



**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2017

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

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ROCHELLE, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Rochelle Municipal Utilities (enterprise funds of the City of Rochelle, Illinois (the City)) (RMU) as of and for the year ended December 31, 2017, and the related notes to financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rochelle Municipal Utilities (enterprise funds of the City of Rochelle, Illinois), as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the funds comprising RMU and do not purport to, and do not present fairly the financial position of the City of Rochelle, Illinois as of December 31, 2017, the respective changes in financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RMU's basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, RMU's basic financial statements for the eight months ended December 31, 2016, which are not presented with the accompanying financial statements and we expressed an unmodified opinion on the respective financial statements. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the RMU's basic financial statements as a whole. The supplemental information for the year ended December 31, 2016, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the December 31, 2016 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the December 31, 2016 supplemental information is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Sikich LLP

Naperville, Illinois
July 10, 2018

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2017, December 31, 2016 and April 30, 2016

Management of the City of Rochelle's Department of Utilities, Rochelle Municipal Utilities (RMU) offers all persons interested in the financial position of RMU this narrative overview and analysis of the utilities' financial performance during the fiscal years ending December 31, 2017, December 31, 2016 and April 30, 2016. You are invited to read this narrative in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Electric Utility exceed its liabilities and deferred inflows of resources by \$45,370,570. Of this amount, \$9,569,521 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors; \$7,040,080 is restricted for debt service (restricted net position); and \$28,760,969 is the net investment in capital assets.
 - The assets and deferred outflows of resources of the Water and Water Reclamation Utility exceed its liabilities and deferred inflows of resources by \$40,967,122. Of this amount, \$8,210,924 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors; \$541,403 is restricted for debt service (restricted net position); and \$32,214,795 is the net investment in capital assets.
 - The assets and deferred outflows of resources of the Technology Center Utility exceed its liabilities and deferred inflows of resources by \$382,229. Of this amount (\$1,543,863) (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors and \$1,926,092 is the net investment in capital assets. The Communications Utility was combined with the Technology Center Utility in 2017.
 - Operating revenues for the Electric Utility were up 46% and operating expenses were up 51%. The increases in revenues and expenses were due to the change in fiscal year and comparison of a 12-month year to an 8-month year.
 - Operating revenues for the Water and Water Reclamation Utility were up 59% and operating expenses were up 49%. The increases in revenues and expenses were due to the change in fiscal year and comparison of a 12-month year to an 8-month year.
-

OVERVIEW OF THE FINANCIAL STATEMENTS

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

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2017, December 31, 2016 and April 30, 2016

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

STATEMENTS

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

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

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

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

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017, December 31, 2016 and April 30, 2016

FINANCIAL ANALYSIS OF RMU

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

Table 1
Condensed Statements of Net Position

	Electric Utility		
	<u>12/31/17</u>	<u>12/31/16</u>	<u>04/30/16</u>
Current Assets/Deferred Outflows of Resources	\$ 21,703,385	\$ 22,782,466	\$ 24,677,546
Capital Assets	<u>44,000,031</u>	<u>42,957,659</u>	<u>41,782,805</u>
Total Assets and Deferred Outflows	<u>65,703,416</u>	<u>65,740,125</u>	<u>66,460,351</u>
Long-term Liabilities	16,509,987	17,202,217	17,982,958
Other Liabilities	<u>3,822,859</u>	<u>3,956,048</u>	<u>5,669,867</u>
Total Liabilities and Deferred Inflows	<u>20,332,846</u>	<u>21,158,265</u>	<u>23,652,825</u>
Net Investment in Capital Assets	28,760,969	27,065,398	25,142,069
Restricted	7,040,080	6,741,880	7,529,152
Unrestricted	<u>9,569,521</u>	<u>10,774,582</u>	<u>10,136,305</u>
Total Net Position	<u>\$ 45,370,570</u>	<u>\$ 44,581,860</u>	<u>\$ 42,807,526</u>

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017, December 31, 2016 and April 30, 2016

FINANCIAL ANALYSIS OF RMU (cont.)

Table 2
Condensed Statements of Net Position
Water and Water Reclamation Utility

	12/31/17	12/31/16	04/30/16
Current Assets/Deferred Outflows of Resources	\$ 10,498,115	\$ 7,865,350	\$ 7,531,639
Capital Assets	37,268,990	37,313,858	35,828,894
Total Assets and Deferred Outflows	47,767,105	45,179,208	43,360,533
Long-term Liabilities	5,651,070	4,100,068	4,368,934
Other Liabilities	1,132,956	1,262,707	1,095,208
Total Liabilities and Deferred Inflows	6,799,983	5,362,775	5,464,142
Net Investment in Capital Assets	32,214,795	33,705,066	32,017,238
Restricted	541,403	912	877,511
Unrestricted	8,210,924	6,110,455	5,001,642
Total Net Position	\$ 40,967,122	\$ 39,816,433	\$ 37,896,391

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017, December 31, 2016 and April 30, 2016

FINANCIAL ANALYSIS OF RMU (cont.)

Table 3
Condensed Statements of Net Position

	Technology Center Utility		
	<u>12/31/17*</u>	<u>12/31/16</u>	<u>04/30/16</u>
Current and Other Assets	\$ 329,687	\$ 152,156	\$ 248,156
Capital Assets	<u>5,396,806</u>	<u>4,753,952</u>	<u>4,830,088</u>
 Total Assets and Deferred Outflows	 <u>5,726,493</u>	 <u>4,906,108</u>	 <u>4,829,636</u>
 Long-term Liabilities	 4,989,195	 3,681,365	 3,952,647
Other Liabilities	<u>737,298</u>	<u>345,694</u>	<u>360,923</u>
 Total Liabilities and Deferred Inflows	 <u>5,344,264</u>	 <u>4,027,059</u>	 <u>4,313,570</u>
 Net Investment in Capital Assets	 1,926,092	 1,268,952	 1,124,636
Restricted	-	-	-
Unrestricted (Deficit)	<u>(1,543,863)</u>	<u>(389,903)</u>	<u>(360,414)</u>
 Total Net Position	 <u>\$ 382,229</u>	 <u>\$ 879,049</u>	 <u>\$ 764,222</u>

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

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

An additional portion of RMU's net position **9%** represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position **19%** may be used to meet the utilities' ongoing obligations to rate payers and creditors.

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017, December 31, 2016 and April 30, 2016

FINANCIAL ANALYSIS OF RMU (cont.)

ELECTRIC OPERATIONS

Electric operations increased the 2017 utility's net position by \$1,105,884. This increase is primarily a result of the following items:

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

WATER/WATER RECLAMATION OPERATIONS

Water/Water Reclamation operations increased the 2017 utility's net position by \$1,298,632. This increase is primarily a result of the following items:

- Construction of radium removal plant
- Water main extension
- Sewer lining project

TECHNOLOGY CENTER

Technology Center and Communication operations decreased the 2017 utility's net position by \$316,574. This decrease is the result of the following item:

- Merging the two departments into one

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017, December 31, 2016 and April 30, 2016

FINANCIAL ANALYSIS OF RMU (cont.)

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

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

	Electric Utility		
	<u>12/31/17</u>	<u>12/31/16</u>	<u>04/30/16</u>
Operating revenues	\$ 39,332,596	\$ 26,857,413	\$ 38,049,397
Non-operating revenues	<u>61,032</u>	<u>19,031</u>	<u>28,528</u>
Total Revenues	<u>39,393,628</u>	<u>26,876,444</u>	<u>38,077,925</u>
Depreciation expense	3,022,190	1,901,760	2,732,127
Other operating expenses	32,541,059	21,605,476	32,373,769
Non-operating expenses	<u>684,667</u>	<u>382,426</u>	<u>600,948</u>
Total Expenses	<u>36,247,916</u>	<u>23,889,662</u>	<u>35,706,844</u>
Income Before Capital Contributions and Transfers	3,145,712	2,986,782	2,731,081
Capital contributions Transfers	<u>(2,039,828)</u>	<u>(1,212,448)</u>	<u>(1,758,391)</u>
Changes in Net Position	1,105,884	1,774,334	612,690

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017, December 31, 2016 and April 30, 2016

FINANCIAL ANALYSIS OF RMU (cont.)

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

Water and Water Reclamation Utility

	12/31/17	12/31/16	04/30/16
Operating revenues	\$ 6,185,697	\$ 3,879,222	\$ 5,118,678
Non-operating revenues	24,546	6,935	10,341
Total Revenues	6,211,243	3,886,157	5,129,019
Depreciation expense	1,581,642	999,044	1,462,081
Other operating expenses	2,992,224	2,080,786	2,798,882
Non-operating expenses	108,404	6,730	23,294
Total Expenses	4,682,270	3,086,560	4,284,258
Income Before Capital Contributions and Transfers	1,528,973	799,597	844,762
Capital contributions		1,290,000	-
Transfers	(230,341)	(169,555)	(226,735)
Changes in Net Position	1,298,632	1,920,042	618,027

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017, December 31, 2016 and April 30, 2016

FINANCIAL ANALYSIS OF RMU (cont.)

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

Technology Center Utility

	<u>12/31/17*</u>	<u>12/31/16</u>	<u>04/30/16</u>
Operating revenues	\$ 1,287,994	\$ 761,308	\$ 1,185,971
Non-operating revenues	<u>459</u>	<u>188</u>	<u>335</u>
Total Revenues	<u>1,288,453</u>	<u>761,496</u>	<u>1,186,306</u>
Depreciation expense	218,515	94,355	144,132
Other operating expenses	884,161	450,033	624,308
Non-operating expenses	<u>81,644</u>	<u>102,281</u>	<u>161,961</u>
Total Expenses	<u>1,184,320</u>	<u>646,669</u>	<u>930,396</u>
Changes in Net Position	(316,574)	114,827	255,905

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

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2017, December 31, 2016 and April 30, 2016

RMU BUDGETARY HIGHLIGHTS

The final Electric Fund revenue budget, including other non-operating income, totaled \$41,336,088. Actual revenues, including non-operating income were \$39,393,628. Total budgeted expenses were \$41,295,892. The Electric Fund's actual expenses totaled \$36,247,916 including non-operating expenses. This provided income before contributions and transfers of \$3,145,712.

The final Water/Water Reclamation Fund revenue budget totaled \$9,573,454 with actual revenues of \$6,211,243. The Water/Water Reclamation Fund's budgeted expenses were \$6,793,266, while actual expenses totaled \$4,682,270. This provided income before contributions and transfers of \$1,528,973.

The final Technology Center Fund expenditure budget totaled \$1,135,023 while the revenue budget was \$1,178,064. The actual expenses totaled \$1,184,320 while total revenues were \$1,288,453. This provided income before contributions of \$104,133.

LONG-TERM DEBT

At December 31, 2017, the Electric fund had \$14,510,000 of long-term bonds outstanding. According to the ordinances authorizing the issuance of the Series 2014 and 2015 Electric System Revenue Bonds, RMU will provide net revenues in each fiscal year in the amount equal to not less than 1.2 times the principal and interest requirements coming due during the current year with respect to outstanding bonds. RMU – Electric Fund had net revenues of \$6,595,068 and the fiscal year 2017 revenue bond debt service amounted to \$1,216,615 resulting in a debt service coverage ratio of 5.42.

The repayment of bonds is covered by operating revenues.

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

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

At December 31, 2017, the Water and Water Reclamation fund had \$5,054,195 of long-term IEPA loans outstanding.

The repayment of loans is covered by operating revenues.

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

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

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2017, December 31, 2016 and April 30, 2016

LONG-TERM DEBT (cont.)

On March 1, 2007, the utility borrowed \$600,000 from the IEPA to finance the Northwest Interceptor Sewer project. The debt is payable over 20 years and bears an interest rate of 2.89%.

On August 1, 1997, the utility borrowed \$3,191,177 from the IEPA to finance the Askvig Sewer project. The debt is payable over 20 years and bears an interest rate of 2.50%.

The repayment of debt certificates is covered from operating revenues.

At December 31, 2017, the Technology Center fund had \$3,380,000 of long-term debt certificates outstanding.

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

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%.

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

All currently known facts and economic conditions were considered in preparing the 2018 utility budget. None of these conditions are anticipated to significantly 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 Cardott, Finance Director, 420 N. 6th St., Rochelle, IL 61068 or e-mail ccardott@rochelleil.us.

BASIC FINANCIAL STATEMENTS

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION

December 31, 2017

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
CAPITAL ASSETS					
Depreciable - Plant in Service	\$ 85,018,752	\$ 66,504,628	\$ -	\$ 9,218,544	\$ 160,741,924
Accumulated Depreciation	(47,348,755)	(31,114,720)	-	(4,341,191)	(82,804,666)
Nondepreciable	6,330,034	1,879,082	-	519,453	8,728,569
Net Capital Assets	44,000,031	37,268,990	-	5,396,806	86,665,827
CURRENT ASSETS					
Cash and Investments	6,119,315	6,525,518	-	-	12,644,833
Receivables					
Accounts	4,818,780	925,255	-	51,352	5,795,387
Accrued Interest	-	393	-	-	393
Other	300,990	58,076	-	-	359,066
Due from Other Governments	-	683,765	-	-	683,765
Prepaid Expenses	69,653	1,945	-	7,356	78,954
Deposits	300,000	-	-	-	300,000
Inventory	1,381,191	-	-	-	1,381,191
Restricted Assets					
Cash and Investments	7,040,080	541,403	-	-	7,581,483
Total Current Assets	20,030,009	8,736,355	-	58,708	28,825,072
NONCURRENT ASSETS					
Advances to Other Funds	458,434	1,080,150	-	-	1,538,584
Special Assessments	-	235,365	-	-	235,365
Total Noncurrent Assets	458,434	1,315,515	-	-	1,773,949
Total Assets	64,488,474	47,320,860	-	5,455,514	117,264,848
DEFERRED OUTFLOWS OF RESOURCES					
Pension Items - IMRF	956,698	446,245	-	166,941	1,569,884
Unamortized Loss on Refunding	258,244	-	-	104,038	362,282
Total Deferred Outflows of Resources	1,214,942	446,245	-	270,979	1,932,166
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 65,703,416	\$ 47,767,105	\$ -	\$ 5,726,493	\$ 119,197,014

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)

December 31, 2017

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
NET POSITION					
Net Investment in Capital Assets	\$ 28,760,969	\$ 32,214,795	\$ -	\$ 1,926,092	\$ 62,901,856
Restricted for Debt Service	7,040,080	541,403	-	-	7,581,483
Unrestricted (Deficit)	9,569,521	8,210,924	-	(1,543,863)	16,236,582
Total Net Position	45,370,570	40,967,122	-	382,229	86,719,921
DEFERRED INFLOWS OF RESOURCES					
Pension Items - IMRF	34,211	15,957	-	5,970	56,138
Total Deferred Inflows of Resources	34,211	15,957	-	5,970	56,138
LONG-TERM LIABILITIES					
General Obligation Bonds Payable	-	-	-	3,165,714	3,165,714
Revenue Bonds Payable	14,877,306	-	-	-	14,877,306
IEPA Loans Payable	-	4,889,517	-	-	4,889,517
Net Pension Liability	1,632,681	761,553	-	284,897	2,679,131
Advance from Other Funds	-	-	-	1,538,584	1,538,584
Total Long-Term Liabilities	16,509,987	5,651,070	-	4,989,195	27,150,252
CURRENT LIABILITIES					
Accounts Payable	2,827,613	856,535	-	13,422	3,697,570
Accrued Interest Payable	101,348	1,059	-	5,124	107,531
Other Payables	110,462	47,204	-	2,738	160,404
General Obligation Debt Payable	-	-	-	305,000	305,000
Revenue Bonds Payable	620,000	-	-	-	620,000
IEPA Loans Payable	-	164,678	-	-	164,678
Compensated Absences Payable	129,225	63,480	-	22,815	215,520
Total Current Liabilities	3,788,648	1,132,956	-	349,099	5,270,703
Total Liabilities	20,298,635	6,784,026	-	5,338,294	32,420,955
TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES	\$ 65,703,416	\$ 47,767,105	\$ -	\$ 5,726,493	\$ 119,197,014

See accompanying notes to financial statements.

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2017

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
OPERATING REVENUES					
Charges for Services	\$ 38,988,537	\$ 6,175,344	\$ -	\$ 1,287,994	\$ 46,451,875
Miscellaneous	344,059	10,353	-	-	354,412
Total Operating Revenues	39,332,596	6,185,697	-	1,287,994	46,806,287
OPERATING EXPENSES					
Operations	32,541,059	2,992,224	-	884,161	36,417,444
Depreciation and Amortization	3,022,190	1,581,642	-	218,515	4,822,347
Total Operating Expenses	35,563,249	4,573,866	-	1,102,676	41,239,791
OPERATING INCOME	3,769,347	1,611,831	-	185,318	5,566,496
NON-OPERATING REVENUES (EXPENSES)					
Investment Income	61,032	25,546	-	459	87,037
Loss on Disposal of Capital Assets	(128,131)	-	-	-	(128,131)
Interest Expense	(556,536)	(108,404)	-	(81,644)	(746,584)
Total Non-Operating Revenues (Expenses)	(623,635)	(82,858)	-	(81,185)	(787,678)
NET INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	3,145,712	1,528,973	-	104,133	4,778,818
TRANSFERS					
Transfers to the City	(2,039,828)	(230,341)	-	-	(2,270,169)
Transfers In (Out)	-	-	420,707	(420,707)	-
Total Transfers	(2,039,828)	(230,341)	420,707	(420,707)	(2,270,169)
CONTRIBUTIONS					
	-	-	-	-	-
CHANGE IN NET POSITION	1,105,884	1,298,632	420,707	(316,574)	2,508,649
NET POSITION (DEFICIT), JANUARY 1	44,581,860	39,816,433	(420,707)	879,049	84,856,635
Correction of a Prior Year Error	-	-	-	(124,900)	(124,900)
Change in Accounting Principle	(317,174)	(147,943)	-	(55,346)	(520,463)
NET POSITION (DEFICIT), JANUARY 1, RESTATED	44,264,686	39,668,490	(420,707)	698,803	84,211,272
NET POSITION, DECEMBER 31	\$ 45,370,570	\$ 40,967,122	\$ -	\$ 382,229	\$ 86,719,921

See accompanying notes to financial statements.

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 39,057,003	\$ 6,080,603	\$ -	\$ 1,350,097	\$ 46,487,703
Receipts from Interfund Service Transactions	-	-	-	31,680	31,680
Payments to Suppliers	(29,123,752)	(1,148,497)	-	(241,434)	(30,513,683)
Payments to Employees	(1,557,020)	(1,452,802)	-	(407,035)	(3,416,857)
Payments to Other Funds	(515,426)	(689,952)	-	(368,463)	(1,573,841)
Net Cash from Operating Activities	7,860,805	2,789,352	-	364,845	11,015,002
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipts of Loans from Other Funds	-	-	-	1,080,150	1,080,150
Repayment of Loans from Other Funds	1,022,163	-	-	(1,022,163)	-
Loans Provided to Other Funds	-	(1,080,150)	-	-	(1,080,150)
Transfers to the City	(2,039,828)	(230,341)	-	-	(2,270,169)
Net Cash from Noncapital Financing Activities	(1,017,665)	(1,310,491)	-	57,987	(2,270,169)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Assets Purchased	(5,414,022)	(1,415,049)	-	(43,727)	(6,872,798)
Issuance of Long-Term Debt	-	1,337,290	-	-	1,337,290
Principal Payments on Long-Term Debt	(600,000)	(312,057)	-	(230,000)	(1,142,057)
Interest Payments on Long-Term Debt	(612,566)	(111,357)	-	(164,151)	(888,074)
Net Cash from Capital and Related Financing Activities	(6,626,588)	(501,173)	-	(437,878)	(7,565,639)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received on Investments	61,032	25,451	-	2	86,485
Net Cash from Investing Activities	61,032	25,451	-	2	86,485
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	277,584	1,003,139	-	(15,044)	1,265,679
CASH AND CASH EQUIVALENTS, JANUARY 1	12,881,811	6,063,782	-	15,044	18,960,637
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 13,159,395	\$ 7,066,921	\$ -	\$ -	\$ 20,226,316

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS (Continued)

For the Year Ended December 31, 2017

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income	\$ 3,769,347	\$ 1,611,831	\$ -	\$ 185,318	\$ 5,566,496
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities					
Depreciation and Amortization	3,022,190	1,581,642	-	218,515	4,822,347
Changes in Assets and Liabilities					
Accounts Receivable	53,578	(109,509)	-	93,783	37,852
Other Receivables	(69,689)	(1,664)	-	-	(71,353)
Prepaid Expenses	443,118	74,045	-	21,864	539,027
Inventory	458,943	3,480	-	-	462,423
Deposits	(300,000)	(23,257)	-	-	(323,257)
Special Assessments	-	29,336	-	-	29,336
Deferred Outflows/Inflows - Pension Items - IMRF	(584,945)	(272,844)	-	(102,042)	(959,831)
Accounts Payable	1,445,033	(69,015)	-	(33,619)	1,342,399
Customer Advances	(259,482)	-	-	-	(259,482)
Accrued Payroll	(104,550)	(45,014)	-	(17,486)	(167,050)
Other Payables	(8,208)	-	-	-	(8,208)
Compensated Absences	(4,530)	10,321	-	(1,488)	4,303
NET CASH FROM OPERATING ACTIVITIES	\$ 7,860,805	\$ 2,789,352	\$ -	\$ 364,845	\$ 11,015,002
CASH AND INVESTMENTS					
Cash and Cash Investments	\$ 6,119,315	\$ 6,525,518	\$ -	\$ -	\$ 12,644,833
Restricted Assets					
Cash and Investments	7,040,080	541,403	-	-	7,581,483
TOTAL CASH AND INVESTMENTS	\$ 13,159,395	\$ 7,066,921	\$ -	\$ -	\$ 20,226,316
NONCASH TRANSACTIONS					
Illinois EPA Loan Receivable	\$ -	\$ 683,765	\$ -	\$ -	\$ 683,765
Illinois EPA Loan Payable	-	(683,765)	-	-	(683,765)
Issuance of Refunding Bonds	-	-	-	3,230,714	3,230,714
Payment to Escrow Agent	-	-	-	(3,119,038)	(3,119,038)
Costs of Issuance	-	-	-	(111,676)	(111,676)
Transfers of Operations to Technology Fund	-	-	420,707	(420,707)	-
TOTAL NONCASH TRANSACTIONS	\$ -	\$ -	\$ 420,707	\$ (420,707)	\$ -

See accompanying notes to financial statements.

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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. This fund was closed during fiscal year 2017.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

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

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

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

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

D. Cash and Investments

Cash and Cash Equivalents

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments (Continued)

Investments

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

E. Materials and Supplies Inventory

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

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

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

F. Restricted Assets

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

G. Prepaid Items/Expenses

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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
Vehicles, Machinery and Equipment	5-20
Land Improvements	20-30
Utilities System	5-77
Infrastructure	10-50

I. Vacation, Sick Pay and Other Employee Benefits

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

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

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

2. CASH AND INVESTMENTS

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

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

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

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

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

2. CASH AND INVESTMENTS (Continued)

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

Deposits with Financial Institutions

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

Investments

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

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

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

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

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

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

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

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
ELECTRIC				
Capital Assets not Being Depreciated				
Land	\$ 697,664	\$ -	\$ -	\$ 697,664
Construction in Progress	4,716,530	3,918,615	3,002,775	5,632,370
Total Capital Assets not Being Depreciated	5,414,194	3,918,615	3,002,775	6,330,034
Capital Assets Being Depreciated				
Generation	14,081,892	381,831	57,528	14,406,195
Transmission	13,978,106	2,001,746	-	15,979,852
Distribution	50,143,856	893,276	70,603	50,966,529
General	3,666,176	-	-	3,666,176
Total Capital Assets Being Depreciated	81,870,030	33,276,853	128,131	85,018,752
Less Accumulated Depreciation for				
Generation	6,781,480	321,743	-	7,103,223
Transmission	8,506,512	577,206	-	9,083,718
Distribution	28,051,615	2,049,918	-	30,101,533
General	986,958	73,323	-	1,060,281
Total Accumulated Depreciation	44,326,565	3,022,190	-	47,348,755
Total Capital Assets Being Depreciated, Net	37,543,465	254,663	128,131	37,669,997
TOTAL ELECTRIC CAPITAL ASSETS, NET	\$ 42,957,659	\$ 4,173,278	\$ 3,130,906	\$ 44,000,031
WATER AND WATER RECLAMATION				
Capital Assets not Being Depreciated				
Land	\$ 262,358	\$ -	\$ -	\$ 262,358
Construction in Progress	5,283,910	1,527,783	5,194,969	1,616,724
Total Capital Assets not Being Depreciated	5,546,268	1,527,783	5,194,969	1,879,082
Capital Assets Being Depreciated				
Infrastructure	50,937,851	5,199,009	-	56,136,860
Equipment	10,362,818	4,950	-	10,367,768
Total Capital Assets Being Depreciated	61,300,669	5,203,959	-	66,504,628
Less Accumulated Depreciation for				
Infrastructure	23,117,025	1,328,518	-	24,445,543
Equipment	6,416,054	253,123	-	6,669,177
Total Accumulated Depreciation	29,533,079	1,581,641	-	31,114,720
Total Capital Assets Being Depreciated, Net	31,767,590	3,622,318	-	35,389,908
TOTAL WATER AND WATER RECLAMATION CAPITAL ASSETS, NET	\$ 37,313,858	\$ 5,150,101	\$ 5,194,969	\$ 37,268,990

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

3. CAPITAL ASSETS (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
COMMUNICATIONS				
Capital Assets not Being Depreciated				
Land Rights	\$ -	\$ -	\$ -	\$ -
Total Capital Assets not Being Depreciated	-	-	-	-
Capital Assets Being Depreciated				
General	3,723,737	-	3,723,737	-
Total Capital Assets Being Depreciated	3,723,737	-	3,723,737	-
Less Accumulated Depreciation for				
General	2,906,980	-	2,906,980	-
Total Accumulated Depreciation	2,906,980	-	2,906,980	-
Total Capital Assets Being Depreciated, Net	816,757	-	816,757	-
TOTAL COMMUNICATION CAPITAL ASSETS, NET	\$ 816,757	\$ -	\$ 816,757	\$ -
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	4,426,727	-	-	4,426,727
General	1,023,925	3,767,892	-	4,791,817
Total Capital Assets Being Depreciated	5,450,652	3,767,892	-	9,218,544
Less Accumulated Depreciation for				
Building	897,158	3,082,384	-	3,979,542
General	318,995	42,654	-	361,649
Total Accumulated Depreciation	1,216,153	3,125,038	-	4,341,191
Total Capital Assets Being Depreciated, Net	4,234,499	642,854	-	4,877,353
TOTAL TECHNOLOGY CENTER CAPITAL ASSETS, NET	\$ 4,753,952	\$ 642,854	\$ -	\$ 5,396,806

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

4. LONG-TERM DEBT

	Balances January 1, As restated	Additions	Reductions	Balances December 31	Current Portion
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds					
2014 Electric System Bonds	\$ 6,000,000	\$ -	\$ 95,000	\$ 5,905,000	\$ 90,000
2015 Electric System Bonds	9,110,000	-	505,000	8,605,000	530,000
Total Revenue Bonds	15,110,000	-	600,000	14,510,000	620,000
General Obligation Debt Certificates	3,485,000	3,140,000	3,245,000	3,380,000	305,000
IEPA Revolving Loans	3,608,792	1,757,460	312,057	5,054,195	164,678
Unamortized Premium	1,059,536	90,715	72,231	1,078,020	-
Compensated Absences	211,218	215,520	211,218	215,520	215,520
Net Pension Liability - IMRF	2,896,700	-	217,569	2,679,131	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 26,371,246	\$ 5,203,695	\$ 4,568,075	\$ 26,916,866	\$ 1,300,198

Bonds payable at December 31, 2017 are comprised of the following:

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. These debt certificates were partially refunded by the 2017A Debt Certificates. The remaining balance of \$240,000 is due in one installment at June 30, 2018.	\$ 240,000	\$ 240,000
\$3,140,000 2017A Limited Tax Refunding Debt Certificates, due in annual installments of \$65,000 to \$350,000 from June 30, 2018 to June 30, 2028, interest at 2% to 4%, retired by the Technology Center Fund.	3,140,000	65,000
TOTAL	\$ 3,380,000	\$ 305,000

Revenue and Alternate Revenue Source Bonds

\$6,000,000 Series 2014 Electric System Revenue Bonds due in annual installments of \$95,000 to \$1,215,000, through May 1, 2034, interest from 2% to 5%.	\$ 5,905,000	\$ 90,000
\$9,110,000 Series 2015 Electric System Revenue Refunding Revenue Bonds, due in annual installments of \$505,000 to \$830,000, through May 1, 2030, interest from 3% to 4%.	8,605,000	530,000
TOTAL	\$ 14,510,000	\$ 620,000

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

4. LONG-TERM DEBT (Continued)

Illinois EPA Loans

	<u>Total</u>	<u>Current Portion</u>
\$600,000 Illinois EPA low interest loan related to the Askvig Subdivision project, due in semiannual installments of \$19,532, through May 2027, interest at 2.50%.	\$ 328,516	\$ 31,045
\$4,879,732 Illinois EPA low interest loan related to the Well #12 Project, due in semiannual installments of \$94,545, through November 2036, interest at 1.86%.	3,596,685	159,424
\$3,345,195 Illinois EPA low interest loan related to the Well #11 Project.*	<u>1,128,994</u>	<u>-</u>
TOTAL	<u><u>\$ 5,054,195</u></u>	<u><u>\$ 190,469</u></u>

*The City had not drawn the full amount of the Illinois EPA loan at December 31, 2017; therefore, a debt service to maturity schedule is not available.

Debt Service to Maturity

The annual requirements to amortize all debt outstanding as of December 31, 2017, are as follows:

Year Ending December 31,	G.O. Debt Certificates		Revenue Bonds		Illinois EPA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 305,000	\$ 112,798	\$ 615,000	\$ 598,865	\$ 190,469	\$ 73,819
2019	270,000	97,850	630,000	580,190	194,228	70,060
2020	275,000	89,675	650,000	558,240	198,064	66,224
2021	285,000	81,275	675,000	532,740	201,976	62,312
2022	290,000	72,650	700,000	506,240	205,966	58,322
2023-2027	1,615,000	200,250	3,950,000	2,080,700	1,073,014	229,254
2028-2032	340,000	5,100	4,915,000	1,191,225	995,768	132,152
2033-2036	-	-	2,375,000	120,125	865,716	36,620
TOTAL	<u><u>\$ 3,380,000</u></u>	<u><u>\$ 659,598</u></u>	<u><u>\$ 14,510,000</u></u>	<u><u>\$ 6,168,325</u></u>	<u><u>\$ 3,925,201</u></u>	<u><u>\$ 728,763</u></u>

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

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

4. LONG-TERM DEBT (Continued)

Revenue Source Bonds

The City issued the Series 2008 Refunding Electric Alternate Revenue Source Bonds, the Series 2014 Electric Revenue Alternate Revenue Source Bonds and the Series 2015 Refunding Electric Alternate Revenue Source Bonds to provide funds for electric capital improvements. These bonds are payable from a pledge of the City’s electric revenues and are being repaid by the Electric Fund. The bonds are payable solely from electric revenues and are payable through 2034. The total principal and interest remaining to be paid on the bonds as of December 31, 2017 is \$20,678,325. Principal and interest paid for the current year was \$1,216,615 or 18.45% of total customer net revenues of \$6,595,068.

Advance Refunding - General Obligation Debt Certifies, Series 2017A

On December 14, 2017, the City issued \$3,140,000 General Obligation Refunding Debt Certificates, Series 2017A. The City passed an ordinance directing the execution of an escrow agreement in order to partially refund General Obligation Debt Certificates Series 2008 issued by the City and outstanding in the principal amount of \$3,015,000. This advance refunding was undertaken to reduce total debt service payments over the next 11 years by \$100,256 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding debt certificates) of \$80,251. The reacquisition price exceeded the net carrying amount of the old debt by \$104,038. This amount is being amortized over the remaining life of the refunding debt.

Proceeds in the amount of \$3,119,037 from the refunding debt certificates were used to execute the escrow agreement. The refunded \$3,015,000 General Obligation Debt Certificates Series 2008 will be called in its entirety on June 30, 2018.

5. REVENUE BONDS

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

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

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

5. REVENUE BONDS (Continued)

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

The City has complied with all significant limitations, restrictions and bond covenants during the year ended December 31, 2017. 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	\$ 428,953
Bond Reserve Account	1,295,795
Capital Improvement Account	1,569,880
Depreciation, Improvement and Extension Account	<u>3,745,452</u>
TOTAL	<u><u>\$ 7,040,080</u></u>

6. DEFINED BENEFIT PENSION PLAN

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

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

6. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund

Plan Administration

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

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

Benefits Provided

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

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

Contributions

Participating members are required to contribute 4.50% of their annual salary to IMRF. The City and RMU are required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution rate for the year ended December 31, 2017 was 11.94% of covered payroll. For the year ended December 31, 2017, salaries totaling \$3,731,460 were paid that required employer contributions of \$445,537, which was equal to the RMU's actual contributions.

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

6. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Net Pension Liability

At December 31, 2017, RMU reported a liability of \$2,679,131 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. RMU's proportion of the net pension liability was based on RMU's actual contribution to the plan for the year ended December 31, 2017 relative to the contributions of the City, actuarially determined. At December 31, 2017, RMU's proportion was 57.21% of the total contribution.

Actuarial Assumptions

RMU's net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial Valuation Date	December 31, 2016
Actuarial Cost Method	Entry-Age Normal
Assumptions	
Inflation	2.75%
Salary Increases	3.75% to 14.50%
Interest Rate	7.50%
Cost of Living Adjustments	3.00%
Asset Valuation Method	Market Value

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

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

6. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate

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

The discount rate used for the December 31, 2015 measurement date was 7.48%.

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

For the year ended December 31, 2017, RMU recognized pension expense of \$316,077. At December 31, 2017, RMU reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows
Difference Between Expected and Actual Experience	\$ 231,089	\$ 17,294	\$ 213,795
Changes in Assumption	12,925	38,844	(25,919)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	880,333	-	880,333
Contributions after measurement date	445,537	-	445,537
TOTAL	<u>\$ 1,569,884</u>	<u>\$ 56,138</u>	<u>\$ 1,513,746</u>

\$445,537 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement period ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

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

6. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

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

<u>Year Ending</u> <u>December 31,</u>	
2018	\$ 385,378
2019	385,378
2020	277,044
2021	<u>20,409</u>
 TOTAL	 <u><u>\$ 1,068,209</u></u>

Discount Rate Sensitivity

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$ 380,773	\$ 2,679,131	\$ 5,452,323

7. RISK MANAGEMENT

RMU is exposed to various risks of loss, including but not limited to, property and casualty, general and public officials' liability, workers' compensation and employee's health. RMU mitigates these risks through participation in city-wide risk management programs. The City purchases commercial health insurance and is not aware of any additional amounts owed as of December 31, 2017 for the current or prior claim years. Additional information on the City's risk management program can be found in the City's CAFR.

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

8. CONTRACTS, COMMITMENTS AND CONTINGENCIES

A. Litigation

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

B. Grants

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

C. Northern Illinois Municipal Power Agency

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

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

NIMPA's outstanding debt service obligation is to be paid by its members through their wholesale power charges through the remainder of the long-term contract, which is \$478 million as of December 31, 2017.

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

9. INTERFUND ACCOUNTS

A. Advances To/From

Advances to/from other RMU funds at December 31, 2017 consisted of the following:

	Advance From	Advance To
Electric Utility	\$ 458,434	\$ -
Water and Water Reclamation	1,080,150	-
Technology Center	-	1,538,584
TOTAL	\$ 1,538,584	\$ 1,538,584

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

- \$458,434 advanced from the Electric Utility Fund to the Technology Center Funds is for funding of cash shortfalls. Repayment is not expected within one year.
- \$1,080,150 advanced from the Water and Water Reclamation Fund to the Technology Center Funds is for funding of cash shortfalls. Repayment is not expected within one year.

B. Interfund Transfers

Interfund transfers during the year ended December 31, 2017 consisted of the following:

	Transfer In	Transfer Out
City - General Fund	\$ 2,270,169	\$ -
City - Communications	-	418,765
Electric Utility	-	2,039,828
Water and Water Reclamation	-	230,341
Technology	418,765	-
TOTAL	\$ 2,688,934	\$ 2,688,934

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

9. INTERFUND ACCOUNTS (Continued)

B. Interfund Transfers (Continued)

The purposes of significant interfund transfers are as follows:

- \$2,270,169 transferred to the City - General Fund was made up of \$2,039,828 from the Electric Fund and \$230,341 from the Water and Water Reclamation Fund for annual transfers as permitted under bond ordinances. The transfers will not be repaid.
- \$418,765 transferred to the Technology Fund from City - Communications Fund to transfer Communications activities into the fund. The Communications Fund was reclassified as an internal service fund of the City in 2017.

10. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

11. PRIOR PERIOD ADJUSTMENT AND CHANGE IN ACCOUNTING PRINCIPLES

In 2015, the City adopted Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*.

The new standards require the City to recognize a liability, deferred inflow and deferred outflow in its government-wide financial statements for the net pension liability associated with its pension plan(s).

In 2017, the City made a determination to report information from the December 31, 2016 actuarial evaluation from IMRF in order to continue its dedication to timely financial reporting. Therefore, the related accounts were restated for the prior year to reflect the net pension liabilities and deferred outflows from December 31, 2015.

Additionally, the City has recorded a prior period adjustment for a correction of a prior year error.

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

11. PRIOR PERIOD ADJUSTMENT AND CHANGE IN ACCOUNTING PRINCIPLE
(Continued)

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

	<u>Increase (Decrease)</u>
RMU	
Change in accounting principle	
To record the IMRF net pension liability	\$ (520,463)
Prior period adjustment	
Restatement - correction of an error	<u>(124,900)</u>
TOTAL RMU	<u><u>\$ (645,363)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND**

Last Three Fiscal Years

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

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

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 27 years; the asset valuation method was five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.50% annually, projected salary increases assumption of 4.40% to 16.00% compounded annually and postretirement benefit increases of 3.00% compounded annually.

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

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

Last Two Fiscal Years

MEASUREMENT DATE DECEMBER 31	2015	2016
Employer's Proportion of Net Pension Liability	57.21%	57.21%
Employer's Proportionate Share of Net Pension Liability	\$ 2,896,700	\$ 2,679,131
Employer's Covered-Employee Payroll	3,453,001	3,505,080
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	83.89%	76.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.65%	88.11%

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

(See independent auditor's report.)

SUPPLEMENTAL INFORMATION

ELECTRIC FUND

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF NET POSITION
ELECTRIC FUND**

December 31, 2017
(with Comparative Totals)

	2017	2016
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 85,018,752	\$ 81,870,030
Accumulated Depreciation	(47,348,755)	(44,326,565)
Nondepreciable	6,330,034	5,414,194
Net Capital Assets	44,000,031	42,957,659
CURRENT ASSETS		
Cash and Investments	6,119,315	6,139,931
Receivables		
Accounts	4,818,780	4,872,358
Other	300,990	228,593
Prepaid Expenses	69,653	512,771
Deposits	300,000	-
Inventory	1,381,191	1,840,134
Restricted Assets		
Cash and Investments	7,040,080	6,741,880
Total Current Assets	20,030,009	20,335,667
NONCURRENT ASSETS		
Advance to Other Funds	458,434	1,480,596
Total Noncurrent Assets	458,434	1,480,596
Total Assets	64,488,474	64,773,922
DEFERRED OUTFLOWS OF RESOURCES		
Pension Items - IMRF	956,698	688,928
Unamortized Loss on Refunding	258,244	277,275
Total Deferred Outflows of Resources	1,214,942	966,203
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 65,703,416	\$ 65,740,125

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)
ELECTRIC FUND

December 31, 2017
(with Comparative Totals)

	2017	2016
NET POSITION		
Net Investment in Capital Assets	\$ 28,760,969	\$ 27,065,398
Restricted for Debt Service	7,040,080	6,741,880
Unrestricted	9,569,521	10,774,582
Total Net Position	45,370,570	44,581,860
DEFERRED INFLOWS OF RESOURCES		
Pension Items - IMRF	34,211	34,212
Total Deferred Inflows of Resources	34,211	34,212
LONG-TERM LIABILITIES		
Revenue Bonds Payable	14,877,306	15,569,536
Net Pension Liability	1,632,681	1,632,681
Total Long-Term Liabilities	16,509,987	17,202,217
CURRENT LIABILITIES		
Accounts Payable	2,827,613	2,604,135
Customer Advances	-	259,482
Accrued Payroll	-	104,311
Accrued Interest Payable	101,348	104,190
Other Payables	110,462	115,962
Revenue Bonds Payable	620,000	600,000
Compensated Absences Payable	129,225	133,756
Total Current Liabilities	3,788,648	3,921,836
Total Liabilities	20,298,635	21,124,053
TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES	\$ 65,703,416	\$ 65,740,125

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended December 31, 2017
(with Comparative Totals)

	2017	2016
OPERATING REVENUES		
Charges for Services		
Residential	\$ 6,169,150	\$ 4,377,412
Commercial	5,625,977	4,013,782
Industrial	23,869,647	16,390,774
Public Street Lighting	156,091	103,145
Interdepartmental	666,656	414,819
Other Operating Revenue	2,501,016	1,449,647
Miscellaneous	344,059	107,834
	39,332,596	26,857,413
OPERATING EXPENSES		
Operations		
Purchased Power	24,677,676	16,482,709
Generation	2,264,046	1,274,731
Transmission and Distribution	3,730,535	1,933,470
Customer Accounts	302,837	300,030
Administration and General	1,565,965	1,614,536
Depreciation	3,022,190	1,901,760
	35,563,249	23,507,236
OPERATING INCOME	3,769,347	3,350,177
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	61,032	19,031
Loss on Disposal of Capital Assets	(128,131)	-
Interest Expense	(556,536)	(382,426)
	(623,635)	(363,395)
NET INCOME BEFORE TRANSFERS	3,145,712	2,986,782
TRANSFERS		
Transfers to the City	(2,039,828)	(1,212,448)
	(2,039,828)	(1,212,448)
CHANGE IN NET POSITION	1,105,884	1,774,334
NET POSITION, BEGINNING OF PERIOD	44,581,860	42,807,526
Change in Accounting Principle	(317,174)	-
NET POSITION, BEGINNING OF PERIOD, RESTATED	44,264,686	42,807,526
NET POSITION, END OF PERIOD	\$ 45,370,570	\$ 44,581,860

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS
ELECTRIC FUND**

For the Year Ended December 31, 2017
(with Comparative Totals)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 39,057,003	\$ 26,803,408
Payments to Suppliers	(29,123,752)	(20,035,554)
Payments to Employees	(1,557,020)	(690,395)
Payments to Other Funds	(515,426)	(207,572)
	<u>7,860,805</u>	<u>5,869,887</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment from Loans to Other Funds	1,022,163	-
Loans Provided to Other Funds	-	(899,170)
Transfers to the City	(2,039,828)	(1,212,448)
	<u>(1,017,665)</u>	<u>(2,111,618)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(5,414,022)	(4,566,950)
Principal Payments on Long-Term Debt	(600,000)	-
Interest Payments on Long-Term Debt	(612,566)	(318,064)
	<u>(6,626,588)</u>	<u>(4,885,014)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	61,032	19,031
	<u>61,032</u>	<u>19,031</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	277,584	(1,107,714)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	12,881,811	13,989,525
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 13,159,395	\$ 12,881,811

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS (Continued)
ELECTRIC FUND

For the Year Ended December 31, 2017
(with Comparative Totals)

	2017	2016
RECONCILIATION OF OPERATING INCOME		
TO NET CASH FLOWS FROM		
OPERATING ACTIVITIES		
Operating Income	\$ 3,769,347	\$ 3,350,177
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	3,022,190	1,901,760
Changes in Assets and Liabilities		
Accounts Receivable	53,578	(24,505)
Other Receivables	(69,689)	(29,500)
Prepaid Expenses	443,118	11,235
Inventory	458,943	483,599
Deposits	(300,000)	-
Pension Items - IMRF	(584,945)	166,467
Accounts Payable	1,445,033	(42,329)
Customer Advances	(259,482)	-
Accrued Payroll	(104,550)	60,493
Other Payables	(8,208)	(29,702)
Compensated Absences	(4,530)	22,192
	\$ 7,860,805	\$ 5,869,887
NET CASH FROM OPERATING ACTIVITIES		
CASH AND INVESTMENTS		
Cash and Investments	\$ 6,119,315	\$ 6,139,931
Restricted Assets		
Cash and Investments	7,040,080	6,741,880
	\$ 13,159,395	\$ 12,881,811
TOTAL CASH AND INVESTMENTS		

(See independent auditor's report.)

WATER AND WATER RECLAMATION FUND

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION
WATER AND WATER RECLAMATION FUND

December 31, 2017
(with Comparative Totals)

	2017	2016
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 66,504,628	\$ 61,300,669
Accumulated Depreciation	(31,114,720)	(29,533,079)
Nondepreciable	1,879,082	5,546,268
Net Capital Assets	37,268,990	37,313,858
CURRENT ASSETS		
Cash and Investments	6,525,518	6,062,870
Receivables		
Accounts	925,255	815,746
Accrued Interest	393	298
Other	58,076	56,412
Prepaid Expenses	1,945	75,990
Due from Other Governments	683,765	263,595
Inventory	-	3,480
Restricted Assets		
Cash and Investments	541,403	912
Total Current Assets	8,736,355	7,279,303
NONCURRENT ASSETS		
Advances to Other Funds	1,080,150	-
Special Assessments	235,365	264,702
Total Noncurrent Assets	1,315,515	264,702
Total Assets	47,320,860	44,857,863
DEFERRED OUTFLOWS OF RESOURCES		
Pension Items - IMRF	446,245	321,345
Total Deferred Outflows of Resources	446,245	321,345
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 47,767,105	\$ 45,179,208

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

December 31, 2017
(with Comparative Totals)

	2017	2016
NET POSITION		
Net Investment in Capital Assets	\$ 32,214,795	\$ 33,705,066
Restricted for Debt Service	541,403	912
Unrestricted	8,210,924	6,110,455
	40,967,122	39,816,433
DEFERRED INFLOWS OF RESOURCES		
Pension Items - IMRF	15,957	15,957
	15,957	15,957
LONG-TERM LIABILITIES		
Illinois EPA Loans Payable	4,889,517	3,338,515
Net Pension Liability	761,553	761,553
	5,651,070	4,100,068
CURRENT LIABILITIES		
Accounts Payable	856,535	803,828
Accrued Payroll	-	45,014
Accrued Interest Payable	1,059	4,011
Deposits Payable	47,204	70,461
IEPA Loans Payable	164,678	270,277
Compensated Absences Payable	63,480	53,159
	1,132,956	1,246,750
Total Current Liabilities	1,132,956	1,246,750
Total Liabilities	6,784,026	5,362,775
TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES	\$ 47,767,105	\$ 45,179,208

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended December 31, 2017
(with Comparative Totals)

	2017	2016
OPERATING REVENUES		
Water		
Charges for Services		
Residential	\$ 950,033	\$ 636,508
Commercial	735,814	512,067
Industrial	803,855	553,933
Rental	87,825	56,715
Other Operating Revenue	40,298	31,171
Miscellaneous	(303)	(159)
	2,617,522	1,790,235
Total Water		
Water Reclamation		
Charges for Services		
Residential	1,127,247	672,361
Commercial	1,186,548	697,474
Industrial	1,104,896	592,880
Other Operating Revenue	138,828	117,179
Miscellaneous	10,656	9,093
	3,568,175	2,088,987
Total Water Reclamation		
Total Operating Revenues		
	6,185,697	3,879,222
OPERATING EXPENSES		
Operations		
Water Source of Supply	372,438	248,616
Water Treatment	272,513	143,295
Transmission, Distribution and Collection	666,586	411,971
Water Reclamation Operations	1,361,916	742,924
Administration and General	247,564	488,971
Taxes	71,207	45,009
Depreciation	1,581,642	999,044
	4,573,866	3,079,830
Total Operating Expenses		
OPERATING INCOME		
	1,611,831	799,392

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended December 31, 2017
(with Comparative Totals)

	2017	2016
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	\$ 25,546	\$ 6,935
Interest Expense	(108,404)	(6,730)
Total Non-Operating Revenues (Expenses)	(82,858)	205
NET INCOME BEFORE TRANSFERS, CAPITAL GRANTS AND CONTRIBUTIONS	1,528,973	799,597
TRANSFERS		
Transfers (Out)	(230,341)	(169,555)
Total Transfers	(230,341)	(169,555)
CAPITAL GRANTS AND CONTRIBUTIONS	-	1,290,000
CHANGE IN NET POSITION	1,298,632	1,920,042
NET POSITION, BEGINNING OF PERIOD	39,816,433	37,896,391
Change in Accounting Principle	(147,943)	-
NET POSITION, BEGINNING OF PERIOD, RESTATED	39,668,490	37,896,391
NET POSITION, END OF PERIOD	\$ 40,967,122	\$ 39,816,433

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended December 31, 2017
(with Comparative Totals)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 6,080,603	\$ 3,861,555
Payments to Suppliers	(1,148,497)	(464,224)
Payments to Employees	(1,452,802)	(797,511)
Payments to Other Funds	(689,952)	(616,319)
	2,789,352	1,983,501
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Loans provided to other funds	(1,080,150)	-
Transfers to the City	(230,341)	(169,555)
	(1,310,491)	(169,555)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(1,415,049)	(2,484,027)
Issuance of Long-Term Debt	1,337,290	1,532,588
Principal Payments on Long-Term Debt	(312,057)	(132,304)
Interest Payments on Long-Term Debt	(111,357)	(13,316)
	(501,173)	(1,097,059)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	25,451	7,494
	25,451	7,494
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,003,139	724,381
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	6,063,782	5,339,401
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 7,066,921	\$ 6,063,782

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended December 31, 2017
(with Comparative Totals)

	2017	2016
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 1,611,831	\$ 799,392
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	1,581,642	999,044
Changes in Assets and Liabilities		
Accounts Receivable	(109,509)	(121,363)
Other Receivables	(1,664)	87,422
Prepaid Expenses	74,045	(37,084)
Deposits	(23,257)	-
Inventory	3,480	-
Special Assessments	29,336	19,599
Pension Items - IMRF	(272,844)	77,648
Accounts Payable	(69,015)	131,685
Accrued Payroll	(45,014)	27,158
Other Payables	-	(3,324)
Compensated Absences	10,321	3,324
NET CASH FROM OPERATING ACTIVITIES	\$ 2,789,352	\$ 1,983,501
CASH AND INVESTMENTS		
Cash and Investments	\$ 6,525,518	\$ 6,062,870
Restricted Assets		
Cash and Investments	541,403	912
TOTAL CASH AND INVESTMENTS	\$ 7,066,921	\$ 6,063,782
NONCASH TRANSACTIONS		
Illinois EPA Loan Forgiveness	\$ -	\$ 1,290,000
Illinois EPA Loan Receivable	683,765	263,595
Illinois EPA Loan Payable	(683,765)	(263,595)
TOTAL NONCASH TRANSACTIONS	\$ -	\$ 1,290,000

(See independent auditor's report.)

COMMUNICATIONS FUND

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF NET POSITION
COMMUNICATIONS FUND**

December 31, 2017
(with Comparative Totals)

	2017	2016
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ -	\$ 3,723,737
Accumulated Depreciation	-	(2,906,980)
Net Capital Assets	-	816,757
CURRENT ASSETS		
Receivables		
Accounts	\$ -	\$ 64,168
Prepaid Expenses	-	17,000
Total Current Assets	-	81,168
Total Assets	-	897,925
DEFERRED OUTFLOWS OF RESOURCES		
Pension items - IMRF	-	76,290
Total deferred outflows of resources	-	76,290
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ 974,215

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)
COMMUNICATIONS FUND

December 31, 2017
(with Comparative Totals)

	2017	2016
NET POSITION		
Net Investment in Capital Assets	\$ -	\$ 816,757
Unrestricted (Deficit)	-	(1,237,464)
Total Net Position (Deficit)	-	(420,707)
DEFERRED INFLOWS OF RESOURCES		
Pension Items - IMRF	-	3,788
Total Deferred Inflows of Resources	-	3,788
LONG-TERM LIABILITIES		
Advance from Other Funds	-	1,158,328
Net Pension Liability	-	180,800
Total Long-Term Liabilities	-	1,339,128
CURRENT LIABILITIES		
Accounts Payable	-	22,056
Accrued Payroll	-	10,522
Deposits Payable	-	2,738
Compensated Absences Payable	-	16,690
Total Current Liabilities	-	52,006
Total Liabilities	-	1,391,134
TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES	\$ -	\$ 974,215

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended December 31, 2017
(with Comparative Totals)

	2017		2016
OPERATING REVENUES			
Charges for Services			
Dial-Up Internet Access	\$ -	\$	7,283
Wireless Internet Access	-		3,274
Microwave Circuit	-		-
Network Internet Access	-		13,597
Fiber Internet Access	-		87,881
WiFi	-		23
Web Site Host	-		4,091
Data Services	-		3,832
VOIP Services	-		693
Network Administration Fees	-		219,804
Mailboxes	-		1,432
Miscellaneous	-		9,915
Total Operating Revenues	-		351,825
OPERATING EXPENSES			
Operations			
Personnel	-		145,964
Insurance Benefits	-		33,633
Pension Benefits	-		45,145
Contractual Services	-		194,171
Commodities	-		9,773
Depreciation and Amortization	-		47,522
Total Operating Expenses	-		476,208
OPERATING INCOME (LOSS)	-		(124,383)

(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 December 31, 2017
(with Comparative Totals)

	2017	2016
NON-OPERATING REVENUES (EXPENSES)		
Interest Expense	\$ -	\$ (446)
Total Non-Operating Revenues (Expenses)	-	(446)
NET INCOME BEFORE TRANSFERS	-	(124,829)
TRANSFERS		
Transfer in	420,707	-
Total Transfers	420,707	-
CHANGE IN NET POSITION	420,707	(124,829)
NET POSITION (DEFICIT), BEGINNING OF PERIOD	(420,707)	(295,878)
NET POSITION (DEFICIT), END OF PERIOD	\$ -	\$ (420,707)

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS
COMMUNICATIONS FUND**

For the Year Ended December 31, 2017
(with Comparative Totals)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ -	\$ 110,231
Receipts from Interfund Service Transactions	-	233,402
Payments to Suppliers	-	(188,075)
Payments to Employees	-	(192,547)
Payments to Other Funds	-	(17,415)
Net Cash from Operating Activities	-	(54,404)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt of Loans from Other Funds	-	89,286
Repayments of Loans from Other Funds	-	-
Interest Paid on Interfund Loans	-	(446)
Net Cash from Noncapital Financing Activities	-	88,840
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	-	(34,436)
Net Cash from Capital and Related Financing Activities	-	(34,436)
CASH FLOWS FROM INVESTING ACTIVITIES		
None	-	-
Net Cash from Investing Activities	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	-	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ -	\$ -

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS (Continued)
COMMUNICATIONS FUND

For the Year Ended December 31, 2017
(with Comparative Totals)

	2017	2016
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ -	\$ (124,383)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities		
Depreciation and Amortization	-	47,522
Changes in Assets and Liabilities		
Accounts Receivable	-	(8,192)
Prepaid Expenses	-	(14,285)
Deferred Outflows/Inflows - Pension Items - IMRF	-	33,117
Accounts Payable	-	14,681
Deposits Payable	-	
Accrued Payroll	-	7,650
Compensated Absences	-	4,169
Net Pension Liability	-	(14,683)
NET CASH FROM OPERATING ACTIVITIES	\$ -	\$ (54,404)
CASH AND INVESTMENTS		
Cash and Investments	\$ -	\$ -
NONCASH TRANSACTIONS		
Transfer of Operations to Technology Fund	\$ 420,707	\$ -

(See independent auditor's report.)

TECHNOLOGY CENTER FUND

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION
TECHNOLOGY CENTER FUND

December 31, 2017
(with Comparative Totals)

	2017	2016
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 9,218,544	\$ 5,450,652
Accumulated Depreciation	(4,341,191)	(1,216,153)
Nondepreciable	519,453	519,453
Net Capital Assets	5,396,806	4,753,952
CURRENT ASSETS		
Cash and Investments	-	15,044
Receivables		
Accounts	51,352	80,967
Prepaid Expenses	7,356	12,220
Total Current Assets	58,708	108,231
Total Assets	5,455,514	4,862,183
DEFERRED OUTFLOWS OF RESOURCES		
Pension items - IMRF	166,941	43,925
Unamortized loss on refunding	104,038	-
Total Deferred Outflows of Resources	270,979	43,925
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,726,493	\$ 4,906,108

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)
TECHNOLOGY CENTER FUND

December 31, 2017
(with Comparative Totals)

	2017	2016
NET POSITION		
Net Investment in Capital Assets	\$ 1,926,092	\$ 1,268,952
Unrestricted (Deficit)	(1,543,863)	(389,903)
Total Net Position	382,229	879,049
DEFERRED INFLOWS OF RESOURCES		
Pension Items - IMRF	5,970	2,181
Total Deferred Inflows of Resources	5,970	2,181
LONG-TERM LIABILITIES		
Advance from Other Funds	1,538,584	322,268
Net Pension Liability	284,897	104,097
Long-Term Debt, Net of Current Maturities	3,165,714	3,255,000
General Obligation Debt Payable	3,165,714	3,255,000
Total Long-Term Liabilities	4,989,195	3,681,365
CURRENT LIABILITIES		
Accounts Payable	13,422	24,531
Accrued Payroll	-	6,964
Compensated Absences Payable	22,815	7,613
Accrued Interest Payable	5,124	74,405
Other Payables	2,738	-
General Obligation Debt Payable	305,000	230,000
Total Current Liabilities	349,099	343,513
Total Liabilities	5,338,294	4,024,878
TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES	\$ 5,726,493	\$ 4,906,108

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended December 31, 2017
(with Comparative Totals)

	2017	2016
OPERATING REVENUES		
Technology		
Charges for Services		
Telecommunications Leases	\$ 79,210	\$ 36,852
Commercial Fiber Leases	404,079	297,592
Commercial Colocation Leases	602,625	401,320
Internal Colocation Leases	31,680	21,120
Penalties	751	4,424
Total Technology Revenues	1,118,345	761,308
Communications		
Charges for Services		
Dial-Up Internet Access	9,053	-
Wireless Internet Access	6,581	-
Network Internet Access	20,396	-
Fiber Internet Access	117,487	-
Web Site Host	5,134	-
Data Services	5,748	-
VOIP Services	939	-
Mailboxes	2,152	-
Penalties	2,159	-
Total Communications Revenues	169,649	-
Total Operating Revenues	1,287,994	761,308
OPERATING EXPENSES		
Technology		
Operations		
Personnel	164,020	138,055
Contractual Services	259,766	112,034
Commodities	303,837	199,944
Depreciation and Amortization	147,932	94,355
Total Technology Expenses	875,555	544,388
Communications		
Operations		
Personnel	121,999	-
Contractual Services	26,154	-
Commodities	8,385	-
Depreciation and Amortization	70,583	-
Total Communications Expenses	227,121	-
Total Operating Expenses	1,102,676	544,388
OPERATING INCOME	185,318	216,920

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended December 31, 2017
(with Comparative Totals)

	2017	2016
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	\$ 459	\$ 188
Interest Expense	(81,644)	(102,281)
Total Non-Operating Revenues (Expenses)	(81,185)	(102,093)
NET INCOME BEFORE TRANSFERS	104,133	114,827
TRANSFERS		
Transfer from Communication Fund	(420,707)	-
Total Transfers	(420,707)	-
CHANGE IN NET POSITION	(316,574)	114,827
NET POSITION, BEGINNING OF PERIOD	879,049	764,222
Correction of a Prior Year Error	(124,900)	-
Change in Accounting Principle	(55,346)	-
NET POSITION, BEGINNING OF PERIOD, RESTATED	698,803	764,222
NET POSITION, END OF PERIOD	\$ 382,229	\$ 879,049

Note: The communications activities of the Communications Fund have been reported in the Technology Center Fund for the year ended December 31, 2017.

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS
TECHNOLOGY CENTER FUND**

For the Year Ended December 31, 2017
(with Comparative Totals)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 1,350,097	\$ 751,549
Receipts from Interfund Service Transactions	31,680	21,120
Payments to Suppliers	(241,434)	(70,835)
Payments to Employees	(407,035)	(119,856)
Payments to Other Funds	(368,463)	(230,923)
	364,845	351,055
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt of Loans from Other Funds	1,080,150	-
Repayment of Loans from Other Funds	(1,022,163)	(32,828)
	57,987	(32,828)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(43,727)	(18,672)
Principal Payments on Long-Term Debt	(230,000)	(220,000)
Interest Payments on Long-Term Debt	(164,151)	(159,716)
	(437,878)	(398,388)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	2	188
	2	188
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,044)	(79,973)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	15,044	95,017
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ -	\$ 15,044

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS (Continued)
TECHNOLOGY CENTER FUND

For the Year Ended December 31, 2017
(with comparative totals)

	2017	2016
RECONCILIATION OF OPERATING INCOME		
TO NET CASH FLOWS FROM		
OPERATING ACTIVITIES		
Operating Income	\$ 185,318	\$ 216,920
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	218,515	94,355
Changes in Assets and Liabilities		
Accounts Receivable	93,783	11,361
Prepaid Expenses	21,864	(12,220)
Pension Items - IMRF	(102,042)	10,613
Accounts Payable	(33,619)	24,065
Accrued Payroll	(17,486)	4,036
Compensated Absences	(1,488)	1,925
NET CASH FROM OPERATING ACTIVITIES	\$ 364,845	\$ 351,055
CASH AND INVESTMENTS		
Cash and Investments	\$ -	\$ 15,044
NONCASH TRANSACTIONS		
Issuance of Refunding Bonds	\$ 3,230,714	\$ -
Payment to Escrow Agent	(3,119,038)	-
Costs of Issuance	(111,676)	-
Transfer of Operations from Communications Fund	(420,707)	-
TOTAL NONCASH TRANSACTIONS	\$ (420,707)	\$ -

(See independent auditor's report.)