

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

ANNUAL FINANCIAL REPORT

For the Year Ended
April 30, 2014



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 1-13
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	9-24
SUPPLEMENTAL INFORMATION	
Electric Fund	
Statement of Net Position.....	25-26
Statement of Revenues, Expenses and Changes in Net Position	27
Statement of Cash Flows.....	28-29
Water and Water Reclamation Fund	
Statement of Net Position.....	30-31
Statement of Revenues, Expenses and Changes in Net Position	32-33
Statement of Cash Flows.....	34-35
Communications Fund	
Statement of Net Position.....	36-37
Statement of Revenues, Expenses and Changes in Net Position	38-39
Statement of Cash Flows.....	40-41
Technology Center Fund	
Statement of Net Position.....	42-43
Statement of Revenues, Expenses and Changes in Net Position	44
Statement of Cash Flows.....	45-46



1415 W. Diehl Road, Suite 400
Naperville, Illinois 60563

630.566.8400 // www.sikich.com

Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

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) (RMU) as of and for the year ended April 30, 2014, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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 the RMU's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rochelle Municipal Utilities (enterprise funds of the City of Rochelle, Illinois), as of April 30, 2014, 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 the RMU and do not purport to, and do not present fairly the financial position of the City of Rochelle, Illinois (the City) as of April 30, 2014, 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the RMU's financial statements as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the City of Rochelle, Illinois' basic financial statements for the year ended April 30, 2013, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rochelle, Illinois' basic financial statements as a whole. The supplemental information presented for the year ended April 30, 2013 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 2013 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 2013 supplemental information is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 26, 2014 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Naperville, Illinois
September 26, 2014

A handwritten signature in black ink, appearing to be 'M. J. P.', is located to the right of the date and location text.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2014, 2013, and 2012

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 April 30, 2014, 2013 and 2012. You are invited to read this narrative in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Electric Utility exceed its liabilities by \$44,265,798. Of this amount, \$13,262,239 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors; \$8,756,557 is restricted for debt service (restricted net position); and \$22,247,002 is the net investment in capital assets.
- The assets of the Water and Water Reclamation Utility exceed its liabilities by \$36,337,797. Of this amount, \$2,040,400 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors; \$4,116,952 is restricted for debt service (restricted net position); and \$30,180,445 is the net investment in capital assets.
- The liabilities of the Communication Utility exceed its assets by \$5,095. Of this amount, \$(861,201) (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors and \$856,106 is the net investment in capital assets.
- The assets of the Technology Center Utility exceed its liabilities by \$60,903. Of this amount (\$684,598) (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors and \$745,501 is the net investment in capital assets.
- Operating revenues for the Electric Utility were up 11% while operating expenses were up 14%. Operating revenue increases came from rate changes, added revenue streams, and grant funds. Operating expenses increased due to the higher power costs.
- Operating revenues for the Water and Water Reclamation Utility were up 3% while operating expenses were up 6%. Operating expenses increased mainly due to the rise in power costs.
- Operating revenues for the Communication Utility decreased 13% due to the reduction in rates for fiber customers. Operating expenses decreased 24% due to an allocation of personnel expenses.

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2014, 2013, and 2012

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 provide individual fund statements that demonstrate the financial strength of the utility.

- 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 as a whole using accounting methods similar to those used by private-sector utilities. The Balance Sheet includes all of the utilities' assets and liabilities. All of 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 liabilities – 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 April 30, 2014, 2013, and 2012

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>2014</u>	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 25,285,240	\$ 26,750,797	\$ 26,585,518
Capital Assets	<u>33,480,542</u>	<u>32,636,446</u>	<u>32,415,931</u>
Total Assets and Deferred Outflows	<u>58,765,782</u>	<u>59,387,243</u>	<u>59,001,449</u>
Long-term Liabilities	10,779,879	11,378,015	11,948,079
Other Liabilities	<u>3,720,105</u>	<u>4,079,987</u>	<u>3,213,254</u>
Total Liabilities and Deferred Inflows	<u>14,499,984</u>	<u>15,458,002</u>	<u>15,161,333</u>
Net Investment in Capital Assets	22,247,002	20,842,309	20,086,195
Restricted	8,756,557	8,745,614	9,374,783
Unrestricted	<u>13,262,239</u>	<u>14,341,318</u>	<u>14,381,740</u>
Total Net Position	<u>\$ 44,265,798</u>	<u>\$ 43,929,241</u>	<u>\$ 43,842,718</u>

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2014, 2013, and 2012

FINANCIAL ANALYSIS OF RMU (cont.)

Table 2
Condensed Statements of Net Position

Water and Water Reclamation Utility

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 6,632,300	\$ 6,773,861	\$ 6,048,112
Capital Assets	<u>32,101,409</u>	<u>31,627,241</u>	<u>31,188,361</u>
Total Assets	<u>38,733,709</u>	<u>38,401,102</u>	<u>37,236,473</u>
Long-term Liabilities	1,043,573	1,965,440	2,860,439
Other Liabilities	<u>1,352,339</u>	<u>1,613,313</u>	<u>1,078,340</u>
Total Liabilities	<u>2,395,912</u>	<u>3,578,753</u>	<u>3,938,779</u>
Net Investment in Capital Assets	30,180,445	28,839,744	27,566,145
Restricted	4,116,952	688,288	1,693,456
Unrestricted	<u>2,040,400</u>	<u>5,294,317</u>	<u>4,038,093</u>
Total Net Position	<u>\$ 36,337,797</u>	<u>\$ 34,822,349</u>	<u>\$ 33,297,694</u>

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2014, 2013, and 2012

FINANCIAL ANALYSIS OF RMU (cont.)

Table 3
Condensed Statements of Net Position

Communications Utility

	2014	2013	2012
Current and Other Assets	\$ 31,499	\$ 41,152	\$ 68,329
Capital Assets	856,106	704,331	713,263
Total Assets	887,605	745,483	781,592
Long-term Liabilities	344,637	399,191	455,613
Other Liabilities	548,063	349,060	187,228
Total Liabilities	892,700	748,251	642,841
Net Investment in Capital Assets	856,106	704,331	713,263
Restricted	-	-	-
Unrestricted	(861,201)	(707,099)	(574,512)
Total Net Position	\$ (5,095)	\$ (2,768)	\$ 138,751

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2014, 2013, and 2012

FINANCIAL ANALYSIS OF RMU (cont.)

Table 4
Condensed Statements of Net Position

	Technology Center Utility		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 282,023	\$ 105,817	\$ 206,127
Capital Assets	<u>4,860,501</u>	<u>4,947,906</u>	<u>5,016,409</u>
Total Assets	<u>5,142,524</u>	<u>5,053,723</u>	<u>5,222,536</u>
Long-term Liabilities	4,723,594	4,972,433	5,206,180
Other Liabilities	<u>358,027</u>	<u>333,552</u>	<u>330,378</u>
Total Liabilities	<u>5,081,621</u>	<u>5,305,985</u>	<u>5,536,558</u>
Net Investment in Capital Assets			
	745,501	643,072	526,409
Restricted	-	-	-
Unrestricted	<u>(684,598)</u>	<u>(895,334)</u>	<u>(840,131)</u>
Total Net Position	<u>\$ 60,903</u>	<u>\$ (252,262)</u>	<u>\$ (314,022)</u>

The largest portion of RMU's net position **67%** reflects its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and infrastructure), less any 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 **16%** represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position **17%** may be used to meet the utilities' ongoing obligations to rate payers and creditors.

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2014, 2013, and 2012

FINANCIAL ANALYSIS OF RMU (cont.)

ELECTRIC OPERATIONS

Electric operations increased the 2014 utility's net position by \$336,557. This increase is primarily a result of the following items:

- Increase in rates and a balancing of the cost of service between energy and demand charges
- Additional revenue streams including renewable energy credits
- Grant for infrastructure expansion

WATER/WATER RECLAMATION OPERATIONS

Water/Water Reclamation operations increased the 2014 utility's net position by \$1,313,670. This increase is primarily a result of the following items:

- General system upgrades
- RMU has received capital contributions for the following projects:
 - Deployment of water and sewer mains to commercial and industrial developments

COMMUNICATION OPERATIONS

Communication operations decreased the 2014 utility's net position by \$2,327. This utility continues to work on the following:

- System enhancements
- Marketing to fiber and VOIP customers

TECHNOLOGY CENTER

Technology Center operations increased the 2014 utility's net position by \$313,165. This increase is primarily a result of the following item:

- Addition of colocation customer

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2014, 2013, and 2012

FINANCIAL ANALYSIS OF RMU (cont.)

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

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

	Electric Utility		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 31,806,738	\$ 28,728,543	\$ 27,431,148
Non-operating revenues	<u>18,596</u>	<u>19,507</u>	<u>22,917</u>
Total Revenues	<u>31,825,334</u>	<u>28,748,050</u>	<u>27,454,065</u>
Depreciation expense	2,231,582	2,164,888	2,110,823
Other operating expenses	28,175,220	24,607,324	20,930,439
Non-operating expenses	<u>494,040</u>	<u>517,795</u>	<u>558,125</u>
Total Expenses	<u>30,900,842</u>	<u>27,290,007</u>	<u>23,599,387</u>
Income Before Capital Contributions and Transfers	924,492	1,458,043	3,854,678
Capital contributions	909,643	-	-
Transfers	<u>(1,497,578)</u>	<u>(1,371,520)</u>	<u>(1,499,381)</u>
Changes in Net Position	336,557	86,523	2,355,297

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2014, 2013, and 2012

FINANCIAL ANALYSIS OF RMU (cont.)

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

Water and Water Reclamation Utility

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 5,038,543	\$ 4,912,443	\$ 4,726,706
Non-operating revenues	<u>13,466</u>	<u>13,193</u>	<u>14,186</u>
Total Revenues	<u>5,052,009</u>	<u>4,925,636</u>	<u>4,740,892</u>
Depreciation expense	1,409,019	1,350,329	1,289,253
Other operating expenses	2,694,448	2,524,040	2,463,192
Non-operating expenses	<u>94,915</u>	<u>114,986</u>	<u>153,589</u>
Total Expenses	<u>4,198,382</u>	<u>3,989,355</u>	<u>3,906,034</u>
Income Before Capital Contributions and Transfers	853,627	936,281	834,858
Capital contributions	672,024	802,496	2,466,453
Transfers	<u>(211,981)</u>	<u>(214,122)</u>	<u>(212,854)</u>
Changes in Net Position	1,313,670	1,524,655	3,088,457

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2014, 2013, and 2012

FINANCIAL ANALYSIS OF RMU (cont.)

Table 7
Condensed Statement of Revenues, Expenses
and Changes in Net Position

Communications Utility

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 831,694	\$ 962,487	\$ 947,423
Non-operating revenues	<u>7</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>831,701</u>	<u>962,487</u>	<u>947,423</u>
Depreciation expense	70,610	192,811	30,197
Other operating expenses	762,255	909,866	815,807
Non-operating expenses	<u>1,163</u>	<u>1,329</u>	<u>1,594</u>
Total Expenses	<u>834,028</u>	<u>1,104,006</u>	<u>847,598</u>
Income Before Capital Contributions and Transfers	(2,327)	(141,519)	99,825
Capital contributions	-	-	-
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Position	(2,327)	(141,519)	99,825

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2014, 2013, and 2012

FINANCIAL ANALYSIS OF RMU (cont.)

Table 8
Condensed Statement of Revenues, Expenses
and Changes in Net Position

Technology Center Utility

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 1,127,944	\$ 626,084	\$ 565,308
Non-operating revenues	<u>344</u>	<u>382</u>	<u>360</u>
Total Revenues	<u>1,128,288</u>	<u>626,466</u>	<u>565,668</u>
Depreciation expense	143,380	143,380	143,215
Other operating expenses	475,693	234,124	106,092
Non-operating expenses	<u>196,050</u>	<u>187,202</u>	<u>182,176</u>
Total Expenses	<u>815,123</u>	<u>564,706</u>	<u>431,483</u>
Income Before Capital Contributions and Transfers	313,165	61,760	134,185
Capital contributions	-	-	-
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Position	313,165	61,760	134,185

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2014, 2013, and 2012

RMU BUDGETARY HIGHLIGHTS

The final Electric Fund revenue budget, including other non-operating income, totaled \$31,678,412. Actual revenues, including non-operating income were \$31,825,334. Total budgeted expenses were \$32,327,914. The Electric Fund's actual expenses totaled \$30,900,842 including non-operating expenses. This provided income before contributions and transfers of \$924,492.

The final Water/Water Reclamation Fund revenue budget totaled \$8,122,500 with actual revenues of \$5,052,009. The Water/Water Reclamation Fund's budgeted expenses were \$9,941,858, while actual expenses totaled \$4,198,382. This provided income before contributions and transfers of \$853,627.

The final Communications Fund expenditure budget totaled \$1,000,248. The total for revenues budgeted, including other non-operating income, was \$1,004,768. The Communications Fund's actual expenses totaled \$832,865, while actual income totaled \$831,694. This provided income before contributions and transfers of \$(1,171).

The final Technology Center Fund expenditure budget totaled \$1,097,782 while the revenue budget was \$1,274,897. The actual expenses totaled \$815,123 while total revenues were \$1,128,288. This provided income before contributions of \$313,165.

LONG-TERM DEBT

At April 30, 2014, the Electric fund had \$11,285,000 of long-term bonds outstanding. According to the ordinances authorizing the issuance of the Series 2005 and 2008 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 \$3,631,518 and the fiscal year 2014 revenue bond debt service amounted to \$1,078,704 resulting in a debt service coverage ratio of 3.37.

At April 30, 2014, the Water and Water Reclamation fund had \$665,000 of long-term bonds and \$1,255,964 of long-term loans outstanding. According to the ordinances authorizing the issuance of the Series 2008 Waterworks and Sewerage Refunding Revenue Bonds, RMU will provide net revenues in each fiscal year in the amount to not less than 1.2 times the principal and interest requirements coming due during the current year with respect to outstanding bonds. RMU – Water and Water Reclamation Fund had net revenues of \$2,344,095 and the fiscal year 2014 revenue bond debt service amounted to \$681,225 resulting in a debt service coverage ratio of 3.44.

The repayment of bonds and loans are covered from operating revenues.

On May 1, 2008 the utility currently refunded \$3,685,000 of water and water reclamation debt at interest rates ranging from 3.00% - 3.75%. The refunded debt is payable over a 6 year period with the final payment commencing in 2014.

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2014, 2013, and 2012

LONG-TERM DEBT (cont.)

On June 30, 2008 the utility issued \$5,000,000 of general obligation limited tax debt to finance the construction of a new building for a communications crisis management center. The debt is payable over 20 years and bears an interest rate of 4.27%.

On July 1, 2008 the utility currently refunded \$5,755,000 of electric revenue debt at interest rates ranging from 3.5% - 4.5%. The refunded debt is payable over 8 years with the final payment commencing in 2016.

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

All currently known facts and economic conditions were considered in preparing the 2015 utility budget. None of these conditions are anticipated to change the overall financial position of the utility.

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 Frye, Finance Manager, 420 N. 6th St., Rochelle, IL 61068 or e-mail cfrye@rochelleil.us.

BASIC FINANCIAL STATEMENTS

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION

April 30, 2014

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
CAPITAL ASSETS					
Depreciable - Plant in Service	\$ 72,601,011	\$ 56,342,320	\$ 3,567,131	\$ 5,175,111	\$ 137,685,573
Accumulated Depreciation	(39,818,133)	(25,618,509)	(2,711,025)	(834,063)	(68,981,730)
Nondepreciable	697,664	1,377,598	-	519,453	2,594,715
Net Capital Assets	33,480,542	32,101,409	856,106	4,860,501	71,298,558
CURRENT ASSETS					
Cash and Investments	7,721,113	922,045	-	274,540	8,917,698
Receivables					
Accounts	4,116,498	702,071	9,715	7,483	4,835,767
Accrued Interest	-	1,098	-	-	1,098
Other	200,339	8,738	14,700	-	223,777
Prepaid Expenses	229,206	43,389	7,084	-	279,679
Inventory	2,316,345	3,830	-	-	2,320,175
Deposits	368,658	-	-	-	368,658
Due from Other Governments	-	491,074	-	-	491,074
Due from Other Funds	12,739	-	-	-	12,739
Restricted Assets					
Cash and Investments	8,125,919	3,419,951	-	-	11,545,870
Cash Held at Paying Agent	630,638	697,001	-	-	1,327,639
Total Current Assets	23,721,455	6,289,197	31,499	282,023	30,324,174
NONCURRENT ASSETS					
Advances to Other Funds	1,524,637	-	-	-	1,524,637
Special Assessments	-	343,103	-	-	343,103
Total Noncurrent Assets	1,524,637	343,103	-	-	1,867,740
Total Assets	58,726,634	38,733,709	887,605	5,142,524	103,490,472
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized Loss on Refunding	39,148	-	-	-	39,148
Total Deferred Outflows of Resources	39,148	-	-	-	39,148
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 58,765,782	\$ 38,733,709	\$ 887,605	\$ 5,142,524	\$ 103,529,620

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)

April 30, 2014

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
NET POSITION					
Net Investment in Capital Assets	\$ 22,247,002	\$ 30,180,445	\$ 856,106	\$ 745,501	\$ 54,029,054
Restricted for Debt Service	8,756,557	4,116,952	-	-	12,873,509
Unrestricted (Deficit)	13,262,239	2,040,400	(861,201)	(684,598)	13,756,840
 Total Net Position (Deficit)	 44,265,798	 36,337,797	 (5,095)	 60,903	 80,659,403
LONG-TERM LIABILITIES					
General Obligation Bonds Payable	-	-	-	3,915,000	3,915,000
Revenue Bonds Payable	10,695,000	-	-	-	10,695,000
IEPA Loans Payable	-	1,004,474	-	-	1,004,474
Unamortized Bond Premium/Discount	(12,312)	-	-	-	(12,312)
Net Pension Obligation	97,191	39,099	12,100	5,161	153,551
Advance from Other Funds	-	-	332,537	803,433	1,135,970
 Total Long-Term Liabilities	 10,779,879	 1,043,573	 344,637	 4,723,594	 16,891,683
CURRENT LIABILITIES					
Accounts Payable	2,128,069	299,300	10,160	5,655	2,443,184
Customer Advances	482,163	-	-	-	482,163
Accrued Payroll	20,225	6,862	1,779	1,616	30,482
Accrued Interest Payable	242,186	34,443	-	146,425	423,054
Other Payables	141,282	50,273	2,738	-	194,293
Due to Other Funds	-	-	524,210	-	524,210
General Obligation Debt Payable	-	-	-	200,000	200,000
Revenue Bonds Payable	590,000	665,000	-	-	1,255,000
IEPA Loans Payable	-	251,490	-	-	251,490
Compensated Absences Payable	116,180	44,971	9,176	4,331	174,658
 Total Current Liabilities	 3,720,105	 1,352,339	 548,063	 358,027	 5,978,534
 Total Liabilities	 14,499,984	 2,395,912	 892,700	 5,081,621	 22,870,217
 TOTAL NET POSITION AND LIABILITIES	 \$ 58,765,782	 \$ 38,733,709	 \$ 887,605	 \$ 5,142,524	 \$ 103,529,620

See accompanying notes to financial statements.

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended April 30, 2014

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
OPERATING REVENUES					
Charges for Services	\$ 31,727,508	\$ 5,020,871	\$ 831,694	\$ 1,127,944	\$ 38,708,017
Miscellaneous	79,230	17,672	-	-	96,902
Total Operating Revenues	31,806,738	5,038,543	831,694	1,127,944	38,804,919
OPERATING EXPENSES					
Operations	28,175,220	2,694,448	762,255	475,693	32,107,616
Depreciation and Amortization	2,231,582	1,409,019	70,610	143,380	3,854,591
Total Operating Expenses	30,406,802	4,103,467	832,865	619,073	35,962,207
OPERATING INCOME (LOSS)	1,399,936	935,076	(1,171)	508,871	2,842,712
NON-OPERATING REVENUES (EXPENSES)					
Investment Income	18,596	13,466	7	344	32,413
Interest Expense	(494,040)	(94,915)	(1,163)	(196,050)	(786,168)
Total Non-Operating Revenues (Expenses)	(475,444)	(81,449)	(1,156)	(195,706)	(753,755)
NET INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	924,492	853,627	(2,327)	313,165	2,088,957
TRANSFERS					
Transfers to the City	(1,497,578)	(211,981)	-	-	(1,709,559)
Total Transfers	(1,497,578)	(211,981)	-	-	(1,709,559)
CONTRIBUTIONS	909,643	672,024	-	-	1,581,667
CHANGE IN NET POSITION	336,557	1,313,670	(2,327)	313,165	1,961,065
NET POSITION (DEFICIT), MAY 1 AS ORIGINALLY STATED	43,929,241	34,822,349	(2,768)	(252,262)	78,496,560
Prior Period Adjustment	-	201,778	-	-	201,778
NET POSITION (DEFICIT) , MAY 1, RESTATED	43,929,241	35,024,127	(2,768)	(252,262)	78,698,338
NET POSITION (DEFICIT), APRIL 30	\$ 44,265,798	\$ 36,337,797	\$ (5,095)	\$ 60,903	\$ 80,659,403

See accompanying notes to financial statements.

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS

For the Year Ended April 30, 2014

	Electric	Water and Reclamation	Communications	Technology Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 31,823,026	\$ 4,800,572	\$ 291,791	\$ 997,490	\$ 37,912,879
Receipts from Interfund Service Transactions	-	-	540,442	131,679	672,121
Payments to Suppliers	(27,224,035)	(1,017,607)	(208,412)	(151,409)	(28,601,463)
Payments to Employees	(1,316,824)	(1,201,002)	(405,570)	(163,816)	(3,087,212)
Payments to Other Funds	(685,429)	(797,225)	(165,201)	(154,714)	(1,802,569)
Net Cash from Operating Activities	2,596,738	1,784,738	53,050	659,230	5,093,756
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipts of Loans from Other Funds	-	-	221,957	-	221,957
Repayments from Loans to Other Funds	2,779,126	-	-	-	2,779,126
Repayment of Loans from Other Funds	-	-	(54,808)	(48,947)	(103,755)
Interest Paid on Interfund Loans	-	-	(1,163)	(2,557)	(3,720)
Transfers to the City	(1,497,578)	(211,981)	-	-	(1,709,559)
Net Cash from Noncapital Financing Activities	1,281,548	(211,981)	165,986	(51,504)	1,184,049
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Assets Purchased	(3,075,678)	(1,211,163)	(222,385)	(56,815)	(4,566,041)
Principal Payments on Long-Term Debt	(570,000)	(895,677)	-	(190,000)	(1,655,677)
Interest Payments on Long-Term Debt	(504,638)	(78,617)	-	(183,824)	(767,079)
Grant Receipts	909,643	201,778	-	-	1,111,421
Net Cash from Capital and Related Financing Activities	(3,240,673)	(1,983,679)	(222,385)	(430,639)	(5,877,376)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received on Investments	18,596	13,457	7	344	32,404
Net Cash from Investing Activities	18,596	13,457	7	344	32,404
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	656,209	(397,465)	(3,342)	177,431	432,833
CASH AND CASH EQUIVALENTS, MAY 1	15,190,823	4,739,461	3,342	97,109	20,030,735
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 15,847,032	\$ 4,341,996	\$ -	\$ 274,540	\$ 20,463,568

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS (Continued)

For the Year Ended April 30, 2014

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 1,399,936	\$ 935,076	\$ (1,171)	\$ 508,871	\$ 2,842,712
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities					
Depreciation and Amortization	2,231,582	1,409,019	70,610	143,380	3,854,591
Changes in Assets and Liabilities					
Accounts Receivable	(513,017)	(21,844)	15,264	1,225	(518,372)
Other Receivables	33,545	(229,262)	(14,700)	-	(210,417)
Prepaid Expenses	(75,278)	(24,870)	5,747	-	(94,401)
Inventory	(616,429)	(350)	-	-	(616,779)
Deposits	502,382	-	-	-	502,382
Accounts Payable	(375,909)	(301,708)	(15,182)	(301)	(693,100)
Customer Advances	(6,622)	-	-	-	(6,622)
Accrued Payroll	7,655	1,510	(647)	1,616	10,134
Other Payables	1,631	13,135	(25)	-	14,741
Compensated Absences	5,226	3,214	(7,100)	4,331	5,671
Net Pension Obligation	2,036	818	254	108	3,216
NET CASH FROM OPERATING ACTIVITIES	\$ 2,596,738	\$ 1,784,738	\$ 53,050	\$ 659,230	\$ 5,093,756
CASH AND INVESTMENTS					
Cash and Cash Investments	\$ 7,721,113	\$ 922,045	\$ -	\$ 274,540	\$ 8,917,698
Restricted Assets					
Cash and Investments	8,125,919	3,419,951	-	-	11,545,870
TOTAL CASH AND INVESTMENTS	\$ 15,847,032	\$ 4,341,996	\$ -	\$ 274,540	\$ 20,463,568
NONCASH TRANSACTIONS					
Contributions	\$ -	\$ 656,732	\$ -	\$ -	\$ 656,732
TOTAL NONCASH TRANSACTIONS	\$ -	\$ 656,732	\$ -	\$ -	\$ 656,732

See accompanying notes to financial statements.

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

April 30, 2014

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 Communications Fund 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.

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.

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 less than one year when purchased are stated at cost or amortized cost. Investments with a maturity of one year or greater when purchased are reported at fair value. Fair value has been based on quoted market prices at April 30, 2014 for debt and equity securities and contract values for mutual funds.

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.

Communications 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.

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. 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.

<u>Asset Class</u>	<u>Capitalization Threshold</u>
Land	\$ -
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 estimated fair market 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-40
Machinery and Equipment	5-20
Land Improvements	20-30
Utilities System	5-77
Infrastructure	10-50

I. Vacation, Sick Pay and Other Employee Benefits

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Interfund Transactions

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

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

K. Interfund Receivables/Payables

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

L. Long-Term Obligations

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

M. Net Position

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Deferred Outflows/Inflows of Resources

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

O. Use of Estimates

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

2. CASH AND INVESTMENTS

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

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 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

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 United States Government (Treasury obligations) or 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.

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

3. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
ELECTRIC				
Capital Assets not Being Depreciated				
Land	\$ 697,664	\$ -	\$ -	\$ 697,664
Construction in Progress	-	2,637,402	2,637,402	-
Total Capital Assets not Being Depreciated	697,664	2,637,402	2,637,402	697,664
Capital Assets Being Depreciated				
Generation	8,374,419	185,338	-	8,559,757
Transmission	10,379,271	29,933	-	10,409,204
Distribution	47,141,484	2,847,787	-	49,989,271
General	3,629,320	13,459	-	3,642,779
Total Capital Assets Being Depreciated	69,524,494	3,076,517	-	72,601,011
Less Accumulated Depreciation for				
Generation	6,585,359	109,748	-	6,695,107
Transmission	7,085,638	376,847	-	7,462,485
Distribution	23,194,041	1,673,240	-	24,867,281
General	720,674	72,586	-	793,260
Total Accumulated Depreciation	37,585,712	2,232,421	-	39,818,133
Total Capital Assets Being Depreciated, Net	31,938,782	844,096	-	32,782,878
TOTAL ELECTRIC CAPITAL ASSETS, NET	\$ 32,636,446	\$ 3,481,498	\$ 2,637,402	\$ 33,480,542
WATER AND WATER RECLAMATION				
Capital Assets not Being Depreciated				
Land	\$ 262,358	\$ -	\$ -	\$ 262,358
Construction in Progress	942,050	2,593,722	2,420,532	1,115,240
Total Capital Assets not Being Depreciated	1,204,408	2,593,722	2,420,532	1,377,598
Capital Assets Being Depreciated				
Infrastructure	44,385,012	1,703,345	-	46,088,357
Equipment	10,247,311	6,652	-	10,253,963
Total Capital Assets Being Depreciated	54,632,323	1,709,997	-	56,342,320
Less Accumulated Depreciation for				
Infrastructure	18,742,268	1,152,913	-	19,895,181
Equipment	5,467,222	256,106	-	5,723,328
Total Accumulated Depreciation	24,209,490	1,409,019	-	25,618,509
Total Capital Assets Being Depreciated, Net	30,422,833	300,978	-	30,723,811
TOTAL WATER AND WATER RECLAMATION CAPITAL ASSETS, NET	\$ 31,627,241	\$ 2,894,700	\$ 2,420,532	\$ 32,101,409

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

3. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
COMMUNICATIONS				
Capital Assets not Being Depreciated				
Land Rights	\$ -	\$ -	\$ -	\$ -
Total Capital Assets not Being Depreciated	-	-	-	-
Capital Assets Being Depreciated				
Building	-	-	-	-
General	3,344,746	222,385	-	3,567,131
Total Capital Assets Being Depreciated	3,344,746	222,385	-	3,567,131
Less Accumulated Depreciation for				
Building	-	-	-	-
General	2,640,415	70,610	-	2,711,025
Total Accumulated Depreciation	2,640,415	70,610	-	2,711,025
Total Capital Assets Being Depreciated, Net	704,331	151,775	-	856,106
TOTAL COMMUNICATION CAPITAL ASSETS, NET	\$ 704,331	\$ 151,775	\$ -	\$ 856,106
TECHNOLOGY CENTER				
Capital Assets not Being Depreciated				
Land Rights	\$ 519,453	\$ -	\$ -	\$ 519,453
Total Capital Assets not Being Depreciated	519,453	-	-	519,453
Capital Assets Being Depreciated				
Building	4,249,817	-	-	4,249,817
General	869,319	55,975	-	925,294
Total Capital Assets Being Depreciated	5,119,136	55,975	-	5,175,111
Less Accumulated Depreciation for				
Building	524,518	104,325	-	628,843
General	166,165	39,055	-	205,220
Total Accumulated Depreciation	690,683	143,380	-	833,897
Total Capital Assets Being Depreciated, Net	4,428,453	(86,565)	-	4,341,048
TOTAL TECHNOLOGY CENTER CAPITAL ASSETS, NET	\$ 4,947,906	\$ (86,565)	\$ -	\$ 4,860,501

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

4. LONG-TERM DEBT

	May 1	Additions	Reductions	April 30	Current Portion
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds					
2005 Electric System Bonds	\$ 9,435,000	\$ -	\$ -	\$ 9,435,000	\$ -
2008 Refunding Bonds	2,420,000	-	570,000	1,850,000	590,000
2008 Refunding Bonds	1,310,000	-	645,000	665,000	665,000
Total Revenue Bonds	13,165,000	-	1,215,000	11,950,000	1,255,000
General Obligation Debt Certificates	4,305,000	-	190,000	4,115,000	200,000
IEPA Revolving Loans	1,500,446	-	244,482	1,255,964	251,490
Unamortized Discount	(39,700)	-	(2,347)	(37,353)	-
Unamortized Premium	43,755	-	18,714	25,041	-
Compensated Absences	168,987	174,658	168,987	174,658	174,658
Net Pension Obligation	150,335	3,216	-	153,551	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 19,293,823	\$ 177,874	\$ 1,834,836	\$ 17,636,861	\$ 1,881,148

Bonds payable at April 30, 2014 are comprised of the following, excluding the refunded bonds that are defeased in-substance.

General Obligation Debt

	Total	Current Portion
\$5,000,000 2008 Limited Tax Debt Certificates, due in annual installments of \$165,000 to \$350,000 from June 30, 2009 to June 30, 2028, interest at 4.27%, retired by the Technology Center Fund.	\$ 4,115,000	\$ 200,000
TOTAL	\$ 4,115,000	\$ 200,000

Revenue and Alternate Revenue Source Bonds

\$9,435,000 Series 2005 Electric System Revenue Bonds, due in annual installments of \$505,000 to \$880,000, through May 1, 2030, interest from 4.00% to 4.75%.	\$ 9,435,000	\$ -
\$5,755,000 Series 2008 Electric System Revenue Refunding Revenue Bonds, due in annual installments of \$565,000 to \$665,000, through May 1, 2016, interest from 3.5% to 4.5%.	1,850,000	590,000
TOTAL ELECTRIC SYSTEM REVENUE BONDS	\$ 11,285,000	\$ 590,000

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

4. LONG-TERM DEBT (Continued)

Revenue and Alternate Revenue Source Bonds (Continued)

	Total	Current Portion
\$3,685,000 Series 2008 Waterworks and Sewerage Refunding Revenue Bonds, due in annual installments of \$15,000 to \$645,000, through May 1, 2014, interest from 3.00% to 3.75%.	\$ 665,000	\$ 665,000
TOTAL WATER AND WATER RECLAMATION FUND REVENUE BONDS	\$ 665,000	\$ 665,000

Illinois EPA Loans

\$3,191,177 Illinois EPA low interest loan related to the Northwest Interceptor Sewer project, due in semiannual installments of \$122,605, through August 2017, interest at 2.89%.	\$ 810,702	\$ 223,383
\$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 2.5%.	445,262	28,107
TOTAL WATER AND WATER RECLAMATION IEPA LOANS	\$ 1,255,964	\$ 251,490

Debt Service to Maturity

The annual requirements to amortize all debt outstanding (except compensated absences) as of April 30, 2014, are as follows:

April 30,	GO Debt Certificates		Revenue Bonds		Illinois EPA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 200,000	\$ 175,711	\$ 1,255,000	\$ 484,304	\$ 251,490	\$ 32,424
2016	210,000	167,171	615,000	445,711	258,700	25,214
2017	220,000	158,204	645,000	417,611	266,118	17,797
2018	230,000	148,810	505,000	403,098	151,140	10,169
2019	240,000	138,989	530,000	382,998	31,045	7,659
2020-2024	1,355,000	571,355	2,985,000	1,579,690	167,335	26,185
2025-2029	1,660,000	233,580	3,695,000	909,808	130,136	5,508
2030-2031	-	-	1,720,000	123,500	-	-
TOTAL	\$ 4,115,000	\$ 1,593,820	\$ 11,950,000	\$ 4,746,620	\$ 1,255,964	\$ 124,956

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 Water and Water Reclamation Alternate Revenue Source Bonds to provide funds for water and water reclamation capital improvements. These bonds are payable from a pledge of the City's water and water reclamation revenues and are being repaid by the Water and Water Reclamation Fund. The bonds are payable solely from water and water reclamation revenues and are payable through 2015. The total principal and interest remaining to be paid on the bonds as of April 30, 2014 is \$677,469. Principal and interest paid for the current year was \$681,225 or 29.06% of total customer net revenues of \$2,344,095.

The City issued the Series 2005 Electric Revenue Alternate Revenue Source Bonds and the Series 2008 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 2031. The total principal and interest remaining to be paid on the bonds as of April 30, 2014 is \$16,019,151. Principal and interest paid for the current year was \$1,066,236 or 26.53% of total customer net revenues of \$4,019,357.

Advanced Refunding

Electric

On July 22, 2008, revenue bonds in the amount of \$5,755,000 were issued with an average interest rate of 4.14% to advance refund \$5,660,000 of outstanding bonds with an average interest rate of 4.75%. The net proceeds of \$5,749,424 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. As a result, the old bonds are considered to be defeased and the liability for the old bonds has been removed from the statement of net position. At April 30, 2014, \$2,980,000 of bonds outstanding are considered defeased.

5. REVENUE BONDS

The revenue bond ordinances require that all revenues derived from the operation of the Electric Fund and Water and Sewer 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

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

5. REVENUE BONDS (Continued)

Account	Amount	Nature of Authorized Expenditures
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
Surplus Revenue	The amount remaining after payment into the above four accounts	Making up deficiencies in the aforementioned accounts, paying of junior lien bonds and for any other lawful corporate purpose

The City has complied with all significant limitations, restrictions and bond covenants during the year ended April 30, 2014. 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	\$ 1,549,339
Bond Reserve Account	4,006,201
Depreciation, Improvement and Extension Account	<u>7,317,969</u>
TOTAL	<u><u>\$ 12,873,509</u></u>

6. PENSION PLAN

Participating and nonparticipating employees are covered by the Illinois Municipal Retirement Fund (IMRF) and by Social Security, respectively. Contributions are paid by the City, and are reimbursed by the RMU. Additional information on the IMRF plan, including funding requirements and the actuarial accrual liability is presented in the annual financial report of the City.

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. Beginning on November 1, 2013, the City began purchasing commercial health insurance and no longer has uninsured risk of loss. Additional information on the City's risk management program can be found in the City's annual financial report.

8. CONTRACTS, COMMITMENTS AND CONTIGENCIES

A. Litigation

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

B. Grants

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

C. Northern Illinois Municipal Power Agency

On May 24, 2004, the City entered into a contract with the Cities of Batavia, Geneva and Geneseo to form a municipal power agency called Northern Illinois Municipal Power Agency (NIMPA). NIMPA declared its intent to acquire from Prairie State Generating Company, LLC an undivided ownership interest as a tenant-in-common in an approximately 1,620 mega-watt "mine mouth" coal fired power generating facility located in Washington County, Illinois, along with certain coal reserves, other related tangible and intangible property and related costs. This ownership interest is referred to as the Prairie State Project. On November 4, 2004, the City entered into the Peabody Prairie State Project Committee Agreement along with other NIMPA members for the purpose of allocating the preliminary costs of developing and negotiating the documents and agreements necessary to enable NIMPA to acquire ownership interest in the Prairie State Project. On January 24, 2005, the City agreed to enter into additional agreements with the other NIMPA members in order to participate in the Prairie State Project.

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

8. CONTRACTS, COMMITMENTS AND CONTINGENCIES (Continued)

C. Northern Illinois Municipal Power Agency (Continued)

The City's entitlement share of the project is 1.90%; therefore, RMU were required to transfer 1.9%, or \$302,461, of total Prairie State Project fees to NIMPA. The City also entered into an agreement to make monthly transfers to NIMPA to enable NIMPA to meet its payment obligations under the project development agreement. The estimated monthly project cost payments total \$677,492. NIMPA has 120 mega-watts, of which the City has rights to 30 mega-watts. During August 2008, NIMPA issued Bond Anticipation Notes to fund the development costs to date.

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 \$510 million as of January 1, 2014 (most recent information available).

9. INTERFUND ACCOUNTS

A. Due from/to other RMU funds at April 30, 2014 consisted of the following:

	Due From	Due To
Communications	\$ -	\$ 524,210
Electric	12,739	-
City - Landfill Fund	511,471	-
TOTAL	\$ 524,210	\$ 524,210

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

- \$524,210 due from the Communications Fund to the Electric Fund and the Landfill Fund is to cover temporary cash deficits. Repayment is expected within one year.

B. Advances from/to other RMU funds at April 30, 2014 consisted of the following:

	Advance To	Advance From
Electric	\$ 1,135,970	\$ -
Communications	-	332,537
Technology Center	-	803,433
TOTAL	\$ 1,135,970	\$ 1,135,970

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

9. INTERFUND ACCOUNTS (Continued)

B. (Continued)

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

- \$1,135,970 advanced from the Electric Fund to the Communications Fund and Technology Center Fund is for funding of capital projects. Repayment is not expected within one year.

C. Interfund transfers during the year ended April 30, 2014 consisted of the following:

	Transfer In	Transfer Out
City - General Fund	\$ 1,709,559	\$ -
Electric Utility	-	1,497,578
Water and Water Reclamation	-	211,981
TOTAL	\$ 1,709,559	\$ 1,709,559

The purposes of significant interfund transfers are as follows:

- \$1,709,559 transferred to the City - General Fund was made up of \$1,497,578 from the Electric Fund and \$211,981 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 annual financial report.

11. RESTATEMENT

Net position of the Water and Water Reclamation Fund was restated to report contributions from capital grants in the correct period.

SUPPLEMENTAL INFORMATION

ELECTRIC FUND

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION
ELECTRIC FUND

April 30, 2014
(with comparative totals)

	2014	2013
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 72,601,011	\$ 69,524,494
Accumulated Depreciation	(39,818,133)	(37,585,712)
Nondepreciable	697,664	697,664
Net Capital Assets	33,480,542	32,636,446
CURRENT ASSETS		
Cash and Investments	7,721,113	7,067,709
Receivables		
Accounts	4,116,498	3,603,481
Other	200,339	233,884
Prepaid Expenses	229,206	153,928
Inventory	2,316,345	1,699,916
Deposits	368,658	871,040
Due from Other Funds	12,739	2,688,110
Restricted Assets		
Cash and Investments	8,125,919	8,123,114
Cash Held at Paying Agent	630,638	622,500
Total Current Assets	23,721,455	25,063,682
NONCURRENT ASSETS		
Advance to Other Funds	1,524,637	1,628,392
Total Noncurrent Assets	1,524,637	1,628,392
Total Assets	58,726,634	59,328,520
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Loss on Refunding	39,148	58,723
Total Deferred Outflows of Resources	39,148	58,723
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 58,765,782	\$ 59,387,243

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)
ELECTRIC FUND

April 30, 2014
(with comparative totals)

	<u>2014</u>	<u>2013</u>
NET POSITION		
Net Investment in Capital Assets	\$ 22,247,002	\$ 20,842,309
Restricted for Debt Service	8,756,557	8,745,614
Unrestricted	13,262,239	14,341,318
	<hr/>	
Total Net Position	44,265,798	43,929,241
	<hr/>	
LONG-TERM LIABILITIES		
Revenue Bonds Payable	10,695,000	11,285,000
Unamortized Bond Premium/Discount	(12,312)	(2,140)
Net Pension Obligation	97,191	95,155
	<hr/>	
Total Long-Term Liabilities	10,779,879	11,378,015
	<hr/>	
CURRENT LIABILITIES		
Accounts Payable	2,128,069	2,503,978
Customer Advances	482,163	488,785
Accrued Payroll	20,225	12,570
Accrued Interest Payable	242,186	254,049
Other Payables	141,282	139,651
Revenue Bonds Payable	590,000	570,000
Compensated Absences Payable	116,180	110,954
	<hr/>	
Total Current Liabilities	3,720,105	4,079,987
	<hr/>	
Total Liabilities	14,499,984	15,458,002
	<hr/>	
TOTAL NET POSITION AND LIABILITIES	<u>\$ 58,765,782</u>	<u>\$ 59,387,243</u>

(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 April 30, 2014
(with comparative totals)

	2014	2013
OPERATING REVENUES		
Charges for Services		
Residential	\$ 6,161,251	\$ 5,933,125
Commercial	5,669,166	5,065,784
Industrial	19,067,930	16,887,720
Public Street Lighting	158,820	153,515
Interdepartmental	485,965	402,839
Other Operating Revenue	184,376	234,390
Miscellaneous	79,230	51,170
	31,806,738	28,728,543
OPERATING EXPENSES		
Operations		
Purchased Power	22,413,478	19,591,054
Generation	1,579,690	1,191,342
Transmission and Distribution	2,637,447	2,441,874
Customer Accounts	318,424	340,413
Administration and General	1,226,181	1,042,641
Depreciation	2,231,582	2,164,888
	30,406,802	26,772,212
	1,399,936	1,956,331
OPERATING INCOME		
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	18,596	19,507
Interest Expense	(494,040)	(517,795)
	(475,444)	(498,288)
	924,492	1,458,043
NET INCOME BEFORE TRANSFERS, CAPITAL GRANTS AND CONTRIBUTIONS		
TRANSFERS		
Transfers to the City	(1,497,578)	(1,371,520)
	(1,497,578)	(1,371,520)
CAPITAL GRANTS AND CONTRIBUTIONS		
	909,643	-
CHANGE IN NET POSITION	336,557	86,523
NET POSITION, MAY 1	43,929,241	43,842,718
NET POSITION, APRIL 30	\$ 44,265,798	\$ 43,929,241

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS
ELECTRIC FUND

For the Year Ended April 30, 2014
(with comparative totals)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 31,823,026	\$ 28,545,549
Payments to Suppliers	(27,224,035)	(22,156,503)
Payments to Employees	(1,316,824)	(1,270,517)
Payments to Other Funds	(685,429)	(733,653)
Net Cash from Operating Activities	2,596,738	4,384,876
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Loans Provided to Other Funds	-	(2,973,331)
Repayment from Loans to Other Funds	2,779,126	-
Transfers to the City	(1,497,578)	(1,371,520)
Net Cash from Noncapital Financing Activities	1,281,548	(4,344,851)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(3,075,678)	(1,625,181)
Principal Payments on Long-Term Debt	(570,000)	(545,000)
Interest Payments on Long-Term Debt	(504,638)	(533,394)
Grant Receipts	909,643	-
Net Cash from Capital and Related Financing Activities	(3,240,673)	(2,703,575)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	18,596	19,507
Net Cash from Investing Activities	18,596	19,507
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	656,209	(2,644,043)
CASH AND CASH EQUIVALENTS, MAY 1		
	15,190,823	17,834,866
CASH AND CASH EQUIVALENTS, APRIL 30		
	\$ 15,847,032	\$ 15,190,823

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS (Continued)
ELECTRIC FUND

For the Year Ended April 30, 2014
(with comparative totals)

	2014	2013
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 1,399,936	\$ 1,956,331
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	2,231,582	2,164,888
Changes in Assets and Liabilities		
Accounts Receivable	(513,017)	(96,564)
Other Receivables	33,545	(68,506)
Prepaid Expenses	(75,278)	63,304
Inventory	(616,429)	260,301
Deposits	502,382	-
Accounts Payable	(375,909)	108,883
Customer Advances	(6,622)	(17,924)
Accrued Payroll	7,655	(1,668)
Other Payables	1,631	(8,108)
Compensated Absences	5,226	13,829
Net Pension Obligation	2,036	10,110
NET CASH FROM OPERATING ACTIVITIES	\$ 2,596,738	\$ 4,384,876
CASH AND INVESTMENTS		
Cash and Investments	\$ 7,721,113	\$ 7,067,709
Restricted Assets		
Cash and Investments	8,125,919	8,123,114
TOTAL CASH AND INVESTMENTS	\$ 15,847,032	\$ 15,190,823

(See independent auditor's report.)

WATER AND WATER RECLAMATION FUND

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF NET POSITION
WATER AND WATER RECLAMATION FUND**

April 30, 2014
(with comparative totals)

	2014	2013
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 56,342,320	\$ 54,632,323
Accumulated Depreciation	(25,618,509)	(24,209,490)
Nondepreciable	1,377,598	1,204,408
	32,101,409	31,627,241
CURRENT ASSETS		
Cash and Investments	922,045	3,697,764
Receivables		
Accounts	702,071	680,227
Accrued Interest	1,098	1,089
Other	8,738	19,533
Prepaid Expenses	43,389	18,519
Inventory	3,830	3,480
Due from Other Governments	491,074	221,612
Restricted Assets		
Cash and Investments	3,419,951	1,041,697
Cash Held at Paying Agent	697,001	688,288
	6,289,197	6,372,209
NONCURRENT ASSETS		
Special Assessments	343,103	372,508
	343,103	372,508
TOTAL ASSETS		
	38,733,709	38,371,958
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Loss on Refunding	-	29,144
	-	29,144
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
	\$ 38,733,709	\$ 38,401,102

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

April 30, 2014
(with comparative totals)

	2014	2013
NET POSITION		
Net Investment in Capital Assets	\$ 30,180,445	\$ 28,839,744
Restricted for Debt Service	4,116,952	1,729,985
Unrestricted	2,040,400	4,252,620
	36,337,797	34,822,349
LONG-TERM LIABILITIES		
Revenue Bonds Payable	-	665,000
IEPA Loans Payable	1,004,474	1,255,964
Unamortized Bond Premium/Discount	-	6,195
Net Pension Obligation	39,099	38,281
	1,043,573	1,965,440
CURRENT LIABILITIES		
Accounts Payable	299,300	601,008
Accrued Payroll	6,862	5,352
Accrued Interest Payable	34,443	38,576
Deposits Payable	50,273	37,138
Revenue Bonds Payable	665,000	645,000
IEPA Loans Payable	251,490	244,482
Compensated Absences Payable	44,971	41,757
	1,352,339	1,613,313
Total Current Liabilities	1,352,339	1,613,313
Total Liabilities	2,395,912	3,578,753
TOTAL NET POSITION AND LIABILITIES	\$ 38,733,709	\$ 38,401,102

(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 April 30, 2014
(with comparative totals)

	2014	2013
OPERATING REVENUES		
Water		
Charges for Services		
Residential	\$ 785,406	\$ 778,547
Commercial	606,178	562,224
Industrial	666,011	554,547
Interdepartmental	-	15,721
Rental	50,147	48,218
Other Operating Revenue	20,749	33,038
Miscellaneous	6,078	3,582
	2,134,569	1,995,877
Water Reclamation		
Charges for Services		
Residential	987,550	985,315
Commercial	1,100,831	979,224
Industrial	776,814	896,945
Interdepartmental	-	3,921
Other Operating Revenue	27,187	38,149
Miscellaneous	11,592	13,012
	2,903,974	2,916,566
	5,038,543	4,912,443
OPERATING EXPENSES		
Operations		
Water Source of Supply	261,362	238,973
Water Treatment	167,195	158,095
Transmission, Distribution and Collection	540,278	552,413
Water Reclamation Operations	1,134,778	1,015,658
Administration and General	540,541	513,505
Taxes	50,294	45,396
Depreciation	1,409,019	1,350,329
	4,103,467	3,874,369
OPERATING INCOME	935,076	1,038,074

(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 April 30, 2014
(with comparative totals)

	<u>2014</u>	<u>2013</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	\$ 13,466	\$ 13,193
Interest Expense	(94,915)	(114,986)
Total Non-Operating Revenues (Expenses)	<u>(81,449)</u>	<u>(101,793)</u>
NET INCOME BEFORE TRANSFERS, CAPITAL GRANTS AND CONTRIBUTIONS	<u>853,627</u>	<u>936,281</u>
TRANSFERS		
Transfers (Out)	<u>(211,981)</u>	<u>(214,122)</u>
Total Transfers	<u>(211,981)</u>	<u>(214,122)</u>
CAPITAL GRANTS AND CONTRIBUTIONS	<u>672,024</u>	<u>802,496</u>
CHANGE IN NET POSITION	<u>1,313,670</u>	<u>1,524,655</u>
NET POSITION, MAY 1, AS ORIGINALLY STATED	34,822,349	33,297,694
Prior Period Adjustment	<u>201,778</u>	-
NET POSITION, MAY 1, RESTATED	<u>35,024,127</u>	<u>33,297,694</u>
NET POSITION, APRIL 30	<u>\$ 36,337,797</u>	<u>\$ 34,822,349</u>

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended April 30, 2014
(with comparative totals)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 4,800,572	\$ 4,906,447
Payments to Suppliers	(1,017,607)	(607,235)
Payments to Employees	(1,201,002)	(1,098,216)
Payments to Other Funds	(797,225)	(809,289)
	1,784,738	2,391,707
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to the City	(211,981)	(214,122)
	(211,981)	(214,122)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(1,211,163)	(605,172)
Principal Payments on Long-Term Debt	(895,677)	(857,669)
Interest Payments on Long-Term Debt	(78,617)	(119,200)
Grant Receipts	201,778	-
	(1,983,679)	(1,582,041)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	13,457	13,442
	13,457	13,442
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(397,465)	608,986
CASH AND CASH EQUIVALENTS, MAY 1	4,739,461	4,130,475
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 4,341,996	\$ 4,739,461

(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 April 30, 2014
(with comparative totals)

	2014	2013
RECONCILIATION OF OPERATING INCOME		
TO NET CASH FLOWS FROM		
OPERATING ACTIVITIES		
Operating Income	\$ 935,076	\$ 1,038,074
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	1,409,019	1,350,329
Changes in Assets and Liabilities		
Accounts Receivable	(21,844)	5,842
Other Receivables	(229,262)	(18,734)
Prepaid Expenses	(24,870)	18,439
Inventory	(350)	-
Deposits	-	6,896
Accounts Payable	(301,708)	(12,581)
Accrued Payroll	1,510	(3,939)
Other Payables	13,135	-
Compensated Absences	3,214	6,703
Net Pension Obligation	818	678
NET CASH FROM OPERATING ACTIVITIES	\$ 1,784,738	\$ 2,391,707
CASH AND INVESTMENTS		
Cash and Investments	\$ 922,045	\$ 3,697,764
Restricted Assets		
Cash and Investments	3,419,951	1,041,697
TOTAL CASH AND INVESTMENTS	\$ 4,341,996	\$ 4,739,461
NONCASH TRANSACTIONS		
Contributions	\$ 656,732	\$ 802,496
TOTAL NONCASH TRANSACTIONS	\$ 656,732	\$ 802,496

(See independent auditor's report.)

COMMUNICATIONS FUND

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF NET POSITION
COMMUNICATIONS FUND**

April 30, 2014
(with comparative totals)

	<u>2014</u>	<u>2013</u>
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 3,567,131	\$ 3,344,746
Accumulated Depreciation	(2,711,025)	(2,640,415)
	<hr/>	<hr/>
Net Capital Assets	856,106	704,331
	<hr/>	<hr/>
CURRENT ASSETS		
Cash and Investments	-	3,342
Receivables		
Accounts	9,715	24,979
Other	14,700	-
Prepaid Expenses	7,084	12,831
	<hr/>	<hr/>
Total Current Assets	31,499	41,152
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 887,605</u>	<u>\$ 745,483</u>

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET POSITION (Continued)
COMMUNICATIONS FUND

April 30, 2014
(with comparative totals)

	<u>2014</u>	<u>2013</u>
NET POSITION		
Net Investment in Capital Assets	\$ 856,106	\$ 704,331
Unrestricted (Deficit)	(861,201)	(707,099)
	<hr/>	<hr/>
Total Net Position (Deficit)	(5,095)	(2,768)
LONG-TERM LIABILITIES		
Advance from Other Funds	332,537	387,345
Net Pension Obligation	12,100	11,846
	<hr/>	<hr/>
Total Long-Term Liabilities	344,637	399,191
CURRENT LIABILITIES		
Accounts Payable	10,160	25,342
Accrued Payroll	1,779	2,426
Deposits Payable	2,738	2,763
Due to Other Funds	524,210	302,253
Compensated Absences Payable	9,176	16,276
	<hr/>	<hr/>
Total Current Liabilities	548,063	349,060
	<hr/>	<hr/>
Total Liabilities	892,700	748,251
	<hr/>	<hr/>
TOTAL NET POSITION AND LIABILITIES	<u>\$ 887,605</u>	<u>\$ 745,483</u>

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended April 30, 2014
(with comparative totals)

	2014	2013
OPERATING REVENUES		
Charges for Services		
Dial-Up Internet Access	\$ 16,226	\$ 19,051
Activation Fee	1,000	-
Wireless Internet Access	36,020	54,890
Network Internet Access	20,396	20,396
Fiber Internet Access	110,079	185,074
Wi-Fi	8,679	13,039
Web Site Host	9,500	10,110
Data Services	5,748	5,748
VOIP Services	51,741	55,124
Network Administration Fees	540,442	550,450
Mailboxes	2,067	2,822
Network and Hardware Support	-	3,264
Revenues from Merchandising	4,714	4,635
Other Operating Revenues	25,082	37,884
	831,694	962,487
OPERATING EXPENSES		
Operations		
Personnel	266,412	344,806
Insurance Benefits	77,697	87,828
Pension Benefits	53,968	70,067
Contractual Services	351,863	388,225
Commodities	12,315	18,940
Depreciation and Amortization	70,610	192,811
	832,865	1,102,677
OPERATING INCOME (LOSS)	(1,171)	(140,190)

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended April 30, 2014
(with comparative totals)

	<u>2014</u>	<u>2013</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	\$ 7	\$ -
Interest Expense	(1,163)	(1,329)
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(1,156)	(1,329)
	<hr/>	<hr/>
CHANGE IN NET POSITION	(2,327)	(141,519)
	<hr/>	<hr/>
NET POSITION (DEFICIT), MAY 1	(2,768)	138,751
	<hr/>	<hr/>
NET POSITION (DEFICIT), APRIL 30	<u>\$ (5,095)</u>	<u>\$ (2,768)</u>

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS
COMMUNICATIONS FUND**

For the Year Ended April 30, 2014
(with comparative totals)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 291,791	\$ 435,162
Receipts from Interfund Service Transactions	540,442	550,450
Payments to Suppliers	(208,412)	(272,078)
Payments to Employees	(405,570)	(416,358)
Payments to Other Funds	(165,201)	(206,467)
	53,050	90,709
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt of Loans from Other Funds	221,957	302,254
Repayments of Loans from Other Funds	(54,808)	(215,133)
Interest Paid on Interfund Loans	(1,163)	(1,329)
	165,986	85,792
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(222,385)	(173,159)
	(222,385)	(173,159)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	7	-
	7	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,342)	3,342
CASH AND CASH EQUIVALENTS, MAY 1	3,342	-
CASH AND CASH EQUIVALENTS, APRIL 30	\$ -	\$ 3,342

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS (Continued)
COMMUNICATIONS FUND

For the Year Ended April 30, 2014
(with comparative totals)

	2014	2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (1,171)	\$ (140,190)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities		
Depreciation and Amortization	70,610	192,811
Changes in Assets and Liabilities		
Accounts Receivable	15,264	23,061
Other Receivables	(14,700)	65
Prepaid Expenses	5,747	(10,419)
Inventory	-	20,223
Deposits	-	100
Accounts Payable	(15,182)	5,299
Accrued Payroll	(647)	(68)
Other Payables	(25)	-
Compensated Absences	(7,100)	1,604
Net Pension Obligation	254	(1,777)
NET CASH FROM OPERATING ACTIVITIES	\$ 53,050	\$ 90,709
CASH AND INVESTMENTS		
Cash and Investments	\$ -	\$ -

(See independent auditor's report.)

TECHNOLOGY CENTER FUND

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF NET POSITION
TECHNOLOGY CENTER FUND**

April 30, 2014
(with comparative totals)

	<u>2014</u>	<u>2013</u>
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 5,175,111	\$ 5,119,136
Accumulated Depreciation	(834,063)	(690,683)
Nondepreciable	519,453	519,453
	<hr/>	<hr/>
Net Capital Assets	4,860,501	4,947,906
	<hr/>	<hr/>
CURRENT ASSETS		
Cash and Investments	274,540	97,109
Receivables		
Accounts	7,483	8,708
	<hr/>	<hr/>
Total Current Assets	282,023	105,817
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 5,142,524</u>	<u>\$ 5,053,723</u>

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)
TECHNOLOGY CENTER FUND

April 30, 2014
(with comparative totals)

	2014	2013
NET POSITION		
Net Investment in Capital Assets	\$ 745,501	\$ 643,072
Unrestricted (Deficit)	(684,598)	(895,334)
	60,903	(252,262)
LONG-TERM LIABILITIES		
Advance from Other Funds	803,433	852,380
Net Pension Obligation	5,161	5,053
Long-Term Debt, Net of Current Maturities		
General Obligation Debt Payable	3,915,000	4,115,000
	4,723,594	4,972,433
CURRENT LIABILITIES		
Accounts Payable	5,655	6,796
Accrued Payroll	1,616	-
Compensated Absences Payable	4,331	-
Accrued Interest Payable	146,425	136,756
General Obligation Debt Payable	200,000	190,000
	358,027	333,552
Total Current Liabilities	358,027	333,552
Total Liabilities	5,081,621	5,305,985
TOTAL NET POSITION AND LIABILITIES	\$ 5,142,524	\$ 5,053,723

(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 April 30, 2014
(with comparative totals)

	2014	2013
OPERATING REVENUES		
Charges for Services		
Telecommunications Leases	\$ 77,760	\$ 77,760
Commercial Fiber Leases	407,987	407,987
Commercial Colocation Leases	508,493	8,360
Internal Colocation Leases	131,679	131,679
Penalties	2,025	298
	1,127,944	626,084
OPERATING EXPENSES		
Operations		
Personnel	169,871	5,053
Contractual Services	144,322	143,304
Commodities	161,500	85,767
Depreciation and Amortization	143,380	143,380
	619,073	377,504
OPERATING INCOME	508,871	248,580
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	344	382
Interest Expense	(196,050)	(187,202)
	(195,706)	(186,820)
CHANGE IN NET POSITION	313,165	61,760
NET POSITION (DEFICIT), MAY 1	(252,262)	(314,022)
NET POSITION (DEFICIT), APRIL 30	\$ 60,903	\$ (252,262)

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS
TECHNOLOGY CENTER FUND

For the Year Ended April 30, 2014
(with comparative totals)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 997,490	\$ 485,697
Receipts from Interfund Service Transactions	131,679	131,679
Payments to Suppliers	(151,409)	(140,736)
Payments to Employees	(163,816)	-
Payments to Other Funds	(154,714)	(82,641)
	659,230	393,999
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts of Loans from Other Funds	-	27,653
Repayment of Loans from Other Funds	(48,947)	(48,801)
Interest Paid on Interfund Loans	(2,557)	(2,703)
	(51,504)	(23,851)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(56,815)	(75,044)
Principal Payments on Long-Term Debt	(190,000)	(185,000)
Interest Payments on Long-Term Debt	(183,824)	(191,851)
	(430,639)	(451,895)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	344	382
	344	382
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	177,431	(81,365)
CASH AND CASH EQUIVALENTS, MAY 1	97,109	178,474
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 274,540	\$ 97,109

(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 April 30, 2014
(with comparative totals)

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 508,871	\$ 248,580
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	143,380	143,380
Changes in Assets and Liabilities		
Accounts Receivable	1,225	(8,708)
Accounts Payable	(301)	5,694
Accrued Payroll	1,616	-
Compensated Absences	4,331	-
Net Pension Obligation	108	5,053
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 659,230</u>	<u>\$ 393,999</u>
CASH AND INVESTMENTS		
Cash and Investments	<u>\$ 274,540</u>	<u>\$ 97,109</u>

(See independent auditor's report.)