

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

ANNUAL FINANCIAL REPORT

For the Year Ended
April 30, 2012



Certified Public Accountants & Advisors

ROCHELLE MUNICIPAL UTILITIES
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) as of and for the year ended April 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the City of Rochelle and the Rochelle Municipal Utilities management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the funds comprising the Rochelle Municipal Utilities (enterprise funds of the City of Rochelle, Illinois) and are not intended to present fairly the financial position of the City of Rochelle, Illinois and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rochelle Municipal Utilities, as of April 30, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 13, 2012 on our consideration of the City of Rochelle, Illinois' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be considered in assessing the results of our audit.

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

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

The prior year comparative information has been derived from the Rochelle Municipal Utilities (enterprise funds of the City of Rochelle, Illinois) 2011 financial statements and, in our prior year report dated August 5, 2011, we expressed unqualified opinions on the respective financial statements.

Naperville, Illinois
September 13, 2012

A handwritten signature in black ink, appearing to read "Jill 22P", is located to the right of the date.

BASIC FINANCIAL STATEMENTS

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2012, 2011, and 2010

Management of the City of Rochelle's Department of Utilities, Rochelle Municipal Utilities (RMU) offers all persons interested in the financial position of RMU this narrative overview and analysis of the utilities' financial performance during the fiscal years ending April 30, 2012, 2011 and 2010. You are invited to read this narrative in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Electric Utility exceed its liabilities by \$43,935,944. Of this amount, \$14,474,966 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors; \$9,374,783 is restricted for debt services (restricted net assets); and \$20,086,195 is invested in capital assets, net of related debt.
- The assets of the Water and Water Reclamation Utility exceed its liabilities by \$33,316,134. Of this amount, \$4,068,485 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors; \$1,681,504 is restricted for debt service (restricted net assets); and \$27,566,145 is invested in capital assets, net of related debt.
- The assets of the Communication Utility exceed its liabilities by \$138,751. Of this amount, \$(574,512) (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors and \$713,263 is invested in capital assets, net of related debt.
- The liabilities of the Technology Center Utility exceed its assets by \$295,583. Of this amount (\$821,992) (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors and \$526,409 is invested in capital assets, net of related debt.
- Operating revenues for the Electric Utility were up 10% while operating expenses were down 14%. Operating expenses increased due to the higher power costs and operating revenues increased due to wholesale power costs being passed on to our customers.
- Operating revenues for the Water and Water Reclamation Utility were down 1% while operating expenses were up 3.5%.
- Operating revenues for the Communication Utility were down 0.5%, and operating expenses decreased 15%. The decrease in expenses was due to the renegotiation of annual maintenance contracts.

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2012, 2011, and 2010

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

STATEMENTS

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

The utility-wide statements report RMU's net assets and how they have changed. Net Assets – the difference between assets and liabilities – is one way to measure financial health, or position. Over time, increases or decreases in RMU's net assets 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 Assets presents information demonstrating how the net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods.

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

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2012, 2011, and 2010

FINANCIAL ANALYSIS OF RMU

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

Table 1
Condensed Statements of Net Assets

Electric Utility

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 26,603,048	\$ 23,773,611	\$ 21,168,229
Capital Assets	<u>32,415,931</u>	<u>33,409,054</u>	<u>34,331,168</u>
Total Assets	<u>59,018,979</u>	<u>57,182,665</u>	<u>55,499,397</u>
Long-term Liabilities	11,869,781	12,375,546	13,260,935
Other Liabilities	<u>3,213,254</u>	<u>3,226,472</u>	<u>3,542,313</u>
Total Liabilities	<u>15,083,035</u>	<u>15,602,018</u>	<u>16,803,248</u>
Invested in Capital Assets, Net of Related Debt	20,086,195	20,112,448	20,107,343
Restricted	9,374,783	9,798,107	9,782,399
Unrestricted	<u>14,474,966</u>	<u>11,670,092</u>	<u>8,806,407</u>
Total Net Assets	<u>\$ 43,935,944</u>	<u>\$ 41,580,647</u>	<u>\$ 38,696,149</u>

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2012, 2011, and 2010

FINANCIAL ANALYSIS OF RMU (cont.)

Table 2
Condensed Statements of Net Assets

Water and Water Reclamation Utility

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 6,008,264	\$ 5,814,808	\$ 4,979,826
Capital Assets	<u>31,188,361</u>	<u>29,066,925</u>	<u>27,250,744</u>
Total Assets	<u>37,196,625</u>	<u>34,881,733</u>	<u>32,230,570</u>
Long-term Liabilities	2,802,151	3,620,501	4,424,698
Other Liabilities	<u>1,078,340</u>	<u>1,033,555</u>	<u>1,112,399</u>
Total Liabilities	<u>3,880,491</u>	<u>4,654,056</u>	<u>5,537,097</u>
Invested in Capital Assets, Net of Related Debt	27,566,145	24,631,613	22,016,437
Restricted	1,693,456	1,681,504	1,669,305
Unrestricted	<u>4,056,533</u>	<u>3,914,560</u>	<u>3,007,731</u>
Total Net Assets	<u>\$ 33,316,134</u>	<u>\$ 30,227,677</u>	<u>\$ 26,693,473</u>

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2012, 2011, and 2010

FINANCIAL ANALYSIS OF RMU (cont.)

**Table 3
Condensed Statements of Net Assets**

Communications Utility

	2012	2011*	2010
Current and Other Assets	\$ 68,329	\$ 122,052	\$ 334,640
Capital Assets	713,263	603,937	5,862,952
Total Assets	781,592	725,989	6,197,592
Long-term Liabilities	455,613	504,967	6,214,447
Other Liabilities	187,228	182,096	397,792
Total Liabilities	642,841	687,063	6,612,239
Invested in Capital Assets, Net of Related Debt	713,263	603,937	1,135,000
Restricted	-	-	-
Unrestricted	(574,512)	(565,011)	(1,549,647)
Total Net Assets	\$ 138,751	\$ (38,926)	\$ (414,647)

*2011 was the first year that the Technology Center was separated into another fund

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2012, 2011, and 2010

FINANCIAL ANALYSIS OF RMU (cont.)

Table 4
Condensed Statements of Net Assets

Technology Center Utility

	<u>2012</u>	<u>2011*</u>
Current and Other Assets	\$ 224,315	\$ 199,308
Capital Assets	<u>5,016,409</u>	<u>5,156,482</u>
Total Assets	<u>5,240,724</u>	<u>5,355,790</u>
Long-term Liabilities	5,206,180	5,439,835
Other Liabilities	<u>330,127</u>	<u>345,723</u>
Total Liabilities	<u>5,536,307</u>	<u>5,785,558</u>
Invested in Capital Assets, Net of Related Debt	526,409	491,482
Restricted	-	-
Unrestricted	<u>(821,992)</u>	<u>(921,250)</u>
Total Net Assets	<u><u>\$ (295,583)</u></u>	<u><u>\$ (429,768)</u></u>

*2011 was the first year that the Technology Center was separated into another fund

The largest portion of RMU's net assets **68%** reflects its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. RMU employs these capital assets to provide electric, water, water reclamation, and communication services to our service area. Consequently, these assets are restricted for future spending. Although the utility's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the associated debt must be provided from other cash generating sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of RMU's net assets **10%** represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets **22%** may be used to meet the utilities' ongoing obligations to rate payers and creditors.

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2012, 2011, and 2010

FINANCIAL ANALYSIS OF RMU (cont.)

ELECTRIC OPERATIONS

Electric operations increased the 2012 utility's net assets by \$2,355,297. This increase is primarily a result of the following item:

- General system upgrades

WATER/WATER RECLAMATION OPERATIONS

Water/Water Reclamation operations increased the 2012 utility's net assets by \$3,088,457. This increase is primarily a result of the following items:

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

COMMUNICATION OPERATIONS

Communication operations increased the 2012 utility's net assets by \$99,825. This increase is primarily a result of the following items:

- Continued fiber deployment to the Rochelle commercial area
- Electronic systems enhancement

TECHNOLOGY CENTER

Technology Center operations increased the 2012 utility's net assets by \$134,185. This increase is primarily a result of the following item:

- General system upgrades

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2012, 2011, and 2010

FINANCIAL ANALYSIS OF RMU (cont.)

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

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

	Electric Utility		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 27,431,148	\$ 24,943,417	\$ 27,744,600
Non-operating revenues	<u>22,917</u>	<u>173,805</u>	<u>216,732</u>
Total Revenues	<u>27,454,065</u>	<u>25,117,222</u>	<u>27,961,332</u>
Depreciation expense	2,110,823	2,030,735	2,009,562
Other operating expenses	20,930,439	18,230,580	21,156,966
Non-operating expenses	<u>558,125</u>	<u>595,088</u>	<u>639,189</u>
Total Expenses	<u>23,599,387</u>	<u>20,856,403</u>	<u>23,805,717</u>
Income Before Capital Contributions and Transfers	3,854,678	4,260,819	4,155,615
Capital contributions	-	-	-
Transfers	<u>(1,499,381)</u>	<u>(1,376,321)</u>	<u>(1,166,910)</u>
Changes in Net Assets	2,355,297	2,884,498	2,988,705

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2012, 2011, and 2010

FINANCIAL ANALYSIS OF RMU (cont.)

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

Water and Water Reclamation Utility

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 4,726,706	\$ 4,758,272	\$ 4,730,110
Non-operating revenues	<u>14,186</u>	<u>16,624</u>	<u>41,369</u>
Total Revenues	<u>4,740,892</u>	<u>4,774,896</u>	<u>4,771,479</u>
Depreciation expense	1,289,253	1,202,138	1,201,452
Other operating expenses	2,463,192	2,423,648	2,431,717
Non-operating expenses	<u>153,589</u>	<u>167,148</u>	<u>208,077</u>
Total Expenses	<u>3,906,034</u>	<u>3,792,934</u>	<u>3,841,246</u>
Income Before Capital Contributions and Transfers	834,858	981,962	930,233
Capital contributions	2,466,453	2,754,075	-
Transfers	<u>(212,854)</u>	<u>(201,833)</u>	<u>(197,508)</u>
Changes in Net Assets	3,088,457	3,534,204	732,725

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2012, 2011, and 2010

FINANCIAL ANALYSIS OF RMU (cont.)

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

Communications Utility

	<u>2012</u>	<u>2011*</u>	<u>2010</u>
Operating revenues	\$ 947,423	\$ 951,319	\$ 1,176,630
Non-operating revenues	<u>-</u>	<u>-</u>	<u>22,258</u>
Total Revenues	<u>947,423</u>	<u>951,319</u>	<u>1,198,888</u>
Depreciation expense	30,197	33,898	302,464
Other operating expenses	815,807	956,867	898,555
Non-operating expenses	<u>1,594</u>	<u>4,448</u>	<u>184,061</u>
Total Expenses	<u>847,598</u>	<u>995,213</u>	<u>1,385,080</u>
Income Before Capital			
Contributions and Transfers	99,825	(43,894)	(186,192)
Capital contributions	-	-	-
Transfers	<u>-</u>	<u>497,647</u>	<u>-</u>
Changes in Net Assets	99,825	453,753	(186,192)

*2011 was the first year that the Technology Center was separated into another fund

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2012, 2011, and 2010

FINANCIAL ANALYSIS OF RMU (cont.)

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

Technology Center Utility

	<u>2012</u>	<u>2011*</u>
Operating revenues	\$ 565,308	\$ 486,759
Non-operating revenues	<u>360</u>	<u>834</u>
Total Revenues	<u>565,668</u>	<u>487,593</u>
Depreciation expense	143,215	143,151
Other operating expenses	106,092	68,422
Non-operating expenses	<u>182,176</u>	<u>208,321</u>
Total Expenses	<u>431,483</u>	<u>419,894</u>
Income Before Capital Contributions and Transfers	134,185	67,699
Capital contributions	-	-
Transfers	<u>-</u>	<u>(497,647)</u>
Changes in Net Assets	134,185	(429,768)

*2011 was the first year that the Technology Center was separated into another fund

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2012, 2011, and 2010

RMU BUDGETARY HIGHLIGHTS

The final Electric Fund revenue budget, including other non-operating income, totaled \$27,477,441. Actual revenues, including non-operating income were \$27,454,065. Total budgeted expenditures were \$28,402,029. The Electric Fund's actual expenditures totaled \$23,599,387 including non-operating expenses. This provided income before contributions and transfers of \$3,854,678.

The final Water/Water Reclamation Fund revenue budget totaled \$5,831,541 with actual revenues of \$4,740,892. The Water/Water Reclamation Fund's budgeted expenditures were \$3,840,602, while actual expenditures totaled \$3,906,034. This provided income before contributions and transfers of \$834,858.

The final Communications Fund expenditure budget totaled \$979,146. The total for services budgeted, including other non-operating income, was \$984,266. The Communications Fund's actual expenditures totaled \$847,598, while actual income totaled \$947,423. This provided income before contributions and transfers of \$99,825.

The final Technology Center Fund expenditure budget totaled \$543,537 while the revenue budget was \$560,010. The actual expenditures totaled \$431,483 while total revenues were \$565,668. This provided income before contributions of \$134,185. Prior to fiscal year 2011, the Technology Center was included as part of the Communications Fund.

LONG-TERM DEBT

At April 30, 2012, the Electric fund had \$12,400,000 of long-term bonds outstanding. According to the ordinances authorizing the issuance of the Series 2005 and 2008 Electric System Revenue Bonds, RMU will provide net revenues in each fiscal year in the amount equal to not less than 1.2 times the principal and interest requirements coming due during the current year with respect to outstanding bonds. RMU – Electric Fund had net revenues of \$6,500,709 and the fiscal year 2012 revenue bond debt service amounted to \$1,498,898 resulting in a debt service coverage ratio of 4.32.

At April 30, 2012, the Water and Water Reclamation fund had \$1,930,000 of long-term bonds and \$1,969,163 of long-term loans outstanding. According to the ordinances authorizing the issuance of the Series 2008 Waterworks and Sewerage Refunding Revenue Bonds, RMU will provide net revenues in each fiscal year in the amount to not less than 1.2 times the principal and interest requirements coming due during the current year with respect to outstanding bonds. RMU – Water and Water Reclamation Fund had net revenues of \$2,263,514 and the fiscal year 2012 revenue bond debt service amounted to \$684,044 resulting in a debt service coverage ratio of 3.31.

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

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

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2012, 2011, and 2010

LONG-TERM DEBT (cont.)

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

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

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

All currently known facts and economic conditions were considered in preparing the 2013 utility budget. None of these conditions are anticipated to change the overall financial position of the utility.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the utilities' finances. If you have questions about this report, or need any additional information, contact Rochelle Municipal Utilities, Chris Frye, Finance Manager, 420 N. 6th St., Rochelle, IL 61068 or e-mail cfrye@rochelleil.us.

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET ASSETS

April 30, 2012

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
CAPITAL ASSETS					
Depreciable - Plant in Service	\$ 67,139,091	\$ 52,354,333	\$ 3,160,867	\$ 5,044,093	\$ 127,698,384
Accumulated Depreciation	(35,420,824)	(22,859,161)	(2,447,604)	(547,137)	(61,274,726)
Nondepreciable	697,664	1,693,189	-	519,453	2,910,306
Net Capital Assets	32,415,931	31,188,361	713,263	5,016,409	69,333,964
CURRENT ASSETS					
Cash and Investments	9,068,483	3,111,157	-	178,474	12,358,114
Receivables					
Accounts	3,506,917	686,069	48,040	-	4,241,026
Accrued Interest	-	1,338	-	-	1,338
Other	165,378	799	65	-	166,242
Prepaid Expenses	217,232	36,958	-	-	254,190
Inventory	1,960,217	3,480	20,224	-	1,983,921
Deposits	871,040	-	-	-	871,040
Due from Other Governments	-	54,931	-	-	54,931
Due from Other Funds	-	-	-	27,653	27,653
Restricted Assets					
Cash and Investments	8,766,383	1,019,318	-	-	9,785,701
Cash Held at Paying Agent	608,400	674,138	-	-	1,282,538
Total Current Assets	25,164,050	5,588,188	68,329	206,127	31,026,694
NONCURRENT ASSETS					
Advances to Other Funds	1,343,170	-	-	-	1,343,170
Special Assessments	-	401,636	-	-	401,636
Deferred Charges	95,828	18,440	-	18,188	132,456
Total Noncurrent Assets	1,438,998	420,076	-	18,188	1,877,262
TOTAL ASSETS	\$ 59,018,979	\$ 37,196,625	\$ 781,592	\$ 5,240,724	\$ 102,237,920

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET ASSETS (Continued)

April 30, 2012

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	\$ 20,086,195	\$ 27,566,145	\$ 713,263	\$ 526,409	\$ 48,892,012
Restricted for Debt Service	9,374,783	1,693,456	-	-	11,068,239
Unrestricted (Deficit)	14,474,966	4,056,533	(574,512)	(821,992)	17,134,995
Total Net Assets	43,935,944	33,316,134	138,751	(295,583)	77,095,246
LONG-TERM LIABILITIES					
General Obligation Bonds Payable	-	-	-	4,305,000	4,305,000
Revenue Bonds Payable	11,855,000	1,310,000	-	-	13,165,000
IEPA Loans Payable	-	1,500,448	-	-	1,500,448
Unamortized Bond Premium/Discount	8,034	12,388	-	-	20,422
Unamortized Loss on Refunding	(78,298)	(58,288)	-	-	(136,586)
Net Pension Obligation	85,045	37,603	13,623	-	136,271
Advance from Other Funds	-	-	441,990	901,180	1,343,170
Total Long-Term Liabilities	11,869,781	2,802,151	455,613	5,206,180	20,333,725
CURRENT LIABILITIES					
Accounts Payable	1,637,474	94,496	9,323	1,335	1,742,628
Customer Advances	506,709	-	-	-	506,709
Accrued Payroll	14,238	9,291	2,494	-	26,023
Accrued Interest Payable	264,949	51,589	-	143,792	460,330
Other Payables	147,759	30,242	251	-	178,252
Due to Other Funds	-	-	160,488	-	160,488
General Obligation Debt Payable	-	-	-	185,000	185,000
Revenue Bonds Payable	545,000	620,000	-	-	1,165,000
IEPA Loans Payable	-	237,668	-	-	237,668
Compensated Absences Payable	97,125	35,054	14,672	-	146,851
Total Current Liabilities	3,213,254	1,078,340	187,228	330,127	4,808,949
Total Liabilities	15,083,035	3,880,491	642,841	5,536,307	25,142,674
TOTAL NET ASSETS AND LIABILITIES	\$ 59,018,979	\$ 37,196,625	\$ 781,592	\$ 5,240,724	\$ 102,237,920

See accompanying notes to financial statements.

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended April 30, 2012

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
OPERATING REVENUES					
Charges for Services	\$ 27,399,527	\$ 4,710,186	\$ 947,423	\$ 565,308	\$ 33,622,444
Miscellaneous	31,621	16,520	-	-	48,141
Total Operating Revenues	27,431,148	4,726,706	947,423	565,308	33,670,585
OPERATING EXPENSES					
Operations	20,930,439	2,463,192	815,807	106,092	24,315,530
Depreciation and Amortization	2,110,823	1,289,253	30,197	143,215	3,573,488
Total Operating Expenses	23,041,262	3,752,445	846,004	249,307	27,889,018
OPERATING INCOME	4,389,886	974,261	101,419	316,001	5,781,567
NONOPERATING REVENUES (EXPENSES)					
Investment Income	22,917	14,186	-	360	37,463
Interest Expense	(558,125)	(153,589)	(1,594)	(182,176)	(895,484)
Total Nonoperating Revenues (Expenses)	(535,208)	(139,403)	(1,594)	(181,816)	(858,021)
NET INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	3,854,678	834,858	99,825	134,185	4,923,546
TRANSFERS					
Transfers to the City	(1,499,381)	(212,854)	-	-	(1,712,235)
Total Transfers	(1,499,381)	(212,854)	-	-	(1,712,235)
CONTRIBUTIONS	-	2,466,453	-	-	2,466,453
CHANGE IN NET ASSETS	2,355,297	3,088,457	99,825	134,185	5,677,764
NET ASSETS (DEFICIT), MAY 1	41,580,647	30,227,677	38,926	(429,768)	71,417,482
NET ASSETS (DEFICIT), APRIL 30	\$ 43,935,944	\$ 33,316,134	\$ 138,751	\$ (295,583)	\$ 77,095,246

See accompanying notes to financial statements.

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF CASH FLOWS

For the Year Ended April 30, 2012

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 26,444,509	\$ 4,741,166	\$ 948,222	\$ 440,699	\$ 32,574,596
Receipts from Interfund Service Transactions	-	-	-	131,679	131,679
Payments to Suppliers	(19,295,759)	(733,369)	(201,816)	(45,695)	(20,276,639)
Payments to Employees	(840,513)	(939,757)	(433,715)	-	(2,213,985)
Payments to Other Funds	(281,805)	(747,371)	(148,790)	(65,001)	(1,242,967)
Net Cash from Operating Activities	6,026,432	2,320,669	163,901	461,682	8,972,684
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipts of Loans from Other Funds	-	-	31,498	-	31,498
Repayments from Loans to Other Funds	103,137	-	-	101,337	204,474
Repayment of Loans from Other Funds	-	-	(54,481)	(48,655)	(103,136)
Interest Paid on Interfund Loans	-	-	(1,594)	(2,850)	(4,444)
Transfers to the City	(1,499,381)	(212,854)	-	-	(1,712,235)
Net Cash from Noncapital Financing Activities	(1,396,244)	(212,854)	(24,577)	49,832	(1,583,843)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Assets Purchased	(696,168)	(1,027,808)	(139,523)	(3,140)	(1,866,639)
Principal Payments on Long-Term Debt	(976,271)	(836,047)	-	(175,000)	(1,987,318)
Interest Payments on Long-Term Debt	(552,097)	(142,249)	-	(199,195)	(893,541)
Grant Receipts	-	13,159	-	-	13,159
Net Cash from Capital and Related Financing Activities	(2,224,536)	(1,992,945)	(139,523)	(377,335)	(4,734,339)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received on Investments	22,917	14,413	-	360	37,690
Net Cash from Investing Activities	22,917	14,413	-	360	37,690
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,428,569	129,283	(199)	134,539	2,692,192
CASH AND CASH EQUIVALENTS, MAY 1	15,406,297	4,001,192	199	43,935	19,451,623
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 17,834,866	\$ 4,130,475	\$ -	\$ 178,474	\$ 22,143,815

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF CASH FLOWS (Continued)

For the Year Ended April 30, 2012

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income	\$ 4,389,886	\$ 974,261	\$ 101,419	\$ 316,001	\$ 5,781,567
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities					
Depreciation and Amortization	2,110,823	1,289,253	30,197	143,215	3,573,488
Changes in Assets and Liabilities					
Accounts Receivable	(988,418)	1,985	2,413	7,069	(976,951)
Other Receivables	(22,997)	7,358	385	-	(15,254)
Prepaid Expenses	588	(3,332)	11,855	-	9,111
Inventory	37,886	-	38,871	-	76,757
Deposits	29,309	5,116	(1,999)	-	32,426
Accounts Payable	476,373	56,757	(15,665)	(4,603)	512,862
Customer Advances	(4,534)	-	-	-	(4,534)
Accrued Payroll	(55,788)	(19,860)	(8,920)	-	(84,568)
Other Payables	30,104	-	-	-	30,104
Compensated Absences	(6,634)	(7,236)	216	-	(13,654)
Net Pension Obligation	29,834	16,367	5,129	-	51,330
NET CASH FROM OPERATING ACTIVITIES	\$ 6,026,432	\$ 2,320,669	\$ 163,901	\$ 461,682	\$ 8,972,684
CASH AND INVESTMENTS					
Cash and Cash Investments	\$ 9,068,483	\$ 3,111,157	\$ -	\$ 178,474	\$ 12,358,114
Restricted Assets					
Cash and Investments	8,766,383	1,019,318	-	-	9,785,701
TOTAL CASH AND INVESTMENTS	\$ 17,834,866	\$ 4,130,475	\$ -	\$ 178,474	\$ 22,143,815
NONCASH TRANSACTIONS					
Contributions	\$ -	\$ 2,466,453	\$ -	\$ -	\$ 2,466,453
TOTAL NONCASH TRANSACTIONS	\$ -	\$ 2,466,453	\$ -	\$ -	\$ 2,466,453

See accompanying notes to financial statements.

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2012

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

Rochelle Municipal Utilities (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 23,318 KW), and one solar gas turbine generator unit (with a nameplate rating of 4,200 KW).

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

The Communications Fund accounts for the activities of a fiber optic network that provides internet and high-speed data transfer services to customers in the City and the surrounding area.

The Technology Center Fund accounts for the activities of the RMU Technology Center that accounts for revenue received for rack space, collocation space, and dark fiber and expenses associated with the construction of the Technology Center, debt service and fiber infrastructure.

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). Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Fund Accounting*, the City has chosen to apply all GASB pronouncements as well as those FASB pronouncements issued on or before November 30, 1989 to account for its enterprise 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 nonoperating.

RMU reports deferred/unearned revenue on its financial statements.

Deferred/unearned revenues arise when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period.

Deferred/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 deferred/unearned revenue is removed from the financial statements and revenue is recognized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Investments

Investments with a maturity less than one year when purchased are stated at cost or amortized cost. Investments with a maturity of one year or greater when purchased are reported at fair value. Fair value has been based on quoted market prices at April 30, 2012 for debt and equity securities and contract values for mutual funds.

E. Materials and Supplies Inventory

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

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

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

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

F. Restricted Assets

Certain cash and investments of RMU are restricted in accordance with the ordinances authorizing the issuance of the revenue bonds. These assets are reflected as restricted cash and investments and restrictions of net assets.

G. Deferred Charges

Deferred charges in the financial statements represents bond issuance costs which are being amortized over the life of the bonds.

ROCHELLE MUNICIPAL UTILITIES
 NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

I. Capital Assets

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

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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.

K. 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.

L. 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.”

M. 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, as well as issuance costs 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.

N. Net Assets

Restricted net assets are legally restricted by outside parties for a specific purpose. None of RMU’s restricted net assets result from enabling legislation adopted by the City. Invested in capital assets, net of related debt, 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.

2. CASH AND INVESTMENTS

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

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

It is the policy of the City to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy are safety (preservation of capital and protection of investment principal), liquidity and yield.

Deposits with Financial Institutions

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

Investments

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

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

ROCHELLE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS (Continued)

2. CASH AND INVESTMENTS (Continued)

Investments (Continued)

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.

3. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
ELECTRIC				
Capital Assets not Being Depreciated				
Land	\$ 697,664	\$ -	\$ -	\$ 697,664
Construction in Progress	182,033	1,133,222	1,315,255	-
Total Capital Assets not Being Depreciated	879,697	1,133,222	1,315,255	697,664
Capital Assets Being Depreciated				
Generation	7,420,313	17,522	-	7,437,835
Transmission	10,379,271	-	-	10,379,271
Distribution	44,465,811	1,572,472	335,011	45,703,272
General	3,573,963	44,750	-	3,618,713
Total Capital Assets Being Depreciated	65,839,358	1,634,744	335,011	67,139,091
Less Accumulated Depreciation for				
Generation	6,390,443	97,344	-	6,487,787
Transmission	6,325,033	383,029	-	6,708,062
Distribution	20,017,704	1,558,971	-	21,576,675
General	576,821	71,479	-	648,300
Total Accumulated Depreciation	33,310,001	2,110,823	-	35,420,824
Total Capital Assets Being Depreciated, Net	32,529,357	(476,079)	335,011	31,718,267
TOTAL ELECTRIC CAPITAL ASSETS, NET	\$ 33,409,054	\$ 657,143	\$ 1,650,266	\$ 32,415,931

ROCHELLE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS (Continued)

3. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
WATER AND WATER RECLAMATION				
Capital Assets not Being Depreciated				
Land	\$ 262,358	\$ -	\$ -	\$ 262,358
Construction in Progress	406,104	3,132,797	2,108,070	1,430,831
Total Capital Assets not Being Depreciated	<u>668,462</u>	<u>3,132,797</u>	<u>2,108,070</u>	<u>1,693,189</u>
Capital Assets Being Depreciated				
Infrastructure	39,804,929	2,324,783	-	42,129,712
Equipment	10,163,442	61,179	-	10,224,621
Total Capital Assets Being Depreciated	<u>49,968,371</u>	<u>2,385,962</u>	<u>-</u>	<u>52,354,333</u>
Less Accumulated Depreciation for				
Infrastructure	16,610,046	1,035,783	-	17,645,829
Equipment	4,959,862	253,470	-	5,213,332
Total Accumulated Depreciation	<u>21,569,908</u>	<u>1,289,253</u>	<u>-</u>	<u>22,859,161</u>
Total Capital Assets Being Depreciated, Net	<u>28,398,463</u>	<u>1,096,709</u>	<u>-</u>	<u>29,495,172</u>
TOTAL WATER AND WATER RECLAMATION CAPITAL ASSETS, NET	<u>\$ 29,066,925</u>	<u>\$ 4,229,506</u>	<u>\$ 2,108,070</u>	<u>\$ 31,188,361</u>
COMMUNICATIONS				
Capital Assets not Being Depreciated				
Land rights	\$ -	\$ -	\$ -	\$ -
Total Capital Assets not Being Depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Assets Being Depreciated				
Building	-	-	-	-
General	3,021,344	139,523	-	3,160,867
Total Capital Assets Being Depreciated	<u>3,021,344</u>	<u>139,523</u>	<u>-</u>	<u>3,160,867</u>
Less Accumulated Depreciation for				
Building	-	-	-	-
General	2,417,407	30,197	-	2,447,604
Total Accumulated Depreciation	<u>2,417,407</u>	<u>30,197</u>	<u>-</u>	<u>2,447,604</u>
Total Capital Assets Being Depreciated, Net	<u>603,937</u>	<u>109,326</u>	<u>-</u>	<u>713,263</u>
TOTAL COMMUNICATION CAPITAL ASSETS, NET	<u>\$ 603,937</u>	<u>\$ 109,326</u>	<u>\$ -</u>	<u>\$ 713,263</u>

ROCHELLE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS (Continued)

3. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
TECHNOLOGY CENTER				
Capital Assets not Being Depreciated				
Land rights	\$ 519,453	\$ -	\$ -	\$ 519,453
Total Capital Assets not Being Depreciated	519,453	-	-	519,453
Capital Assets Being Depreciated				
Building	4,249,817	-	-	4,249,817
General	791,135	3,141	-	794,276
Total Capital Assets Being Depreciated	5,040,952	3,141	-	5,044,093
Less Accumulated Depreciation for				
Building	311,468	106,442	-	417,910
General	92,455	36,772	-	129,227
Total Accumulated Depreciation	403,923	143,214	-	547,137
Total Capital Assets Being Depreciated, Net	4,637,029	(140,073)	-	4,496,956
TOTAL TECHNOLOGY CENTER CAPITAL ASSETS, NET	\$ 5,156,482	\$ (140,073)	\$ -	\$ 5,016,409

4. LONG-TERM DEBT

	May 1	Additions	Reductions	April 30	Current Portion
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds					
2005 Electric System bonds	\$ 9,435,000	\$ -	\$ -	\$ 9,435,000	\$ -
2008 Refunding Bonds	3,915,000	-	950,000	2,965,000	545,000
2008 Refunding Bonds	2,535,000	-	605,000	1,930,000	620,000
Total Revenue Bonds	15,885,000	-	1,555,000	14,330,000	1,165,000
General Obligation Debt					
Certificates	4,665,000	-	175,000	4,490,000	185,000
IEPA Revolving Loans	1,969,163	-	231,047	1,738,116	237,668
Unamortized Discount	(44,394)	-	(2,347)	(42,047)	-
Unamortized Premium	81,184	-	18,715	62,469	-
Unamortized Loss on Refunding	(185,304)	-	(48,718)	(136,586)	-
Capital Lease	26,271	-	26,271	-	-
Compensated Absences	160,506	146,851	160,506	146,851	146,851
Net Pension Obligation	84,941	51,330	-	136,271	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 22,642,367	\$ 198,181	\$ 2,115,474	\$ 20,725,074	\$ 1,734,519

ROCHELLE MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM DEBT (Continued)

Bonds payable at April 30, 2012 are comprised of the following, excluding the refunded bonds that are defeased in-substance.

General Obligation Debt

	<u>Total</u>	<u>Current Portion</u>
\$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 Communications Fund	\$ 4,490,000	\$ 185,000
TOTAL	\$ 4,490,000	\$ 185,000

Revenue and Alternate Revenue Source Bonds

	<u>Total</u>	<u>Current Portion</u>
\$9,435,000 Series 2005 Electric System Revenue Bonds, due in annual installments of \$505,000 to \$880,000, through May 1, 2030, interest from 4.00% to 4.75%	\$ 9,435,000	\$ -
\$5,755,000 Series 2008 Electric System Revenue Refunding Revenue Bonds, due in annual installments of \$565,000 to \$665,000, through May 1, 2016, interest from 3.50% to 4.50%.	2,965,000	965,000
TOTAL ELECTRIC SYSTEM REVENUE BONDS	\$ 12,400,000	\$ 956,000
\$3,685,000 Series 2008 Waterworks and Sewerage Refunding Revenue Bonds, due in annual installments of \$15,000 to \$645,000, through May 1, 2014, interest from 3.00% to 3.75%.	\$ 1,930,000	\$ 620,000
TOTAL WATER AND WATER RECLAMATION FUND REVENUE BONDS	\$ 1,930,000	\$ 620,000

ROCHELLE MUNICIPAL UTILITIES
 NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM DEBT (Continued)

Illinois EPA Loans

	<u>Total</u>	<u>Current Portion</u>
\$3,191,177 Illinois EPA low interest loan related to the Northwest Interceptor Sewer project, due in semiannual installments of \$122,605, through August 2017, interest at 2.89%.	\$ 1,238,691	\$ 210,924
\$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%.	<u>499,425</u>	<u>26,745</u>
TOTAL WATER AND WATER RECLAMATION IEPA LOANS	<u>\$ 1,738,116</u>	<u>\$ 237,669</u>

Debt Service to Maturity

The annual requirements to amortize all debt outstanding (except compensated absences) as of April 30, 2012, are as follows (in thousands of dollars):

April 30,	<u>GO Debt Certificates</u>		<u>Revenue Bonds</u>		<u>Illinois EPA Loan</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 185,000	\$ 191,723	\$ 1,165,000	\$ 577,361	\$ 237,669	\$ 46,245
2014	190,000	183,824	1,215,000	532,461	244,482	39,432
2015	200,000	175,711	1,255,000	484,304	251,490	32,424
2016	210,000	167,171	615,000	445,711	258,700	25,214
2017	220,000	158,204	645,000	417,611	266,118	17,797
2018-2022	1,250,000	667,252	2,750,000	1,804,290	280,082	36,043
2023-2027	1,535,000	377,392	3,390,000	1,200,704	180,284	13,236
2028-2031	700,000	48,090	3,295,000	394,000	19,291	241
TOTAL	<u>\$ 4,490,000</u>	<u>\$ 1,969,367</u>	<u>\$ 14,330,000</u>	<u>\$ 5,856,442</u>	<u>\$ 1,738,116</u>	<u>\$ 210,632</u>

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

4. LONG-TERM DEBT (Continued)

Revenue Source Bonds

The City issued the Series 2008 Refunding Water and Water Reclamation Alternate Revenue Source Bonds to provide funds for water and water reclamation capital improvements. These bonds are payable from a pledge of the City's water and water reclamation revenues and are being repaid by the Water and Water Reclamation Fund. The bonds are payable solely from water and water reclamation revenues and are payable through 2015. The total principal and interest remaining to be paid on the bonds as of April 30, 2012 is \$2,037,056. Principal and interest paid for the current year was \$684,044 or 30.22% of total customer net revenues of \$2,263,514.

The City issued the Series 2005 Electric Revenue Alternate Revenue Source Bonds and the Series 2008 Refunding Electric Alternate Revenue Source Bonds to provide funds for electric capital improvements. These bonds are payable from a pledge of the City's electric revenues and are being repaid by the Electric Fund. The bonds are payable solely from electric revenues and are payable through 2031. The total principal and interest remaining to be paid on the bonds as of April 30, 2012 is \$18,149,384. Principal and interest paid for the current year was \$1,498,898 or 23.06% of total customer net revenues of \$6,500,709.

Advanced Refunding

Electric

On July 22, 2008, revenue bonds in the amount of \$5,755,000 were issued with an average interest rate of 4.14% to advance refund \$5,660,000 of outstanding bonds with an average interest rate of 4.75%. The net proceeds of \$5,749,424 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. As a result, the old bonds are considered to be defeased and the liability for the old bonds has been removed from the statement of net assets. At April 30, 2012, \$2,980,000 of bonds outstanding are considered defeased.

ROCHELLE MUNICIPAL UTILITIES
 NOTES TO FINANCIAL STATEMENTS (Continued)

5. REVENUE BONDS

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

Account	Amount	Nature of Authorized Expenditures
Operation and Maintenance	Sufficient amount to pay reasonable expenses for one month's operations	Expenses of operating, maintaining and repairing the system
Bond and Interest	Amount sufficient to pay the current bond and interest maturities	Paying principal and interest on bonds
Bond Reserve	\$30,000 per month until account aggregates an amount equal to bond and interest requirements for any succeeding fiscal year	Paying principal and interest on bonds when there are insufficient funds in the bond and interest account
Depreciation, Improvement and Extension	\$20,000 per month until the account aggregates a minimum of \$7,000,000	Cost of extraordinary maintenance, necessary replacement and improvement or extension of the system
Surplus Revenue	The amount remaining after payment into the above four accounts	Making up deficiencies in the aforementioned accounts, paying of junior lien bonds and for any other lawful corporate purpose

The City has complied with all significant limitations, restrictions and bond covenants during the year ended April 30, 2012. The restricted assets and restricted net assets for purposes other than bond proceeds and the expenses of operating, maintaining and repairing the system, is as follows:

RESTRICTED BOND ORDINANCE ACCOUNTS	
Bond and Interest Account	\$ 1,500,185
Bond Reserve Account	2,248,796
Depreciation, Improvement and Extension Account	<u>7,319,258</u>
 TOTAL	 <u><u>\$ 11,068,239</u></u>

6. PENSION PLAN

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

7. RISK MANAGEMENT

RMU is exposed to various risks of loss, including but not limited to, property and casualty, general and public officials' liability, workers' compensation and employee's health. RMU mitigates these risks through participation in city-wide risk management programs. The City uses a combination of purchased third party indemnity insurance and self-insurance with specific and aggregate stop-loss coverage to limit its exposure to losses. Additional information on the City's risk management program can be found in the City's annual financial report.

8. CONTRACTS, COMMITMENTS AND CONTINGENCIES

A. Litigation

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

B. Grants

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

ROCHELLE MUNICIPAL UTILITIES
 NOTES TO FINANCIAL STATEMENTS (Continued)

8. CONTRACTS, COMMITMENTS AND CONTINGENCIES (Continued)

C. Northern Illinois Municipal Power Agency

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

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

NIMPA’s outstanding debt service obligation is to be paid by its members through their wholesale power charges through the remainder of the long-term contract, which is \$533 million as of December 31, 2010.

9. INTERFUND ACCOUNTS

A. Due from/to other RMU funds at April 30, 2012 consisted of the following:

	Due From	Due To
Communications	\$ -	\$ 27,653
Technology Center	27,653	-
TOTAL	\$ 27,653	\$ 27,653

ROCHELLE MUNICIPAL UTILITIES
 NOTES TO FINANCIAL STATEMENTS (Continued)

9. INTERFUND ACCOUNTS (Continued)

A. (Continued)

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

- \$27,653 due from the Communications Fund to the Technology Center Fund to cover temporary cash deficits. Repayment is expected within one year.

B. Advances from/to other RMU funds at April 30, 2012 consisted of the following:

	Advance To	Advance From
Electric	\$ 1,343,170	\$ -
Communications	-	441,990
Technology Center	-	901,180
	<hr/>	<hr/>
TOTAL	<u>\$ 1,343,170</u>	<u>\$ 1,343,170</u>

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

- \$1,343,170 advanced from the Electric Fund to the Communications Fund and Technology Center Fund is for funding of capital projects. Repayment is not expected within one year.

C. Interfund transfers during the year ended April 30, 2012 consisted of the following:

	Transfer In	Transfer Out
City - General Fund	\$ 1,712,235	\$ -
Electric Utility	-	1,499,381
Water and Water Reclamation	-	212,854
	<hr/>	<hr/>
TOTAL	<u>\$ 1,712,235</u>	<u>\$ 1,712,235</u>

The purposes of significant interfund transfers are as follows:

- \$1,712,235 transferred to the City - General Fund was made up of \$1,499,381 from the Electric Fund and \$212,854 from the Water and Water Reclamation Fund for annual transfers as permitted under bond ordinances. The transfers will not be repaid.

10. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

SUPPLEMENTAL INFORMATION

ELECTRIC FUND

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET ASSETS
ELECTRIC FUND

April 30, 2012
(with comparative totals)

	2012	2011
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 67,139,091	\$ 65,839,358
Accumulated Depreciation	(35,420,824)	(33,310,001)
Nondepreciable	697,664	879,697
Net Capital Assets	32,415,931	33,409,054
CURRENT ASSETS		
Cash and Investments	9,068,483	6,640,590
Receivables		
Accounts	3,506,917	2,518,499
Other	165,378	142,381
Prepaid Expenses	217,232	217,820
Inventory	1,960,217	1,998,103
Deposits	871,040	900,349
Restricted Assets		
Cash and Investments	8,766,383	8,765,707
Cash Held at Paying Agent	608,400	1,032,400
Total Current Assets	25,164,050	22,215,849
NONCURRENT ASSETS		
Advance to Other Funds	1,343,170	1,446,308
Deferred Charges	95,828	111,454
Total Noncurrent Assets	1,438,998	1,557,762
TOTAL ASSETS	\$ 59,018,979	\$ 57,182,665

(This page is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET ASSETS (Continued)
ELECTRIC FUND

April 30, 2012
(with comparative totals)

	2012	2011
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 20,086,195	\$ 20,112,448
Restricted for Debt Service	9,374,783	9,798,107
Unrestricted	14,474,966	11,670,092
Total Net Assets	43,935,944	41,580,647
LONG-TERM LIABILITIES		
Revenue Bonds Payable	11,855,000	12,400,000
Unamortized Bond Premium/Discount	8,034	18,207
Unamortized Loss on Refunding	(78,298)	(97,872)
Net Pension Obligation	85,045	55,211
Total Long-Term Liabilities	11,869,781	12,375,546
CURRENT LIABILITIES		
Accounts Payable	1,637,474	1,163,568
Customer Advances	506,709	511,243
Accrued Payroll	14,238	70,026
Accrued Interest Payable	264,949	283,949
Other Payables	147,759	117,655
Revenue Bonds Payable	545,000	950,000
Capital Lease Payable	-	26,271
Compensated Absences Payable	97,125	103,760
Total Current Liabilities	3,213,254	3,226,472
Total Liabilities	15,083,035	15,602,018
TOTAL NET ASSETS AND LIABILITIES	\$ 59,018,979	\$ 57,182,665

(See independent auditor's report.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

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

For the Year Ended April 30, 2012
(with comparative totals)

	2012	2011
OPERATING REVENUES		
Charges for Services		
Residential	\$ 5,316,764	\$ 5,041,547
Commercial	4,734,425	4,234,625
Industrial	16,649,124	14,851,073
Public Street Lighting	140,363	137,340
Interdepartmental	401,927	458,005
Other Operating Revenue	156,924	206,522
Miscellaneous	31,621	14,305
	27,431,148	24,943,417
OPERATING EXPENSES		
Operations		
Purchased Power	16,309,142	13,740,529
Generation	1,232,513	1,200,287
Transmission and Distribution	1,978,228	1,998,860
Customer Accounts	285,519	323,800
Administration and General	1,125,037	967,104
Depreciation	2,110,823	2,030,735
	23,041,262	20,261,315
	4,389,886	4,682,102
OPERATING INCOME		
NONOPERATING REVENUES (EXPENSES)		
Investment Income	22,917	173,805
Interest Expense	(558,125)	(595,088)
	(535,208)	(421,283)
	3,854,678	4,260,819
NET INCOME BEFORE TRANSFERS		
TRANSFERS		
Transfers to the City	(1,499,381)	(1,376,321)
	(1,499,381)	(1,376,321)
CHANGE IN NET ASSETS		
	2,355,297	2,884,498
NET ASSETS, MAY 1	41,580,647	38,696,149
NET ASSETS, APRIL 30	\$ 43,935,944	\$ 41,580,647

(See independent auditor's report.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF CASH FLOWS
ELECTRIC FUND

For the Year Ended April 30, 2012
(with comparative totals)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 26,444,509	\$ 25,293,599
Payments to Suppliers	(19,295,759)	(17,866,879)
Payments to Employees	(840,513)	(1,153,935)
Payments to Other Funds	(281,805)	(370,350)
	6,026,432	5,902,435
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment from Loans to Other Funds	103,137	103,140
Transfers to the City	(1,499,381)	(1,376,321)
	(1,396,244)	(1,273,181)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(696,168)	(1,125,465)
Principal Payments on Long-Term Debt	(976,271)	(936,619)
Interest Payments on Long-Term Debt	(552,097)	(588,263)
	(2,224,536)	(2,650,347)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	22,917	173,805
	22,917	173,805
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,428,569	2,152,712
CASH AND CASH EQUIVALENTS, MAY 1	15,406,297	13,253,585
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 17,834,866	\$ 15,406,297

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF CASH FLOWS (Continued)
ELECTRIC FUND

For the Year Ended April 30, 2012
(with comparative totals)

	2012	2011
RECONCILIATION OF OPERATING INCOME		
TO NET CASH FLOWS FROM		
OPERATING ACTIVITIES		
Operating Income	\$ 4,389,886	\$ 4,682,102
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	2,110,823	2,030,735
Changes in Assets and Liabilities		
Accounts Receivable	(988,418)	596,949
Other Receivables	(22,997)	(9,191)
Prepaid Expenses	588	(18,685)
Inventory	37,886	(905,318)
Deposits	29,309	(218,344)
Accounts Payable	476,373	(264,188)
Customer Advances	(4,534)	(19,232)
Accrued Payroll	(55,788)	(2,146)
Other Payables	30,104	(16,623)
Compensated Absences	(6,634)	(8,835)
Net Pension Obligation	29,834	55,211
	\$ 6,026,432	\$ 5,902,435
NET CASH FROM OPERATING ACTIVITIES	\$ 6,026,432	\$ 5,902,435
CASH AND INVESTMENTS		
Cash and Investments	\$ 9,068,483	\$ 6,640,590
Restricted Assets		
Cash and Investments	8,766,383	8,765,707
	\$ 17,834,866	\$ 15,406,297
TOTAL CASH AND INVESTMENTS	\$ 17,834,866	\$ 15,406,297

(See independent auditor's report.)

WATER AND WATER RECLAMATION FUND

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET ASSETS
WATER AND WATER RECLAMATION FUND

April 30, 2012
(with comparative totals)

	2012	2011
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 52,354,333	\$ 49,968,371
Accumulated Depreciation	(22,859,161)	(21,569,908)
Nondepreciable	1,693,189	668,462
Net Capital Assets	31,188,361	29,066,925
CURRENT ASSETS		
Cash and Investments	3,111,157	2,969,126
Receivables		
Accounts	686,069	621,628
Accrued Interest	1,338	1,565
Other	799	8,157
Prepaid Expenses	36,958	33,626
Inventory	3,480	3,480
Due from Other Governments	54,931	-
Restricted Assets		
Cash and Investments	1,019,318	1,032,066
Cash Held at Paying Agent	674,138	649,438
Total Current Assets	5,588,188	5,319,086
NONCURRENT ASSETS		
Special Assessments	401,636	468,062
Deferred Charges	18,440	27,660
Total Noncurrent Assets	420,076	495,722
TOTAL ASSETS	\$ 37,196,625	\$ 34,881,733

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

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

April 30, 2012
(with comparative totals)

	2012	2011
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 27,566,145	\$ 24,631,613
Restricted for Debt Service	1,693,456	1,681,504
Unrestricted (Deficit)	4,056,533	3,914,560
Total Net Assets	33,316,134	30,227,677
LONG-TERM LIABILITIES		
Revenue Bonds Payable	1,310,000	1,930,000
IEPA Loans Payable	1,500,448	1,738,115
Unamortized Bond Premium/Discount	12,388	18,583
Unamortized Loss on Refunding	(58,288)	(87,433)
Net Pension Obligation	37,603	21,236
Total Long-Term Liabilities	2,802,151	3,620,501
CURRENT LIABILITIES		
Accounts Payable	94,496	37,741
Accrued Payroll	9,291	29,151
Accrued Interest Payable	51,589	63,200
Deposits Payable	30,242	25,126
Revenue Bonds Payable	620,000	605,000
IEPA Loans Payable	237,668	231,047
Compensated Absences Payable	35,054	42,290
Total Current Liabilities	1,078,340	1,033,555
Total Liabilities	3,880,491	4,654,056
TOTAL NET ASSETS AND LIABILITIES	\$ 37,196,625	\$ 34,881,733

(See independent auditor's report.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

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

For the Year Ended April 30, 2012
(with comparative totals)

	2012	2011
OPERATING REVENUES		
Water		
Charges for Services		
Residential	\$ 743,873	\$ 728,542
Commercial	515,412	506,638
Industrial	519,643	552,347
Interdepartmental	14,176	14,853
Rental	72,926	75,508
Other Operating Revenue	29,473	24,885
Miscellaneous	-	5,418
	1,895,503	1,908,191
Water Reclamation		
Charges for Services		
Residential	964,613	995,192
Commercial	890,122	853,538
Industrial	923,315	954,383
Interdepartmental	3,832	4,174
Other Operating Revenue	32,801	29,979
Miscellaneous	16,520	12,815
	2,831,203	2,850,081
	4,726,706	4,758,272
OPERATING EXPENSES		
Operations		
Water Source of Supply	200,053	244,262
Water Treatment	148,889	140,864
Transmission, Distribution and Collection	591,769	530,053
Water Reclamation Operations	968,244	957,236
Administration and General	488,055	491,686
Taxes	66,182	59,547
Depreciation	1,289,253	1,202,138
	3,752,445	3,625,786
	974,261	1,132,486

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

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

For the Year Ended April 30, 2012
(with comparative totals)

	<u>2012</u>	<u>2011</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	\$ 14,186	\$ 16,624
Interest Expense	(153,589)	(167,148)
	<hr/>	<hr/>
Total Nonoperating Revenues (Expenses)	(139,403)	(150,524)
	<hr/>	<hr/>
NET INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	834,858	981,962
	<hr/>	<hr/>
TRANSFERS		
Transfers (Out)	(212,854)	(201,833)
	<hr/>	<hr/>
Total Transfers	(212,854)	(201,833)
	<hr/>	<hr/>
CONTRIBUTIONS	2,466,453	2,754,075
	<hr/>	<hr/>
CHANGE IN NET ASSETS	3,088,457	3,534,204
	<hr/>	<hr/>
NET ASSETS, MAY 1	30,227,677	26,693,473
	<hr/>	<hr/>
NET ASSETS, APRIL 30	\$ 33,316,134	\$ 30,227,677
	<hr/>	<hr/>

(See independent auditor's report.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF CASH FLOWS
WATER AND WATER RECLAMATION FUND

For the Year Ended April 30, 2012
(with comparative totals)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 4,741,166	\$ 4,796,231
Payments to Suppliers	(733,369)	(890,980)
Payments to Employees	(939,757)	(1,024,980)
Payments to Other Funds	(747,371)	(578,243)
	2,320,669	2,302,028
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to the City	(212,854)	(201,833)
	(212,854)	(201,833)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(1,027,808)	(227,685)
Principal Payments on Long-Term Debt	(836,047)	(821,945)
Interest Payments on Long-Term Debt	(142,249)	(193,266)
Grant Receipts	13,159	-
	(1,992,945)	(1,242,896)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	14,413	16,751
	14,413	16,751
NET INCREASE IN CASH AND CASH EQUIVALENTS	129,283	874,050
CASH AND CASH EQUIVALENTS, MAY 1	4,001,192	3,127,142
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 4,130,475	\$ 4,001,192

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

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

For the Year Ended April 30, 2012
(with comparative totals)

	2012	2011
RECONCILIATION OF OPERATING INCOME		
TO NET CASH FLOWS FROM		
OPERATING ACTIVITIES		
Operating Income	\$ 974,261	\$ 1,132,486
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	1,289,253	1,202,138
Changes in Assets and Liabilities		
Accounts Receivable	1,985	2,437
Other Receivables	7,358	(6,377)
Prepaid Expenses	(3,332)	(4,612)
Inventory	-	9,321
Deposits	5,116	1,723
Accounts Payable	56,757	(111,685)
Accrued Payroll	(19,860)	2,514
Other Payables	-	-
Unearned Revenue	-	40,177
Compensated Absences	(7,236)	12,670
Net Pension Obligation	16,367	21,236
	<u>\$ 2,320,669</u>	<u>\$ 2,302,028</u>
NET CASH FROM OPERATING ACTIVITIES		
 CASH AND INVESTMENTS		
Cash and Investments	\$ 3,111,157	\$ 2,969,126
Restricted Assets		
Cash and Investments	1,019,318	1,032,066
	<u>\$ 4,130,475</u>	<u>\$ 4,001,192</u>
TOTAL CASH AND INVESTMENTS		
 NONCASH TRANSACTIONS		
Contributions	\$ 2,466,453	\$ 2,754,075
	<u>\$ 2,466,453</u>	<u>\$ 2,754,075</u>
TOTAL NONCASH TRANSACTIONS		

(See independent auditor's report.)

COMMUNICATIONS FUND

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET ASSETS
COMMUNICATIONS FUND

April 30, 2012
(with comparative totals)

	2012	2011
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 3,160,867	\$ 3,021,344
Accumulated Depreciation	(2,447,604)	(2,417,407)
Nondepreciable	-	-
Net Capital Assets	713,263	603,937
CURRENT ASSETS		
Cash and Investments	-	199
Receivables		
Accounts	48,040	50,453
Other	65	450
Prepaid Expenses	-	11,855
Inventory	20,224	59,095
Total Current Assets	68,329	122,052
NONCURRENT ASSETS		
None	-	-
Total Noncurrent Assets	-	-
TOTAL ASSETS	\$ 781,592	\$ 725,989

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET ASSETS (Continued)
COMMUNICATIONS FUND

April 30, 2012
(with comparative totals)

	<u>2012</u>	<u>2011</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 713,263	\$ 603,937
Unrestricted (Deficit)	(574,512)	(565,011)
TOTAL NET ASSETS	<u>138,751</u>	<u>38,926</u>
LONG-TERM LIABILITIES		
Advance from Other Funds	441,990	496,473
Net Pension Obligation	13,623	8,494
Total Long-Term Liabilities	<u>455,613</u>	<u>504,967</u>
CURRENT LIABILITIES		
Accounts Payable	9,323	24,986
Accrued Payroll	2,494	11,414
Deposits Payable	251	2,250
Due to Technology Center Fund	160,488	128,990
Compensated Absences Payable	14,672	14,456
Total Current Liabilities	<u>187,228</u>	<u>182,096</u>
Total Liabilities	<u>642,841</u>	<u>687,063</u>
TOTAL NET ASSETS AND LIABILITIES	<u>\$ 781,592</u>	<u>\$ 725,989</u>

(See independent auditor's report.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
COMMUNICATIONS FUND

For the Year Ended April 30, 2012
(with comparative totals)

	2012	2011
OPERATING REVENUES		
Charges for Services		
Dial-Up Internet Access	\$ 23,929	\$ 30,172
Activation Fee	50	-
Wireless Internet Access	97,585	137,238
Network Internet Access	20,396	20,396
Fiber Internet Access	201,955	130,518
Web Site Host	9,386	9,078
Web Site Development	-	98
Data Services	5,748	81,042
VOIP Services	45,006	38,553
Network Administration Fees	536,978	430,739
Wireless Installation	-	61
Mailboxes	2,849	2,574
Network and Hardware Support	1,190	7,853
Other Operating Revenues	2,351	62,997
	947,423	951,319
OPERATING EXPENSES		
Operations		
Personnel	298,112	301,108
Insurance Benefits	63,466	77,943
Pension Benefits	68,562	62,671
Contractual Services	371,057	492,674
Commodities	14,610	22,471
Depreciation and Amortization	30,197	33,898
	846,004	990,765
OPERATING INCOME (LOSS)	101,419	(39,446)

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

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

For the Year Ended April 30, 2012
(with comparative totals)

	<u>2012</u>	<u>2011</u>
NONOPERATING REVENUES (EXPENSES)		
Interest Expense	\$ (1,594)	\$ (4,448)
Total Nonoperating Revenues (Expenses)	<u>(1,594)</u>	<u>(4,448)</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>99,825</u>	<u>(43,894)</u>
TRANSFERS		
Transfer from Technology Center	<u>-</u>	<u>497,467</u>
Total Transfers	<u>-</u>	<u>497,467</u>
CHANGE IN NET ASSETS	99,825	453,573
NET ASSETS (DEFICIT), MAY 1	<u>38,926</u>	<u>(414,647)</u>
NET ASSETS, APRIL 30	<u>\$ 138,751</u>	<u>\$ 38,926</u>

(See independent auditor's report.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF CASH FLOWS
COMMUNICATIONS FUND

For the Year Ended April 30, 2012
(with comparative totals)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 948,222	\$ 1,004,864
Payments to Suppliers	(201,816)	(496,412)
Payments to Employees	(433,715)	(399,334)
Payments to Other Funds	(148,790)	(32,062)
Net Cash from Operating Activities	163,901	77,056
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt of Loans from Other Funds	31,498	-
Repayments of Loans from Other Funds	(54,481)	(52,975)
Interest Paid on Interfund Loans	(1,594)	(4,448)
Transfers (Out)	-	(62,875)
Net Cash from Noncapital Financing Activities	(24,577)	(120,298)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(139,523)	(72,160)
Net Cash from Capital and Related Financing Activities	(139,523)	(72,160)
CASH FLOWS FROM INVESTING ACTIVITIES		
None	-	-
Net Cash from Investing Activities	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(199)	(115,402)
CASH AND CASH EQUIVALENTS, MAY 1		
	199	115,601
CASH AND CASH EQUIVALENTS, APRIL 30		
	\$ -	\$ 199

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF CASH FLOWS (Continued)
COMMUNICATIONS FUND

For the Year Ended April 30, 2012
(with comparative totals)

	2012	2011
RECONCILIATION OF OPERATING INCOME		
(LOSS) TO NET CASH FLOWS FROM		
OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 101,419	\$ (39,446)
Adjustments to Reconcile Operating Income (Loss)		
to Net Cash from Operating Activities		
Depreciation and Amortization	30,197	33,898
Changes in Assets and Liabilities		
Accounts Receivable	2,413	43,287
Other Receivables	385	9,438
Prepaid Expenses	11,855	4,329
Inventory	38,871	19,694
Deposits	(1,999)	-
Accounts Payable	(15,665)	(5,291)
Accrued Payroll	(8,920)	(405)
Compensated Absences	216	2,237
Other Payables	-	821
Net Pension Obligation	5,129	8,494
	\$ 163,901	\$ 77,056
NET CASH FROM OPERATING ACTIVITIES		
 CASH AND INVESTMENTS		
Cash and Investments	\$ -	\$ 115,601
 NONCASH TRANSACTIONS		
Transfer of Capital Assets	\$ -	\$ (5,297,277)

(See independent auditor's report.)

TECHNOLOGY CENTER FUND

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET ASSETS
TECHNOLOGY CENTER FUND

April 30, 2012
(with comparative totals)

	2012	2011
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 5,044,093	\$ 5,040,952
Accumulated Depreciation	(547,137)	(403,923)
Nondepreciable	519,453	519,453
	<hr/>	<hr/>
Net Capital Assets	5,016,409	5,156,482
	<hr/>	<hr/>
CURRENT ASSETS		
Cash and Investments	178,474	43,935
Receivables		
Accounts	-	7,070
Due from Other Funds	27,653	128,990
	<hr/>	<hr/>
Total Current Assets	206,127	179,995
	<hr/>	<hr/>
NONCURRENT ASSETS		
Deferred Charges	18,188	19,313
	<hr/>	<hr/>
Total Noncurrent Assets	18,188	19,313
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 5,240,724</u>	<u>\$ 5,355,790</u>

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET ASSETS (Continued)
TECHNOLOGY CENTER FUND

April 30, 2012

	<u>2012</u>	<u>2011</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 526,409	\$ 491,482
Unrestricted (Deficit)	(821,992)	(921,250)
TOTAL NET ASSETS	<u>(295,583)</u>	<u>(429,768)</u>
LONG-TERM LIABILITIES		
Advance from Other Funds	901,180	949,835
Long-Term Debt, Net of Current Maturities General Obligation Debt Payable	4,305,000	4,490,000
Total Long-Term Liabilities	<u>5,206,180</u>	<u>5,439,835</u>
CURRENT LIABILITIES		
Accounts Payable	1,335	5,937
Accrued Interest Payable	143,792	164,786
General Obligation Debt Payable	185,000	175,000
Total Current Liabilities	<u>330,127</u>	<u>345,723</u>
Total Liabilities	<u>5,536,307</u>	<u>5,785,558</u>
TOTAL NET ASSETS AND LIABILITIES	<u>\$ 5,240,724</u>	<u>\$ 5,355,790</u>

(See independent auditor's report.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

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

For the Year Ended April 30, 2012
(with comparative totals)

	2012	2011
OPERATING REVENUES		
Charges for Services		
Telecommunications Leases	\$ 77,760	\$ 77,760
Commercial Fiber Leases	355,869	309,000
Internal Colocation Leases	131,679	99,999
	565,308	486,759
OPERATING EXPENSES		
Operations		
Contractual Services	39,550	6,998
Commodities	66,542	61,424
Depreciation and Amortization	143,215	143,151
	249,307	211,573
	316,001	275,186
OPERATING INCOME		
NONOPERATING REVENUES (EXPENSES)		
Investment Income	360	834
Interest Expense	(182,176)	(208,321)
	(181,816)	(207,487)
	134,185	67,699
NET INCOME BEFORE TRANSFERS		
TRANSFERS		
Transfer from Technology Center	-	(497,467)
	-	(497,467)
	134,185	(429,768)
CHANGE IN NET ASSETS		
	(429,768)	-
NET ASSETS (DEFICIT), MAY 1		
	\$ (295,583)	\$ (429,768)
NET ASSETS (DEFICIT), APRIL 30		
	\$ (295,583)	\$ (429,768)

(See independent auditor's report.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF CASH FLOWS
TECHNOLOGY CENTER FUND

For the Year Ended April 30, 2012
(with comparative totals)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 440,699	\$ 479,689
Receipts from Interfund Service Transactions	131,679	-
Payments to Suppliers	(45,695)	(62,487)
Payments to Other Funds	(65,001)	-
	461,682	417,202
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment from Loans to Other Funds	101,337	-
Repayment of Loans from Other Funds	(48,655)	(50,165)
Interest Paid on Interfund Loans	(2,850)	(8,000)
Transfers In	-	62,875
	49,832	4,710
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(3,140)	(2,356)
Principal Payments on Long-Term Debt	(175,000)	(170,000)
Interest Payments on Long-Term Debt	(199,195)	(206,455)
	(377,335)	(378,811)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	360	834
	360	834
NET INCREASE IN CASH AND CASH EQUIVALENTS	134,539	43,935
CASH AND CASH EQUIVALENTS, MAY 1	43,935	-
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 178,474	\$ 43,935

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF CASH FLOWS (Continued)
TECHNOLOGY CENTER FUND

For the Year Ended April 30, 2012

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 316,001	\$ 275,186
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	143,215	143,151
Changes in Assets and Liabilities		
Accounts Receivable	7,069	(7,070)
Accounts Payable	(4,603)	5,935
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 461,682</u>	<u>\$ 417,202</u>
CASH AND INVESTMENTS		
Cash and Investments	<u>\$ 178,474</u>	<u>\$ 43,935</u>
NONCASH TRANSACTIONS		
Transfer of capital assets	<u>\$ -</u>	<u>\$ 5,297,277</u>

(See independent auditor's report.)