>-</u>
<b>CURRENT LIABILITIES</b>		
None	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>
<b>TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES</b>	<u>\$ -</u>	<u>\$ -</u>

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
COMMUNICATIONS FUND**

For the Year Ended December 31, 2018  
(with Comparative Totals)

	<b>2018</b>	<b>2017</b>
<b>OPERATING REVENUES</b>		
None	\$ -	\$ -
Total Operating Revenues	-	-
<b>OPERATING EXPENSES</b>		
None	-	-
Total Operating Expenses	-	-
<b>OPERATING INCOME</b>	-	-
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
None	-	-
Total Non-Operating Revenues (Expenses)	-	-
<b>NET INCOME BEFORE TRANSFERS</b>	-	-
<b>TRANSFERS</b>		
Transfer in	-	420,707
Total Transfers	-	420,707
<b>CHANGE IN NET POSITION</b>	-	420,707
<b>NET POSITION (DEFICIT), BEGINNING OF PERIOD</b>	-	(420,707)
<b>NET POSITION, END OF PERIOD</b>	\$ -	\$ -

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS  
COMMUNICATIONS FUND

For the Year Ended December 31, 2018  
(with Comparative Totals)

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
None	\$ -	\$ -
Net Cash from Operating Activities	-	-
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
None	-	-
Net Cash from Noncapital Financing Activities	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
None	-	-
Net Cash from Capital and Related Financing Activities	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
None	-	-
Net Cash from Investing Activities	-	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	-	-
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	-	-
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	\$ -	\$ -
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
None	-	-
<b>NET CASH FROM OPERATING ACTIVITIES</b>	\$ -	\$ -
<b>CASH AND INVESTMENTS</b>		
None	\$ -	\$ -
<b>NONCASH TRANSACTIONS</b>		
Transfer of Operations to Technology Fund	\$ -	\$ 420,707

(This statement is continued on the following page.)

**TECHNOLOGY CENTER FUND**

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

**STATEMENT OF NET POSITION  
TECHNOLOGY CENTER FUND**

December 31, 2018  
(with Comparative Totals)

	<b>2018</b>	<b>2017</b>
<b>CAPITAL ASSETS</b>		
Depreciable - Plant in Service	\$ 9,218,544	\$ 9,218,544
Accumulated Depreciation	(4,547,522)	(4,341,191)
Nondepreciable	519,453	519,453
	5,190,475	5,396,806
<b>CURRENT ASSETS</b>		
Cash and Investments	320,850	-
Receivables		
Accounts	135,121	51,352
Prepaid Expenses	7,520	7,356
	463,491	58,708
Total Current Assets	463,491	58,708
Total Assets	5,653,966	5,455,514
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension items - IMRF	66,419	166,941
Unamortized loss on refunding	94,580	104,038
	160,999	270,979
Total Deferred Outflows of Resources	160,999	270,979
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 5,814,965</b>	<b>\$ 5,726,493</b>

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)  
TECHNOLOGY CENTER FUND

December 31, 2018  
(with Comparative Totals)

	<b>2018</b>	<b>2017</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 2,033,006	\$ 1,926,092
Unrestricted (Deficit)	(1,474,339)	(1,543,863)
Total Net Position	558,667	382,229
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Items - IMRF	171,682	5,970
Pension Items - OPEB	1,595	-
Total Deferred Inflows of Resources	173,277	5,970
<b>LONG-TERM LIABILITIES</b>		
Advance from Other Funds	1,754,780	1,538,584
Net Pension Liability	59,880	284,897
OPEB Liability	40,382	-
Long-Term Debt, Net of Current Maturities		
General Obligation Debt Payable	2,887,469	3,165,714
Total Long-Term Liabilities	4,742,511	4,989,195
<b>CURRENT LIABILITIES</b>		
Accounts Payable	42,703	13,422
Accrued Payroll	690	-
OPEB Liability	16,132	-
Compensated Absences Payable	8,247	22,815
Accrued Interest Payable	-	5,124
Other Payables	2,738	2,738
General Obligation Debt Payable	270,000	305,000
Total Current Liabilities	340,510	349,099
Total Liabilities	5,083,021	5,338,294
<b>TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES</b>	<b>\$ 5,814,965</b>	<b>\$ 5,726,493</b>

(See independent auditor's report.)



**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
TECHNOLOGY CENTER FUND

For the Year Ended December 31, 2018  
(with Comparative Totals)

	2018	2017
<b>OPERATING REVENUES</b>		
Technology		
Charges for Services		
Telecommunications Leases	\$ 54,668	\$ 79,210
Commercial Fiber Leases	420,376	404,079
Commercial Colocation Leases	630,080	602,625
Internal Colocation Leases	67,224	31,680
Penalties	3,257	751
	1,175,605	1,118,345
Total Technology		
Communications		
Charges for Services		
Dial-Up Internet Access	7,846	9,053
Wireless Internet Access	6,671	6,581
Network Internet Access	19,734	20,396
Fiber Internet Access	145,670	117,487
Web Site Host	4,900	5,134
Data Services	5,748	5,748
VOIP Services	498	939
Mailboxes	2,211	2,152
Penalties	1,329	2,159
	194,607	169,649
Total Communications Revenues		
Other Charges for Services	23,957	-
	1,394,169	1,287,994
Total Operating Revenues		
<b>OPERATING EXPENSES</b>		
Technology		
Operations		
Personnel	68,064	164,020
Contractual Services	249,125	259,766
Commodities	321,009	303,837
Depreciation and Amortization	145,971	147,932
	784,169	875,555
Total Technology Expenses		
Communications		
Operations		
Personnel	170,834	121,999
Contractual Services	12,610	26,154
Commodities	5,823	8,385
Depreciation and Amortization	60,360	70,583
	249,627	227,121
Total Communications Expenses		
Total Operating Expenses	1,033,796	1,102,676
OPERATING INCOME	360,373	185,318

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION (Continued)  
TECHNOLOGY CENTER FUND

For the Year Ended December 31, 2018  
(with Comparative Totals)

	2018	2017
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment Income	\$ 2,533	\$ 459
Interest Expense	(115,589)	(81,644)
Total Non-Operating Revenues (Expenses)	(113,056)	(81,185)
<b>NET INCOME BEFORE TRANSFERS</b>	247,317	104,133
<b>TRANSFERS</b>		
Transfer from Communication Fund	-	(420,707)
Total Transfers	-	(420,707)
<b>CHANGE IN NET POSITION</b>	247,317	(316,574)
NET POSITION, BEGINNING OF PERIOD	382,229	879,049
Correction of a Prior Year Error	-	(124,900)
Change in Accounting Principle	(70,879)	(55,346)
NET POSITION, BEGINNING OF PERIOD, RESTATED	311,350	698,803
<b>NET POSITION, END OF PERIOD</b>	\$ 558,667	\$ 382,229

Note: The communications activities of the Communications Fund have been reported in the Technology Center Fund for the year ended December 31, 2018.

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS  
TECHNOLOGY CENTER FUND**

For the Year Ended December 31, 2018  
(with Comparative Totals)

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users	\$ 1,243,177	\$ 1,350,097
Receipts from Interfund Service Transactions	67,223	31,680
Payments to Suppliers	(178,957)	(241,434)
Payments to Employees	(224,329)	(407,035)
Payments to Other Funds	(380,494)	(368,463)
	526,620	364,845
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Receipt of Loans from Other Funds	265,586	1,080,150
Repayment of Loans from Other Funds	(49,389)	(1,022,163)
	216,197	57,987
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Assets Purchased	-	(43,727)
Principal Payments on Long-Term Debt	(305,000)	(230,000)
Interest Payments on Long-Term Debt	(119,500)	(164,151)
	(424,500)	(437,878)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received on Investments	2,533	2
	2,533	2
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	320,850	(15,044)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	-	15,044
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	\$ 320,850	\$ -

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES  
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS (Continued)  
TECHNOLOGY CENTER FUND

For the Year Ended December 31, 2018  
(with comparative totals)

	<b>2018</b>	<b>2017</b>
<b>RECONCILIATION OF OPERATING INCOME</b>		
<b>TO NET CASH FLOWS FROM</b>		
<b>OPERATING ACTIVITIES</b>		
Operating Income	\$ 360,373	\$ 185,318
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	206,331	218,515
Changes in Assets and Liabilities		
Accounts Receivable	(83,769)	93,783
Prepaid Expenses	(164)	21,864
Pension Items - IMRF	41,217	(102,042)
OPEB Items	(12,770)	-
Accounts Payable	29,280	(33,619)
Accrued Payroll	690	(17,486)
Compensated Absences	(14,568)	(1,488)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>\$ 526,620</b>	<b>\$ 364,845</b>
<b>CASH AND INVESTMENTS</b>		
Cash and Investments	<b>\$ 320,850</b>	<b>\$ -</b>
<b>NONCASH TRANSACTIONS</b>		
Issuance of Refunding Bonds	\$ -	\$ 3,230,714
Payment to Escrow Agent	-	(3,119,038)
Costs of Issuance	-	(111,676)
Transfer of Operations from Communications Fund	-	(420,707)
<b>TOTAL NONCASH TRANSACTIONS</b>	<b>\$ -</b>	<b>\$ (420,707)</b>

(See independent auditor's report.)