



**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2019

The background of the cover features a grayscale photograph of a utility plant interior, showing rows of pipes and equipment. A teal horizontal band is at the top, and an orange horizontal band is at the bottom. The text 'SIKICH.COM' is printed in white on the orange band.

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ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS
TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	1-3
MANAGEMENT’S DISCUSSION AND ANALYSIS	
Management’s Discussion and Analysis.....	MD&A 1-12
BASIC FINANCIAL STATEMENTS	
Statement of Net Position.....	4-5
Statement of Revenues, Expenses and Changes in Net Position.....	6
Statement of Cash Flows.....	7-8
Notes to Financial Statements.....	9-30
REQUIRED SUPPLEMENTARY INFORMATION	
Illinois Municipal Retirement Fund	
Schedule of Employer Contributions	31
Schedule of the RMU’s Proportionate Share of the Net Pension Liability.....	32
Other Postemployment Benefit Plan	
Schedule of the RMU’s Proportionate Share of the Other Postemployment Liability	33
SUPPLEMENTAL INFORMATION	
Electric Fund	
Statement of Net Position.....	34-35
Statement of Revenues, Expenses and Changes in Net Position	36
Statement of Cash Flows.....	37-38
Water and Water Reclamation Fund	
Statement of Net Position.....	39-40
Statement of Revenues, Expenses and Changes in Net Position	41-42
Statement of Cash Flows.....	43-44
Technology Center Fund	
Statement of Net Position.....	45-46
Statement of Revenues, Expenses and Changes in Net Position	47-48
Statement of Cash Flows.....	49-50

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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, 2019, 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 opinion.

Opinion

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, 2019, 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, 2019, 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.

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 an opinion 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, 2018, 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 an opinion 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, 2018, 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, 2018 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, 2018 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
June 17, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2019, December 31, 2018 and December 31, 2017

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, 2019, December 31, 2018 and December 31, 2017. You are invited to read this narrative in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Electric Utility exceed its liabilities and deferred inflows of resources by \$50,133,032 (net position). Of this amount, \$12,550,002 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, \$9,059,466 is restricted for debt service (restricted net position), and \$28,523,564 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 \$45,678,400 (net position). Of this amount, \$7,464,843 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, \$784,456 is restricted for debt service (restricted net position), and \$37,429,101 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 \$892,631. Of this amount (\$1,220,987) (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors and \$2,113,618 is the net investment in capital assets.
 - Operating revenues for the Electric Utility decreased 3% while expenses were down 4%. The decrease in revenues is from no purchase power adjustment and from expenses is due to a lower purchase power cost.
 - Operating revenues for the Water and Water Reclamation Utility increased 4%, while operating expenses were up 7%. The increase in is due to higher materials and supplies expenses.
 - Operating revenues for the Technology Center Utility increased 7% while operating expenses increased 5%. The increase in operating revenue is due to additional fiber customers.
-

OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2019, December 31, 2018 and December 31, 2017

- 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, 2019, December 31, 2018 and December 31, 2017

FINANCIAL ANALYSIS OF RMU

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

Table 1
Condensed Statements of Net Position

	Electric Utility		
	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>
Current Assets/Deferred Outflows of Resources	\$ 26,988,667	\$ 23,006,998	\$ 21,703,385
Capital Assets	<u>42,411,228</u>	<u>43,319,929</u>	<u>44,000,031</u>
Total Assets and Deferred Outflows	<u>69,399,895</u>	<u>66,326,927</u>	<u>65,703,416</u>
Long-term Liabilities	15,723,742	14,735,713	16,509,987
Current Liabilities/Deferred Inflows of Resources	<u>3,543,121</u>	<u>4,291,816</u>	<u>3,822,859</u>
Total Liabilities and Deferred Inflows	<u>19,266,863</u>	<u>19,027,529</u>	<u>20,332,846</u>
Net Investment in Capital Assets	28,523,564	28,749,067	28,760,969
Restricted	9,059,466	8,009,471	7,040,080
Unrestricted	<u>12,550,002</u>	<u>10,540,860</u>	<u>9,569,521</u>
Total Net Position	<u>\$ 50,133,032</u>	<u>\$ 47,299,398</u>	<u>\$ 45,370,570</u>

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019, December 31, 2018 and December 31, 2017

FINANCIAL ANALYSIS OF RMU (cont.)

Table 2
Condensed Statements of Net Position

Water and Water Reclamation Utility

	12/31/19	12/31/18	12/31/17
Current Assets/Deferred Outflows of Resources	\$ 10,811,156	\$ 10,559,529	\$ 10,498,115
Capital Assets	44,026,423	39,910,131	37,268,990
Total Assets and Deferred Outflows	54,837,579	50,469,660	47,767,105
Long-term Liabilities	7,391,535	6,492,145	5,651,070
Other Liabilities/Deferred Inflows of Resources	1,767,644	2,093,483	1,132,956
Total Liabilities and Deferred Inflows	9,159,179	8,585,628	6,799,983
Net Investment in Capital Assets	37,429,101	35,515,564	32,214,795
Restricted	784,456	555,194	541,403
Unrestricted	7,464,843	7,813,274	8,210,924
Total Net Position	\$ 45,678,400	\$ 41,884,032	\$ 40,967,122

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019, December 31, 2018 and December 31, 2017

FINANCIAL ANALYSIS OF RMU (cont.)

Table 3
Condensed Statements of Net Position

Technology Center Utility			
	12/31/19	12/31/18	12/31/17
Current and Other Assets	\$ 508,937	\$ 624,490	\$ 329,687
Capital Assets	4,992,840	5,190,475	5,396,806
 Total Assets and Deferred Outflows	 5,501,777	 5,726,493	 5,726,493
 Long-term Liabilities	 4,267,795	 4,742,511	 4,989,195
Other Liabilities/Deferred Inflows of Resources	341,351	513,787	737,298
 Total Liabilities and Deferred Inflows	 4,609,146	 5,256,298	 5,344,264
 Net Investment in Capital Assets	 2,113,618	 2,033,006	 1,926,092
Restricted	-	-	-
Unrestricted (Deficit)	(1,220,987)	(1,474,339)	(1,543,863)
 Total Net Position	 \$ 892,631	 \$ 558,667	 \$ 382,229

The largest portion of RMU's net position (70%) 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 (20%) may be used to meet the utilities' ongoing obligations to rate payers and creditors.

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019, December 31, 2018 and December 31, 2017

FINANCIAL ANALYSIS OF RMU (cont.)

ELECTRIC OPERATIONS

Electric operations increased the 2019 utility's net position by \$2,833,634. This increase is primarily a result of the following items:

- Stability of purchased power costs
- Increase of FERC tariff revenue stream

WATER/WATER RECLAMATION OPERATIONS

Water/Water Reclamation operations increased the 2019 utility's net position by \$3,794,368. 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 increased the 2019 utility's net position by \$333,964. This increase is the result of the following item:

- Additional fiber customers
- New or renewed colocation contracts.

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019, December 31, 2018 and December 31, 2017

FINANCIAL ANALYSIS OF RMU (cont.)

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

	Electric Utility		
	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>
Operating revenues	\$ 38,110,698	\$ 39,259,775	\$ 39,332,596
Non-operating revenues	<u>259,465</u>	<u>179,432</u>	<u>61,032</u>
Total Revenues	<u>38,370,163</u>	<u>39,439,007</u>	<u>39,393,628</u>
Depreciation expense	2,531,106	2,983,020	3,022,190
Other operating expenses	30,519,077	31,598,241	32,541,059
Non-operating expenses	<u>519,716</u>	<u>538,435</u>	<u>684,667</u>
Total Expenses	<u>33,569,899</u>	<u>35,119,696</u>	<u>36,247,916</u>
Income Before Transfers	4,800,264	4,319,311	3,145,712
Transfers	<u>(1,966,630)</u>	<u>(1,977,027)</u>	<u>(2,039,828)</u>
Changes in Net Position	2,833,634	2,342,284	1,105,884

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019, December 31, 2018 and December 31, 2017

FINANCIAL ANALYSIS OF RMU (cont.)

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

Water and Water Reclamation Utility

	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>
Operating revenues	\$ 6,480,595	\$ 6,200,812	\$ 6,185,697
Non-operating revenues	<u>88,738</u>	<u>86,445</u>	<u>24,546</u>
Total Revenues	<u>6,569,333</u>	<u>6,287,257</u>	<u>6,211,243</u>
Depreciation expense	1,733,779	1,713,851	1,581,642
Other operating expenses	4,184,877	3,811,732	2,992,224
Non-operating expenses	<u>107,454</u>	<u>98,467</u>	<u>108,404</u>
Total Expenses	<u>6,026,110</u>	<u>5,624,050</u>	<u>4,682,270</u>
Income Before Capital Contributions and Transfers	543,223	663,207	1,528,973
Capital contributions	3,560,431	724,344	
Transfers	<u>(309,286)</u>	<u>(279,270)</u>	<u>(230,341)</u>
Changes in Net Position	3,794,368	1,108,281	1,298,632

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019, December 31, 2018 and December 31, 2017

FINANCIAL ANALYSIS OF RMU (cont.)

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

Technology Center Utility

	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>
Operating revenues	\$ 1,490,496	\$ 1,394,169	\$ 1,287,994
Non-operating revenues	<u>5,013</u>	<u>2,533</u>	<u>459</u>
Total Revenues	<u>1,495,509</u>	<u>1,396,702</u>	<u>1,288,453</u>
Depreciation expense	197,635	206,331	218,515
Other operating expenses	864,848	827,465	884,161
Non-operating expenses	<u>99,062</u>	<u>115,589</u>	<u>81,644</u>
Total Expenses	<u>1,161,545</u>	<u>1,149,385</u>	<u>1,184,320</u>
Changes in Net Position	333,964	247,317	(316,574)

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019, December 31, 2018 and December 31, 2017

RMU BUDGETARY HIGHLIGHTS

The final Electric Fund revenue budget, including other non-operating income, totaled \$38,835,000. Actual revenues, including non-operating income were \$38,370,163. Total budgeted expenses were \$38,483,582. The Electric Fund's actual expenses totaled \$33,569,899 including non-operating expenses. This provided income before contributions and transfers of \$4,800,264.

The final Water/Water Reclamation Fund revenue budget totaled \$6,563,491 with actual revenues of \$6,569,333. The Water/Water Reclamation Fund's budgeted expenses were \$7,691,635, while actual expenses totaled \$6,026,110. This provided income before contributions and transfers of \$543,223.

The final Technology Center Fund expenditure budget totaled \$1,354,137 while the revenue budget was \$1,507,500. The actual expenses totaled \$1,161,545 while total revenues were \$1,495,509. This provided income before contributions of \$333,964.

LONG-TERM DEBT

At December 31, 2019, the Electric fund had \$13,265,000 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 \$7,773,604 and the fiscal year 2019 revenue bond debt service amounted to \$1,210,190 resulting in a debt service coverage ratio of 6.42.

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 \$6,597,322 of long-term IEPA loans outstanding.

The repayment of loans is covered by operating revenues.

On June 24, 2019, the utility borrowed \$3,079,395 from the IEPA to finance a radium removal plant at Well #12. The debt is payable over 20 years and bears an interest rate of 1.38%. Construction is expected to be completed in the summer of 2020 with the first payment due October 20, 2020. As of December 31, 2019 the entire principal balance of this loan was forgiven by the IEPA.

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019, December 31, 2018 and December 31, 2017

LONG-TERM DEBT (cont.)

On June 11, 2019, the utility borrowed \$7,000,000 from the IEPA to finance the Water Reclamation Plant Improvements. The debt is payable over 20 years and bears an interest rate of 1.18%. Construction is expected to be completed in the fall of 2019 with the first payment due March 1, 2021.

On August 30, 2017, the utility borrowed \$3,270,006 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%.

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, 2019, the Technology Center fund had \$2,805,000 of long-term debt certificates outstanding.

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

All currently known facts and economic conditions were considered in preparing the 2020 utility budget. None of these conditions are anticipated to significantly change the overall financial position of the utility. The City Council approved the 2020 Budget on December 9, 2019. Due to the Covid-19 crisis and the uncertainty surrounding the State of Illinois budget issues, the City passed an amended budget on May 11, 2020 with the assumption that revenues would decrease 10%-15% due to lower than anticipated tax collections, reduced utility usage, and increased delinquencies. The proposed expenditure reductions to offset the lower expected revenues include reductions in operating expenditures, delayed capital purchases, and not filling open staff positions.

The City of Rochelle/Rochelle Municipal Utilities has operated approximately 20 miles of 138 kV transmission lines as a transmission operator since 2015. The primary focus of the electric utility is to provide electric distribution service to residential, commercial, and industrial customers. RMU issued a request for proposals on July 12, 2017, to explore opportunities either for a transmission-related strategic partnership, or an outright sale of its transmission assets to a transmission-focused company. Negotiations began with NextEra Energy Transmission on late 2017. NextEra assigned its rights to Commonwealth Edison Company and the sale closed on June 9, 2020. The total paid to the City was \$15.7 million to the Electric Fund for the assets and \$3.7 million to the General Fund for Community Development and compensation for the lost future payment-in-lieu-of-taxes (PILOT).

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019, December 31, 2018 and December 31, 2017

REQUESTS FOR INFORMATION

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. 6th St., Rochelle, IL 61068 or e-mail ccardott@rochelleil.us.

BASIC FINANCIAL STATEMENTS

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION

December 31, 2019

	Electric	Water and Water Reclamation	Technology Center	Total
CAPITAL ASSETS				
Depreciable - Plant in Service	\$ 87,585,914	\$ 72,565,240	\$ 9,218,544	\$ 169,369,698
Accumulated Depreciation	(52,843,170)	(34,562,350)	(4,745,157)	(92,150,677)
Nondepreciable	7,668,484	6,023,533	519,453	14,211,470
Net Capital Assets	42,411,228	44,026,423	4,992,840	91,430,491
CURRENT ASSETS				
Cash and Investments	9,341,427	6,312,130	-	15,653,557
Receivables				
Accounts	4,646,021	898,714	166,929	5,711,664
Accrued Interest	-	785	-	785
Other	372,549	2,235	-	374,784
Due from Other Governments	-	1,083,949	-	1,083,949
Prepaid Expenses	2,885	2,375	-	5,260
Deposits	311,129	-	-	311,129
Inventory	1,145,947	-	-	1,145,947
Restricted Assets				
Cash and Investments	9,059,466	784,456	-	9,843,922
Total Current Assets	24,879,424	9,084,644	166,929	34,130,997
NONCURRENT ASSETS				
Advances to Other Funds	409,044	860,973	-	1,270,017
Special Assessments	-	176,442	-	176,442
Total Noncurrent Assets	409,044	1,037,415	-	1,446,459
Total Assets	67,699,696	54,148,482	5,159,769	127,007,947
DEFERRED OUTFLOWS OF RESOURCES				
Pension/OPEB Items	1,480,019	689,097	256,886	2,426,002
Unamortized Loss on Refunding	220,180	-	85,122	305,302
Total Deferred Outflows of Resources	1,700,199	689,097	342,008	2,731,304
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 69,399,895	\$ 54,837,579	\$ 5,501,777	\$ 129,739,251

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)

December 31, 2019

	Electric	Water and Water Reclamation	Technology Center	Total
NET POSITION				
Net Investment in Capital Assets	\$ 28,523,564	\$ 37,429,101	\$ 2,113,618	\$ 68,066,283
Restricted for Debt Service	9,059,466	784,456	-	9,843,922
Unrestricted (Deficit)	12,550,002	7,464,843	(1,220,987)	18,793,858
 Total Net Position	 50,133,032	 45,678,400	 892,631	 96,704,063
DEFERRED INFLOWS OF RESOURCES				
Pension/OPEB Items	242,088	112,183	41,608	395,879
 Total Deferred Inflows of Resources	 242,088	 112,183	 41,608	 395,879
LONG-TERM LIABILITIES				
General Obligation Bonds Payable	-	-	2,604,222	2,604,222
Revenue Bonds Payable	13,457,844	-	-	13,457,844
IEPA Loans Payable	-	6,336,609	-	6,336,609
Net Pension Liability	2,097,077	976,784	364,612	3,438,473
OPEB Liability	168,821	78,142	28,944	275,907
Advance from Other Funds	-	-	1,270,017	1,270,017
 Total Long-Term Liabilities	 15,723,742	 7,391,535	 4,267,795	 27,383,072
CURRENT LIABILITIES				
Accounts Payable	2,254,798	1,215,396	879	3,471,073
Accrued Payroll	17,183	9,322	505	27,010
Accrued Interest Payable	95,123	5,629	-	100,752
Other Payables	75,324	-	-	75,324
Deposits Payable	-	59,026	-	59,026
General Obligation Debt Payable	-	-	275,000	275,000
Revenue Bonds Payable	650,000	-	-	650,000
IEPA Loans Payable	-	260,713	-	260,713
OPEB Liability	99,671	46,133	17,086	162,890
Compensated Absences Payable	108,934	59,242	6,273	174,449
 Total Current Liabilities	 3,301,033	 1,655,461	 299,743	 5,256,237
 Total Liabilities	 19,024,775	 9,046,996	 4,567,538	 32,639,309
 TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES	 \$ 69,399,895	 \$ 54,837,579	 \$ 5,501,777	 \$ 129,739,251

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, 2019

	Electric	Water and Water Reclamation	Technology Center	Total
OPERATING REVENUES				
Charges for Services	\$ 37,779,164	\$ 6,438,774	\$ 1,490,496	\$ 45,708,434
Miscellaneous	331,534	41,821	-	373,355
Total Operating Revenues	38,110,698	6,480,595	1,490,496	46,081,789
OPERATING EXPENSES				
Operations	30,519,077	4,184,877	864,848	35,568,802
Depreciation and Amortization	2,531,106	1,733,779	197,635	4,462,520
Total Operating Expenses	33,050,183	5,918,656	1,062,483	40,031,322
OPERATING INCOME	5,060,515	561,939	428,013	6,050,467
NON-OPERATING REVENUES (EXPENSES)				
Investment Income	259,465	88,738	5,013	353,216
Interest Expense	(519,716)	(107,454)	(99,062)	(726,232)
Total Non-Operating Revenues (Expenses)	(260,251)	(18,716)	(94,049)	(373,016)
NET INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	4,800,264	543,223	333,964	5,677,451
TRANSFERS				
Transfers to the City	(1,966,630)	(309,286)	-	(2,275,916)
Total Transfers	(1,966,630)	(309,286)	-	(2,275,916)
CONTRIBUTIONS	-	3,560,431	-	3,560,431
CHANGE IN NET POSITION	2,833,634	3,794,368	333,964	6,961,966
NET POSITION, JANUARY 1	47,299,398	41,884,032	558,667	89,742,097
NET POSITION, DECEMBER 31	\$ 50,133,032	\$ 45,678,400	\$ 892,631	\$ 96,704,063

See accompanying notes to financial statements.

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019

	Electric	Water and Water Reclamation	Technology Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 37,777,757	\$ 6,522,836	\$ 1,337,503	\$ 45,638,096
Receipts from Interfund Service Transactions	-	-	118,447	118,447
Payments to Suppliers	(29,061,616)	(1,701,151)	(421,721)	(31,184,488)
Payments to Employees	(976,284)	(1,662,563)	(104,190)	(2,743,037)
Payments to Other Funds	(631,488)	(1,152,336)	(403,289)	(2,187,113)
Net Cash from Operating Activities	7,108,369	2,006,786	526,750	9,641,905
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Repayment of Loans from Other Funds	-	-	(484,763)	(484,763)
Repayment from Loans to Other Funds	-	524,353	-	524,353
Transfers to the City	(1,966,630)	(309,286)	-	(2,275,916)
Net Cash from Noncapital Financing Activities	(1,966,630)	215,067	(484,763)	(2,236,326)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Assets Purchased	(1,505,374)	(5,659,717)	-	(7,165,091)
Issuance of Long-Term Debt	-	517,485	-	517,485
Principal Payments on Long-Term Debt	(630,000)	(314,730)	(270,000)	(1,214,730)
Interest Payments on Long-Term Debt	(576,065)	(107,773)	(97,850)	(781,688)
Grant Receipts	-	2,770,462	-	2,770,462
Net Cash from Capital and Related Financing Activities	(2,711,439)	(2,794,273)	(367,850)	(5,873,562)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received on Investments	259,465	88,332	5,013	352,810
Net Cash from Investing Activities	259,465	88,332	5,013	352,810
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,689,765	(484,088)	(320,850)	1,884,827
CASH AND CASH EQUIVALENTS, JANUARY 1	15,711,128	7,580,674	320,850	23,612,652
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 18,400,893	\$ 7,096,586	\$ -	\$ 25,497,479

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS (Continued)

For the Year Ended December 31, 2019

	Electric	Water and Water Reclamation	Technology Center	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income	\$ 5,060,515	\$ 561,939	\$ 428,013	\$ 6,050,467
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities				
Depreciation and Amortization	2,531,106	1,733,779	197,635	4,462,520
Changes in Assets and Liabilities				
Accounts Receivable	(124,193)	665	(31,808)	(155,336)
Other Receivables	(197,619)	14,820	-	(182,799)
Prepaid Expenses	(535)	(430)	7,520	6,555
Inventory	132,538	-	-	132,538
Deposits	(11,129)	(2,757)	-	(13,886)
Special Assessments	-	29,513	-	29,513
Pension Items - IMRF	(82,516)	(46,603)	(14,146)	(143,265)
OPEB Items	(80,166)	(28,696)	(13,742)	(122,604)
Accounts Payable	(102,026)	(273,163)	(41,825)	(417,014)
Accrued Payroll	8,594	5,279	(185)	13,688
Other Payables	(7,042)	-	(2,738)	(9,780)
Compensated Absences	(19,158)	12,440	(1,974)	(8,692)
NET CASH FROM OPERATING ACTIVITIES	\$ 7,108,369	\$ 2,006,786	\$ 526,750	\$ 9,641,905
CASH AND INVESTMENTS				
Cash and Cash Investments	\$ 9,341,427	\$ 6,312,130	\$ -	\$ 15,653,557
Restricted Assets				
Cash and Investments	9,059,466	784,456	-	9,843,922
TOTAL CASH AND INVESTMENTS	\$ 18,400,893	\$ 7,096,586	\$ -	\$ 25,497,479
NONCASH TRANSACTIONS				
Illinois EPA Loan Receivable	\$ -	\$ 440,991	\$ -	\$ 440,991
Illinois EPA Loan Payable	-	(440,991)	-	(440,991)
TOTAL NONCASH TRANSACTIONS	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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)

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)

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.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Interfund Transactions (Continued)

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.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

P. Postponement of Implementation of Certain Authoritative Guidance

In accordance with the provisions of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the City has delayed the implementation of GASB Statement No. 83, *Certain Asset Retirement Obligations* to December 31, 2020.

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.

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

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

2. CASH AND INVESTMENTS (Continued)

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, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
ELECTRIC				
Capital Assets not Being Depreciated				
Land	\$ 697,664	\$ -	\$ -	\$ 697,664
Construction in Progress	6,631,651	1,585,915	1,246,746	6,970,820
Total Capital Assets not Being Depreciated	<u>7,329,315</u>	<u>1,585,915</u>	<u>1,246,746</u>	<u>7,668,484</u>
Capital Assets Being Depreciated				
Generation	14,506,554	-	-	14,506,554
Transmission	16,055,257	-	-	16,055,257
Distribution	52,074,692	1,282,173	5,318	53,351,547
General	3,666,176	6,380	-	3,672,556
Total Capital Assets Being Depreciated	<u>86,302,679</u>	<u>1,288,553</u>	<u>5,318</u>	<u>87,585,914</u>
Less Accumulated Depreciation for				
Generation	7,419,524	316,301	-	7,735,825
Transmission	9,661,145	577,427	-	10,238,572
Distribution	32,097,775	1,564,037	-	33,661,812
General	1,133,621	73,340	-	1,206,961
Total Accumulated Depreciation	<u>50,312,065</u>	<u>2,531,105</u>	<u>-</u>	<u>52,843,170</u>
Total Capital Assets Being Depreciated, Net	<u>35,990,614</u>	<u>(1,242,552)</u>	<u>5,318</u>	<u>34,742,744</u>
TOTAL ELECTRIC CAPITAL ASSETS, NET	<u>\$ 43,319,929</u>	<u>\$ 343,363</u>	<u>\$ 1,252,064</u>	<u>\$ 42,411,228</u>
WATER AND WATER RECLAMATION				
Capital Assets not Being Depreciated				
Land	\$ 262,358	\$ 171,105	\$ -	\$ 433,463
Construction in Progress	5,204,888	5,652,580	5,267,398	5,590,070
Total Capital Assets not Being Depreciated	<u>5,467,246</u>	<u>5,823,685</u>	<u>5,267,398</u>	<u>6,023,533</u>
Capital Assets Being Depreciated				
Infrastructure	56,885,448	5,293,784	-	62,179,232
Equipment	10,386,008	-	-	10,386,008
Total Capital Assets Being Depreciated	<u>67,271,456</u>	<u>5,293,784</u>	<u>-</u>	<u>72,565,240</u>
Less Accumulated Depreciation for				
Infrastructure	25,894,627	1,479,385	-	27,374,012
Equipment	6,933,944	254,394	-	7,188,338
Total Accumulated Depreciation	<u>32,828,571</u>	<u>1,733,779</u>	<u>-</u>	<u>34,562,350</u>
Total Capital Assets Being Depreciated, Net	<u>34,442,885</u>	<u>3,560,005</u>	<u>-</u>	<u>38,002,890</u>
TOTAL WATER AND WATER RECLAMATION CAPITAL ASSETS, NET	<u>\$ 39,910,131</u>	<u>\$ 9,383,690</u>	<u>\$ 5,267,398</u>	<u>\$ 44,026,423</u>

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

3. CAPITAL ASSETS (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
TECHNOLOGY CENTER				
Capital Assets not Being Depreciated				
Land	\$ 519,453	\$ -	\$ -	\$ 519,453
Total Capital Assets not Being Depreciated	519,453	-	-	519,453
Capital Assets Being Depreciated				
Building	4,427,155	-	-	4,427,155
General	4,791,389	-	-	4,791,389
Total Capital Assets Being Depreciated	9,218,544	-	-	9,218,544
Less Accumulated Depreciation for				
Building	4,143,682	155,444	-	4,299,126
General	403,840	42,191	-	446,031
Total Accumulated Depreciation	4,547,522	197,635	-	4,745,157
Total Capital Assets Being Depreciated, Net	4,671,022	(197,635)	-	4,473,387
TOTAL TECHNOLOGY CENTER CAPITAL ASSETS, NET	\$ 5,190,475	\$ (197,635)	\$ -	\$ 4,992,840

4. LONG-TERM DEBT

	Balances January 1	Additions	Reductions	Balances December 31	Current Portion
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds					
2014 Electric System Bonds	\$ 5,815,000	\$ -	\$ 95,000	\$ 5,720,000	\$ 100,000
2015 Electric System Bonds	8,080,000	-	535,000	7,545,000	550,000
Total Revenue Bonds	13,895,000	-	630,000	13,265,000	650,000
General Obligation Debt					
Certificates	3,075,000	-	270,000	2,805,000	275,000
IEPA Revolving Loans	6,394,567	3,947,452	3,744,697	6,597,322	260,713
Unamortized Premium	997,543	-	80,477	917,066	-
Compensated Absences	183,141	174,449	183,141	174,449	174,449
Net Pension Liability - IMRF	533,971	2,904,502	-	3,438,473	-
OPEB Liability	538,755	-	99,958	438,797	162,890
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 25,617,977	\$ 7,026,403	\$ 5,008,273	\$ 27,636,107	\$ 1,523,052

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

4. LONG-TERM DEBT (Continued)

Bonds payable at December 31, 2019 are comprised of the following:

General Obligation Debt

	<u>Total</u>	<u>Current Portion</u>
\$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.	\$ 2,805,000	\$ 275,000
TOTAL	\$ 2,805,000	\$ 275,000

Revenue and Alternate Revenue Source Bonds

	<u>Total</u>	<u>Current Portion</u>
\$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%.	\$ 5,720,000	\$ 100,000
\$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%.	7,545,000	550,000
TOTAL	\$ 13,265,000	\$ 650,000

Illinois EPA Loans

	<u>Total</u>	<u>Current Portion</u>
\$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%.	\$ 265,647	\$ 32,626
\$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%.	3,274,858	165,438

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

4. LONG-TERM DEBT (Continued)

Illinois EPA Loans (Continued)

	<u>Total</u>	<u>Current Portion</u>
\$3,270,006 Illinois EPA low interest loan related to the Well #11 Project, due in semiannual installments of \$79,913, through June 2038, interest at 1.32%	\$ 2,615,826	\$ 62,648
\$7,000,000 Illinois EPA low interest loan related to Water Reclamation Plant Improvements Project, due in semiannual installments through July 2040, interest at 1.18%.*	<u>440,991</u>	<u>-</u>
TOTAL	<u><u>\$ 6,597,322</u></u>	<u><u>\$ 260,712</u></u>

*The City had not drawn the full amount of the Illinois EPA loan at December 31, 2019; therefore, a debt service to maturity schedule is not available.

Debt Service to Maturity

The annual requirements to amortize all debt outstanding as of December 31, 2019, are as follows:

Year Ending December 31,	G.O. Debt Certificates		Revenue Bonds		Illinois EPA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 275,000	\$ 89,675	\$ 650,000	\$ 558,240	\$ 260,713	\$ 83,488
2021	285,000	81,275	675,000	532,740	328,517	95,598
2022	290,000	72,650	700,000	506,240	334,182	89,932
2023	300,000	63,800	730,000	478,140	339,950	84,164
2024	310,000	53,100	760,000	448,340	345,823	78,291
2025-2029	1,345,000	88,450	4,265,000	1,753,595	1,720,863	303,129
2030-2034	-	-	5,485,000	711,975	1,764,684	162,367
2035-2038	-	-	-	-	1,061,599	28,874
TOTAL	<u><u>\$ 2,805,000</u></u>	<u><u>\$ 448,950</u></u>	<u><u>\$ 13,265,000</u></u>	<u><u>\$ 4,989,270</u></u>	<u><u>\$ 6,156,331</u></u>	<u><u>\$ 925,843</u></u>

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

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

4. LONG-TERM DEBT (Continued)

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, 2019 is \$18,254,270. Principal and interest paid for the current year was \$1,210,190 or 15.57% of total customer net revenues of \$7,773,604.

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
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

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

5. REVENUE BONDS (Continued)

The City has complied with all significant limitations, restrictions and bond covenants during the year ended December 31, 2019. 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	\$ 1,173,567
Bond Reserve Account	1,326,997
Capital Improvement Account	1,617,886
Depreciation, Improvement and Extension Account	<u>4,941,016</u>
 TOTAL	 <u><u>\$ 9,059,466</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).

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 resource's 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.

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

6. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Benefits Provided (Continued)

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, 2019 was 9.35% of covered payroll. For the year ended December 31, 2019, salaries totaling \$3,652,341 were paid that required employer contributions of \$339,551, which was equal to the RMU's actual contributions.

Net Pension Liability

At December 31, 2019, RMU reported a liability of \$3,438,473 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, 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, 2019 relative to the contributions of the City, actuarially determined. At December 31, 2019, RMU's proportion was 57.2% of the total contribution.

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

6. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions

RMU's net pension liability was measured as of December 31, 2018 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, 2018
Actuarial Cost Method	Entry-Age Normal
Assumptions	
Inflation	2.50%
Salary Increases	3.39% to 14.25%
Interest Rate	7.25%
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.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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. The discount rate used to measure the total pension liability at December 31, 2017 was 7.50%.

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

6. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

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

For the year ended December 31, 2019, RMU recognized pension expense of \$550,361. At December 31, 2019, 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	\$ 112,600	\$ 5,992
Changes in Assumption	492,359	376,048
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,452,803	-
Contributions after Measurement Date	339,551	-
TOTAL	<u>\$ 2,397,313</u>	<u>\$ 382,040</u>

\$339,551 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 fiscal year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2020	\$ 492,014
2021	229,339
2022	329,781
2023	624,588
TOTAL	<u>\$ 1,675,722</u>

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

6. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of RMU calculated using the discount rate of 7.50% as well as what RMU’s net pension liability 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	\$ 6,352,891	\$ 3,438,473	\$ 1,015,412

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, 2019 for the current or prior claim years. Additional information on the City’s risk management program can be found in the City’s CAFR.

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.

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

8. CONTRACTS, COMMITMENTS AND CONTINGENCIES (Continued)

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 \$451 million as of December 31, 2019.

9. INTERFUND ACCOUNTS

A. Advances To/From

Advances to/from other RMU funds at December 31, 2019 consisted of the following:

	Advance From	Advance To
Electric Utility	\$ 409,044	\$ -
Water and Water Reclamation	860,973	-
Technology Center	-	1,270,017
TOTAL	\$ 1,270,017	\$ 1,270,017

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

9. INTERFUND ACCOUNTS (Continued)

A. Advances To/From (Continued)

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.
- \$1,270,017 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, 2019 consisted of the following:

	Transfer In	Transfer Out
City - General Fund	\$ 2,275,915	\$ -
Electric Utility	-	1,966,630
Water and Water Reclamation	-	309,285
TOTAL	<u>\$ 2,275,915</u>	<u>\$ 2,275,915</u>

The purposes of significant interfund transfers are as follows:

- \$2,275,915 transferred to the City - General Fund was made up of \$1,966,630 from the Electric Fund and \$309,285 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.

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 \$438,797 was measured as of December 31, 2019 and was determined by an actuarial valuation as of January 1, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability at December 31, 2019, 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, 2019, including updating the discount rate at December 31, 2019, as noted on the following page.

Actuarial Cost Method	Entry-Age Normal
Actuarial Value of Assets	Market Value
Salary Increases	2.75%
Discount Rate	2.74%
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.

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 2.74% 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 (1.74%) or 1 percentage point higher (3.74%) than the current rate:

	1% Decrease (1.74%)	Current Discount Rate (2.74%)	1% Increase (3.74%)
Total OPEB Liability	\$ 465,370	\$ 438,797	\$ 414,430

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:

	1% Decrease (5% to 4%)	Current Healthcare Rate (6% to 5%)	1% Increase (7% to 6%)
Total OPEB Liability	\$ 396,358	\$ 438,797	\$ 488,931

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

For the year ended December 31, 2019, the RMU recognized OPEB expense of \$31,875. At December 31, 2019, 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
Changes in Assumptions	\$ 28,689	\$ 13,840
TOTAL	\$ 28,689	\$ 13,840

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

10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

<u>Year Ending</u> <u>December 31,</u>	
2020	\$ 1,303
2021	1,303
2022	1,303
2023	1,303
2024	1,303
Thereafter	<u>9,334</u>
 TOTAL	 <u>\$ 15,849</u>

11. SUBSEQUENT EVENT

Sale of Transmission Assets to Commonwealth Edison

Rochelle Municipal Utilities (RMU) and Commonwealth Edison have created a partnership that is expected to enhance the transmission of electricity to residents, businesses, and industries within the RMU service territory. Through a competitive bidding process, and through an agreement with the previous bidder NextEra Energy Transmission, Commonwealth Edison was selected as the best entity to enter the sale with RMU of approximately 20 miles of 138 kV transmission lines and an associated substation. The transaction was fully executed on June 9, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

Last Five Fiscal Years

FISCAL YEAR ENDED	April 30,		December 31,		
	2016	2016*	2017	2018	2019
Contractually Required Contribution	\$ 391,212	\$ 281,121	\$ 445,537	\$ 402,758	\$ 339,551
Contributions in Relation to the Contractually Required Contribution	391,212	281,121	445,537	402,758	339,551
CONTRIBUTION DEFICIENCY (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,453,001	\$ 2,376,337	\$ 3,731,460	\$ 3,551,656	\$ 3,652,341
Contributions as a Percentage of Covered Payroll	11.33%	11.83%	11.94%	11.34%	9.30%

*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 25 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 3.75% to 14.50% compounded annually and postretirement benefit increases of 3% 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 Four Fiscal Years

MEASUREMENT DATE DECEMBER 31	2015	2016	2017	2018
Employer's Proportion of Net Pension Liability	57.21%	57.21%	57.21%	57.21%
Employer's Proportionate Share of Net Pension Liability	\$ 2,896,700	\$ 2,679,131	\$ 533,971	\$ 3,438,473
Employer's Covered Payroll	3,453,001	3,505,080	3,679,197	3,652,341
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	83.89%	76.44%	14.51%	94.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.65%	88.11%	97.66%	95.37%

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 Two Fiscal Years

MEASUREMENT DATE DECEMBER 31	2018	2019
Employer's Proportion of Total Pension Liability	57.21%	57.21%
Employer's Proportionate Share of Total OPEB Liability	\$ 538,755	\$ 438,797
Employer's Covered Payroll	4,420,600	5,150,615
Employer's Proportionate Share of the Total Pension Liability as a Percentage of its Covered Payroll	12.19%	8.52%

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, 2019
(with Comparative Totals)

	2019	2018
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 87,585,914	\$ 86,302,679
Accumulated Depreciation	(52,843,170)	(50,312,065)
Nondepreciable	7,668,484	7,329,315
Net Capital Assets	42,411,228	43,319,929
CURRENT ASSETS		
Cash and Investments	9,341,427	7,701,657
Receivables		
Accounts	4,646,021	4,521,828
Other	372,549	174,630
Prepaid Expenses	2,885	2,350
Deposits	311,129	300,000
Inventory	1,145,947	1,278,485
Restricted Assets		
Cash and Investments	9,059,466	8,009,471
Total Current Assets	24,879,424	21,988,421
NONCURRENT ASSETS		
Advance to Other Funds	409,044	409,044
Total Noncurrent Assets	409,044	409,044
Total Assets	67,699,696	65,717,394
DEFERRED OUTFLOWS OF RESOURCES		
Pension Items	1,480,019	370,321
Unamortized Loss on Refunding	220,180	239,212
Total Deferred Outflows of Resources	1,700,199	609,533
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 69,399,895	\$ 66,326,927

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)
ELECTRIC FUND

December 31, 2019
(with Comparative Totals)

	2019	2018
NET POSITION		
Net Investment in Capital Assets	\$ 28,523,564	\$ 28,749,067
Restricted for Debt Service	9,059,466	8,009,471
Unrestricted	12,550,002	10,540,860
Total Net Position	50,133,032	47,299,398
DEFERRED INFLOWS OF RESOURCES		
Pension Items	242,088	1,010,170
Total Deferred Inflows of Resources	242,088	1,010,170
LONG-TERM LIABILITIES		
Revenue Bonds Payable	13,457,844	14,180,074
Net Pension Liability	2,097,077	320,083
OPEB Liability	168,821	235,556
Total Long-Term Liabilities	15,723,742	14,735,713
CURRENT LIABILITIES		
Accounts Payable	2,254,798	2,240,225
Accrued Payroll	17,183	8,589
Accrued Interest Payable	95,123	98,273
Other Payables	75,324	82,366
Revenue Bonds Payable	650,000	630,000
OPEB Liability	99,671	94,101
Compensated Absences Payable	108,934	128,092
Total Current Liabilities	3,301,033	3,281,646
Total Liabilities	19,024,775	18,017,359
TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES	\$ 69,399,895	\$ 66,326,927

(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, 2019
(with Comparative Totals)

	2019	2018
OPERATING REVENUES		
Charges for Services		
Residential	\$ 6,044,327	\$ 6,572,523
Commercial	5,242,240	5,368,989
Industrial	23,114,695	23,657,073
Public Street Lighting	142,988	150,145
Interdepartmental	608,268	645,499
Other Operating Revenue	2,626,646	2,632,520
Miscellaneous	331,534	233,026
	38,110,698	39,259,775
OPERATING EXPENSES		
Operations		
Purchased Power	22,509,019	23,690,156
Generation	1,721,199	1,758,128
Transmission and Distribution	3,051,376	2,568,469
Customer Accounts	335,325	252,271
Administration and General	2,902,158	3,329,217
Depreciation	2,531,106	2,983,020
	33,050,183	34,581,261
OPERATING INCOME	5,060,515	4,678,514
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	259,465	179,232
Interest Expense	(519,716)	(538,435)
	(260,251)	(359,203)
NET INCOME BEFORE TRANSFERS	4,800,264	4,319,311
TRANSFERS		
Transfers to the City	(1,966,630)	(1,977,027)
	(1,966,630)	(1,977,027)
CHANGE IN NET POSITION	2,833,634	2,342,284
NET POSITION, BEGINNING OF YEAR	47,299,398	45,370,570
Change in Accounting Principle	-	(413,456)
NET POSITION, BEGINNING OF YEAR, RESTATED	47,299,398	44,957,114
NET POSITION, END OF YEAR	\$ 50,133,032	\$ 47,299,398

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS
ELECTRIC FUND**

For the Year Ended December 31, 2019
(with Comparative Totals)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 37,777,757	\$ 39,683,087
Payments to Suppliers	(29,061,616)	(29,683,760)
Payments to Employees	(976,284)	(1,209,259)
Payments to Other Funds	(631,488)	(469,476)
	7,108,369	8,320,592
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts of Loans from Other Funds	-	49,389
Transfers to the City	(1,966,630)	(1,977,027)
	(1,966,630)	(1,927,638)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(1,505,374)	(2,810,932)
Principal Payments on Long-Term Debt	(630,000)	(615,000)
Interest Payments on Long-Term Debt	(576,065)	(594,521)
	(2,711,439)	(4,020,453)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	259,465	179,232
	259,465	179,232
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,689,765	2,551,733
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,711,128	13,159,395
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 18,400,893	\$ 15,711,128

(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, 2019
(with Comparative Totals)

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING INCOME		
TO NET CASH FLOWS FROM		
OPERATING ACTIVITIES		
Operating Income	\$ 5,060,515	\$ 4,678,514
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	2,531,106	2,983,020
Changes in Assets and Liabilities		
Accounts Receivable	(124,193)	296,952
Other Receivables	(197,619)	126,360
Prepaid Expenses	(535)	67,303
Inventory	132,538	102,706
Deposits	(11,129)	-
Pension Items - IMRF	(82,516)	240,432
OPEB Items	(80,166)	(74,492)
Accounts Payable	(102,026)	(79,803)
Accrued Payroll	8,594	8,829
Other Payables	(7,042)	(28,096)
Compensated Absences	(19,158)	(1,133)
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 7,108,369</u>	<u>\$ 8,320,592</u>
CASH AND INVESTMENTS		
Cash and Investments	\$ 9,341,427	\$ 7,701,657
Restricted Assets		
Cash and Investments	9,059,466	8,009,471
TOTAL CASH AND INVESTMENTS	<u>\$ 18,400,893</u>	<u>\$ 15,711,128</u>

(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, 2019
(with Comparative Totals)

	2019	2018
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 72,565,240	\$ 67,271,456
Accumulated Depreciation	(34,562,350)	(32,828,571)
Nondepreciable	6,023,533	5,467,246
Net Capital Assets	44,026,423	39,910,131
CURRENT ASSETS		
Cash and Investments	6,312,130	7,025,480
Receivables		
Accounts	898,714	899,378
Accrued Interest	785	378
Other	2,235	17,055
Prepaid Expenses	2,375	1,945
Due from Other Governments	1,083,949	293,981
Due from Other Funds	-	39,591
Restricted Assets		
Cash and Investments	784,456	555,194
Total Current Assets	9,084,644	8,833,002
NONCURRENT ASSETS		
Advances to Other Funds	860,973	1,345,736
Special Assessments	176,442	205,955
Total Noncurrent Assets	1,037,415	1,551,691
Total Assets	54,148,482	50,294,824
DEFERRED OUTFLOWS OF RESOURCES		
Pension Items	689,097	174,836
Total Deferred Outflows of Resources	689,097	174,836
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 54,837,579	\$ 50,469,660

(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, 2019
(with Comparative Totals)

	2019	2018
NET POSITION		
Net Investment in Capital Assets	\$ 37,429,101	\$ 33,515,564
Restricted for Debt Service	784,456	555,194
Unrestricted	7,464,843	7,813,274
 Total Net Position	45,678,400	41,884,032
DEFERRED INFLOWS OF RESOURCES		
Pension Items	112,183	467,688
 Total Deferred Inflows of Resources	112,183	467,688
LONG-TERM LIABILITIES		
Illinois EPA Loans Payable	6,336,609	6,229,109
Net Pension Liability	976,784	154,008
OPEB Liability	78,142	109,028
 Total Long-Term Liabilities	7,391,535	6,492,145
CURRENT LIABILITIES		
Accounts Payable	1,215,396	1,298,205
Accrued Payroll	9,322	4,043
Accrued Interest Payable	5,629	5,948
Deposits Payable	59,026	61,783
IEPA Loans Payable	260,713	165,458
OPEB Liability	46,133	43,556
Compensated Absences Payable	59,242	46,802
 Total Current Liabilities	1,655,461	1,625,795
 Total Liabilities	9,046,996	8,117,940
 TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES	\$ 54,837,579	\$ 50,469,660

(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, 2019
(with Comparative Totals)

	2019	2018
OPERATING REVENUES		
Water		
Charges for Services		
Residential	\$ 961,307	\$ 934,570
Commercial	750,838	730,360
Industrial	864,680	887,514
Rental	94,820	91,254
Other Operating Revenue	26,743	42,678
Miscellaneous	7,373	656
	2,705,761	2,687,032
Total Water		
Water Reclamation		
Charges for Services		
Residential	1,114,573	1,120,817
Commercial	1,200,895	1,107,570
Industrial	1,245,408	1,159,458
Other Operating Revenue	179,510	109,257
Miscellaneous	34,448	16,678
	3,774,834	3,513,780
	6,480,595	6,200,812
OPERATING EXPENSES		
Operations		
Water Source of Supply	341,640	513,356
Water Treatment	174,167	133,275
Transmission, Distribution and Collection	1,250,861	846,169
Water Reclamation Operations	1,566,916	1,517,622
Administration and General	770,539	724,640
Taxes	80,754	76,670
Depreciation	1,733,779	1,713,851
	5,918,656	5,525,583
	561,939	675,229
OPERATING INCOME		

(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, 2019
(with Comparative Totals)

	<u>2019</u>	<u>2018</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	\$ 88,738	\$ 86,445
Interest Expense	(107,454)	(98,467)
Total Non-Operating Revenues (Expenses)	<u>(18,716)</u>	<u>(12,022)</u>
NET INCOME BEFORE TRANSFERS, CAPITAL GRANTS AND CONTRIBUTIONS	<u>543,223</u>	<u>663,207</u>
TRANSFERS		
Transfers (Out)	<u>(309,286)</u>	<u>(279,270)</u>
Total Transfers	<u>(309,286)</u>	<u>(279,270)</u>
CAPITAL GRANTS AND CONTRIBUTIONS	<u>3,560,431</u>	<u>724,344</u>
CHANGE IN NET POSITION	<u>3,794,368</u>	<u>1,108,281</u>
NET POSITION, BEGINNING OF YEAR	41,884,032	40,967,122
Change in Accounting Principle	<u>-</u>	<u>(191,371)</u>
NET POSITION, BEGINNING OF YEAR, RESTATED	<u>41,884,032</u>	<u>40,775,751</u>
NET POSITION, END OF YEAR	<u>\$ 45,678,400</u>	<u>\$ 41,884,032</u>

(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, 2019
(with Comparative Totals)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 6,522,836	\$ 6,701,483
Payments to Suppliers	(1,701,151)	(1,426,271)
Payments to Employees	(1,662,563)	(1,552,223)
Payments to Other Funds	(1,152,336)	(438,712)
Net Cash from Operating Activities	<u>2,006,786</u>	<u>3,284,277</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Loans Provided to Other Funds	-	(305,177)
Repayment from Loans to Other Funds	524,353	-
Transfers to the City	(309,286)	(279,270)
Net Cash from Noncapital Financing Activities	<u>215,067</u>	<u>(584,447)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(5,659,717)	(4,243,675)
Issuance of Long-Term Debt	517,485	2,073,609
Principal Payments on Long-Term Debt	(314,730)	(733,237)
Interest Payments on Long-Term Debt	(107,773)	(93,578)
Grant Receipts	2,770,462	724,344
Net Cash from Capital and Related Financing Activities	<u>(2,794,273)</u>	<u>(2,272,537)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	<u>88,332</u>	<u>86,460</u>
Net Cash from Investing Activities	<u>88,332</u>	<u>86,460</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(484,088)	513,753
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,580,674</u>	<u>7,066,921</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 7,096,586</u></u>	<u><u>\$ 7,580,674</u></u>

(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, 2019
(with Comparative Totals)

	2019	2018
RECONCILIATION OF OPERATING INCOME		
TO NET CASH FLOWS FROM		
OPERATING ACTIVITIES		
Operating Income	\$ 561,939	\$ 675,229
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	1,733,779	1,713,851
Changes in Assets and Liabilities		
Accounts Receivable	665	415,661
Other Receivables	14,820	41,021
Prepaid Expenses	(430)	-
Deposits	(2,757)	14,579
Special Assessments	29,513	29,410
Pension Items - IMRF	(46,603)	111,286
OPEB Items	(28,696)	(34,479)
Accounts Payable	(273,163)	330,354
Accrued Payroll	5,279	4,043
Compensated Absences	12,440	(16,678)
	\$ 2,006,786	\$ 3,284,277
NET CASH FROM OPERATING ACTIVITIES		
CASH AND INVESTMENTS		
Cash and Investments	\$ 6,312,130	\$ 7,025,480
Restricted Assets		
Cash and Investments	784,456	555,194
	\$ 7,096,586	\$ 7,580,674
TOTAL CASH AND INVESTMENTS		
NONCASH TRANSACTIONS		
Illinois EPA Loan Receivable	\$ 440,991	\$ 79,977
Illinois EPA Loan Payable	(440,991)	(79,977)
	\$ -	\$ -
TOTAL NONCASH TRANSACTIONS		

(See independent auditor's report.)

TECHNOLOGY CENTER FUND

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF NET POSITION
TECHNOLOGY CENTER FUND**

December 31, 2019
(with Comparative Totals)

	2019	2018
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 9,218,544	\$ 9,218,544
Accumulated Depreciation	(4,745,157)	(4,547,522)
Nondepreciable	519,453	519,453
Net Capital Assets	4,992,840	5,190,475
CURRENT ASSETS		
Cash and Investments	-	320,850
Receivables		
Accounts	166,929	135,121
Prepaid Expenses	-	7,520
Total Current Assets	166,929	463,491
Total Assets	5,159,769	5,653,966
DEFERRED OUTFLOWS OF RESOURCES		
Pension Items	256,886	66,419
Unamortized Loss on Refunding	85,122	94,580
Total Deferred Outflows of Resources	342,008	160,999
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,501,777	\$ 5,814,965

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)
TECHNOLOGY CENTER FUND

December 31, 2019
(with Comparative Totals)

	2019	2018
NET POSITION		
Net Investment in Capital Assets	\$ 2,113,618	\$ 2,033,006
Unrestricted (Deficit)	(1,220,987)	(1,474,339)
Total Net Position	892,631	558,667
DEFERRED INFLOWS OF RESOURCES		
Pension Items	41,608	173,277
Total Deferred Inflows of Resources	41,608	173,277
LONG-TERM LIABILITIES		
Advance from Other Funds	1,270,017	1,754,780
Net Pension Liability	364,612	59,880
OPEB Liability	28,944	40,382
Long-Term Debt, Net of Current Maturities		
General Obligation Debt Payable	2,604,222	2,887,469
Total Long-Term Liabilities	4,267,795	4,742,511
CURRENT LIABILITIES		
Accounts Payable	879	42,703
Accrued Payroll	505	690
OPEB Liability	17,086	16,132
Compensated Absences Payable	6,273	8,247
Other Payables	-	2,738
General Obligation Debt Payable	275,000	270,000
Total Current Liabilities	299,743	340,510
Total Liabilities	4,567,538	5,083,021
TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES	\$ 5,501,777	\$ 5,814,965

(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, 2019
(with Comparative Totals)

	2019	2018
OPERATING REVENUES		
Technology		
Charges for Services		
Telecommunications Leases	\$ 55,530	\$ 54,668
Commercial Fiber Leases	440,521	420,376
Commercial Colocation Leases	633,600	630,080
Internal Colocation Leases	118,447	67,224
Penalties	10,096	3,257
Total Technology	1,258,194	1,175,605
Communications		
Charges for Services		
Dial-Up Internet Access	6,272	7,846
Wireless Internet Access	5,999	6,671
Network Internet Access	20,396	19,734
Fiber Internet Access	177,108	145,670
Web Site Host	4,872	4,900
Data Services	5,748	5,748
VOIP Services	902	498
Mailboxes	2,948	2,211
Penalties	2,292	1,329
Total Communications Revenues	226,537	194,607
Other Charges for Services	5,765	23,957
Total Operating Revenues	1,490,496	1,394,169
OPERATING EXPENSES		
Technology		
Operations		
Personnel	(14,111)	68,064
Contractual Services	438,745	249,125
Commodities	297,025	321,009
Depreciation and Amortization	145,971	145,971
Total Technology Expenses	867,630	784,169
Communications		
Operations		
Personnel	88,254	170,834
Contractual Services	51,207	12,610
Commodities	3,728	5,823
Depreciation and Amortization	51,664	60,360
Total Communications Expenses	194,853	249,627
Total Operating Expenses	1,062,483	1,033,796
OPERATING INCOME	428,013	360,373

(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, 2019
(with Comparative Totals)

	2019	2018
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	\$ 5,013	\$ 2,533
Interest Expense	(99,062)	(115,589)
Total Non-Operating Revenues (Expenses)	(94,049)	(113,056)
CHANGE IN NET POSITION	333,964	247,317
NET POSITION, BEGINNING OF YEAR	558,667	382,229
Change in Accounting Principle	-	(70,879)
NET POSITION, BEGINNING OF YEAR, RESTATED	558,667	311,350
NET POSITION, END OF YEAR	\$ 892,631	\$ 558,667

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

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS
TECHNOLOGY CENTER FUND**

For the Year Ended December 31, 2019
(with Comparative Totals)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 1,337,503	\$ 1,243,177
Receipts from Interfund Service Transactions	118,447	67,223
Payments to Suppliers	(421,721)	(178,957)
Payments to Employees	(104,190)	(224,329)
Payments to Other Funds	(403,289)	(380,494)
	526,750	526,620
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt of Loans from Other Funds	-	265,586
Repayment of Loans from Other Funds	(484,763)	(49,389)
	(484,763)	216,197
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(270,000)	(305,000)
Interest Payments on Long-Term Debt	(97,850)	(119,500)
	(367,850)	(424,500)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	5,013	2,533
	5,013	2,533
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(320,850)	320,850
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	320,850	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -	\$ 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, 2019
(with comparative totals)

	2019	2018
RECONCILIATION OF OPERATING INCOME		
TO NET CASH FLOWS FROM		
OPERATING ACTIVITIES		
Operating Income	\$ 428,013	\$ 360,373
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	197,635	206,331
Changes in Assets and Liabilities		
Accounts Receivable	(31,808)	(83,769)
Prepaid Expenses	7,520	(164)
Pension Items - IMRF	(14,146)	41,217
OPEB Items	(13,742)	(12,770)
Accounts Payable	(41,825)	29,280
Accrued Payroll	(185)	690
Compensated Absences	(1,974)	(14,568)
Other Payables	(2,738)	-
	\$ 526,750	\$ 526,620
NET CASH FROM OPERATING ACTIVITIES		
 CASH AND INVESTMENTS		
Cash and Investments	\$ -	\$ 320,850
 NONCASH TRANSACTIONS		
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)
	\$ -	\$ (420,707)
TOTAL NONCASH TRANSACTIONS		

(See independent auditor's report.)