

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

ANNUAL FINANCIAL REPORT

For the Year Ended
April 30, 2015



ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS
TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	1-3
MANAGEMENT’S DISCUSSION AND ANALYSIS	
Management’s Discussion and Analysis	MD&A 1-13
Basic Financial Statements	
Statement of Net Position.....	4-5
Statement of Revenues, Expenses and Changes in Net Position	6
Statement of Cash Flows.....	7-8
Notes to Financial Statements	9-24
SUPPLEMENTAL INFORMATION	
Electric Fund	
Statement of Net Position.....	25-26
Statement of Revenues, Expenses and Changes in Net Position	27
Statement of Cash Flows.....	28-29
Water and Water Reclamation Fund	
Statement of Net Position.....	30-31
Statement of Revenues, Expenses and Changes in Net Position	32-33
Statement of Cash Flows.....	34-35
Communications Fund	
Statement of Net Position.....	36-37
Statement of Revenues, Expenses and Changes in Net Position	38-39
Statement of Cash Flows.....	40-41
Technology Center Fund	
Statement of Net Position.....	42-43
Statement of Revenues, Expenses and Changes in Net Position	44
Statement of Cash Flows.....	45-46



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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) (RMU) as of and for the year ended April 30, 2015, and the related notes to financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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 April 30, 2015, 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 (the City) as of April 30, 2015, the respective changes in financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the City's basic financial statements for the year ended April 30, 2014, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The supplemental information presented for the year ended April 30, 2014, 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 2014 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 2014 supplemental information is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 2015 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Naperville, Illinois
October 26, 2015

A handwritten signature in black ink, appearing to be 'A. L. P.', is written in a cursive style.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2015, 2014, and 2013

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, 2015, 2014 and 2013. 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 \$42,749,162. Of this amount, \$12,476,796 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors; \$10,904,642 is restricted for debt service (restricted net position); and \$19,367,724 is the net investment in capital assets.
- The assets of the Water and Water Reclamation Utility exceed its liabilities by \$37,543,293. Of this amount, \$5,228,268 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors; \$25,532 is restricted for debt service (restricted net position); and \$32,289,493 is the net investment in capital assets.
- The liabilities of the Communication Utility exceed its assets by \$140,077. Of this amount, \$(984,954) (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors and \$844,877 is the net investment in capital assets.
- The assets of the Technology Center Utility exceed its liabilities by \$544,718. Of this amount (\$323,121) (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors and \$867,839 is the net investment in capital assets.
- Operating revenues for the Electric Utility were up 8% while operating expenses were up 13%. Operating revenue increases came from rate changes, added revenue streams, and grant funds. Operating expenses increased due to the higher power costs.
- Operating revenues for the Water and Water Reclamation Utility were up 12% while operating expenses were up 3%. Operating expenses increased mainly due to the rise in power costs.
- Operating revenues for the Communication Utility decreased 18% due to the reduction in rates for fiber customers. Operating expenses decreased 2% due to an allocation of personnel expenses.

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2015, 2014, and 2013

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

STATEMENTS

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

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

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

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

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2015, 2014, and 2013

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>2015</u>	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 27,346,075	\$ 25,285,240	\$ 26,750,797
Capital Assets	<u>36,676,896</u>	<u>33,480,542</u>	<u>32,636,446</u>
Total Assets and Deferred Outflows	<u>64,022,971</u>	<u>58,765,782</u>	<u>59,387,243</u>
Long-term Liabilities	17,049,767	10,779,879	11,378,015
Other Liabilities	<u>4,024,042</u>	<u>3,720,105</u>	<u>4,079,987</u>
Total Liabilities and Deferred Inflows	<u>21,273,809</u>	<u>14,499,984</u>	<u>15,458,002</u>
Net Investment in Capital Assets	19,367,724	22,247,002	20,842,309
Restricted	10,904,642	8,756,557	8,745,614
Unrestricted	<u>12,476,796</u>	<u>13,262,239</u>	<u>14,341,318</u>
Total Net Position	<u>\$ 42,749,162</u>	<u>\$ 44,265,798</u>	<u>\$ 43,929,241</u>

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2015, 2014, and 2013

FINANCIAL ANALYSIS OF RMU (cont.)

Table 2
Condensed Statements of Net Position

Water and Water Reclamation Utility

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 5,967,436	\$ 6,632,300	\$ 6,773,861
Capital Assets	<u>33,293,967</u>	<u>32,101,409</u>	<u>31,627,241</u>
Total Assets	<u>39,261,403</u>	<u>38,733,709</u>	<u>38,401,102</u>
Long-term Liabilities	785,711	1,043,573	1,965,440
Other Liabilities	<u>932,399</u>	<u>1,352,339</u>	<u>1,613,313</u>
Total Liabilities	<u>1,718,110</u>	<u>2,395,912</u>	<u>3,578,753</u>
Net Investment in Capital Assets	32,289,493	30,180,445	28,839,744
Restricted	25,532	4,116,952	688,288
Unrestricted	<u>5,228,268</u>	<u>2,040,400</u>	<u>5,294,317</u>
Total Net Position	<u>\$ 37,543,293</u>	<u>\$ 36,337,797</u>	<u>\$ 34,822,349</u>

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2015, 2014, and 2013

FINANCIAL ANALYSIS OF RMU (cont.)

Table 3
Condensed Statements of Net Position

	Communications Utility		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 14,132	\$ 31,499	\$ 41,152
Capital Assets	<u>844,877</u>	<u>856,106</u>	<u>704,331</u>
Total Assets	<u>859,009</u>	<u>887,605</u>	<u>745,483</u>
Long-term Liabilities	977,425	344,637	399,191
Other Liabilities	<u>21,661</u>	<u>548,063</u>	<u>349,060</u>
Total Liabilities	<u>999,086</u>	<u>892,700</u>	<u>748,251</u>
Net Investment in Capital Assets	844,877	856,106	704,331
Restricted	-	-	-
Unrestricted (Deficit)	<u>(984,954)</u>	<u>(861,201)</u>	<u>(707,099)</u>
Total Net Position (Deficit)	<u>\$ (140,077)</u>	<u>\$ (5,095)</u>	<u>\$ (2,768)</u>

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2015, 2014, and 2013

FINANCIAL ANALYSIS OF RMU (cont.)

Table 4
Condensed Statements of Net Position

	Technology Center Utility		
	2015	2014	2013
Current and Other Assets	\$ 235,494	\$ 282,023	\$ 105,817
Capital Assets	4,782,839	4,860,501	4,947,906
Total Assets	5,018,333	5,142,524	5,053,723
Long-term Liabilities	4,114,609	4,723,594	4,972,433
Other Liabilities	359,006	358,027	333,552
Total Liabilities	4,473,615	5,081,621	5,305,985
Net Investment in Capital Assets	867,839	745,501	643,072
Restricted	-	-	-
Unrestricted (Deficit)	(323,121)	(684,598)	(895,334)
Total Net Position	\$ 544,718	\$ 60,903	\$ (252,262)

The largest portion of RMU's net position **66%** 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 **14%** represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position **20%** may be used to meet the utilities' ongoing obligations to rate payers and creditors.

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2015, 2014, and 2013

FINANCIAL ANALYSIS OF RMU (cont.)

ELECTRIC OPERATIONS

Electric operations decreased the 2015 utility's net position by \$1,516,636. This decrease is primarily a result of the following items:

- Increase in purchased power costs
- Purchased 6 MW of peak shaving equipment and installed a 312 kW solar plant
- Operating revenues increased from \$31.8M to \$34.3M
- Additional operational expenditures for the FERC tariff PJM integration including depreciation related to the asset analysis

WATER/WATER RECLAMATION OPERATIONS

Water/Water Reclamation operations increased the 2015 utility's net position by \$1,205,496. This increase is primarily a result of the following items:

- Additional revenue from a temporary contract and a new industrial customer
- Rehabilitated two wells and extended service to the Airport
- Capital improvements to the wastewater treatment plant turbo blower and dewatering equipment

COMMUNICATION OPERATIONS

Communication operations decreased the 2015 utility's net position by \$134,982. This utility continues to work on the following:

- System expansion
- Marketing to fiber and VOIP customers

TECHNOLOGY CENTER

Technology Center operations increased the 2015 utility's net position by \$483,815. This increase is primarily a result of the following item:

- Addition of colocation customer
- Lease renewals

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2015, 2014, and 2013

FINANCIAL ANALYSIS OF RMU (cont.)

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

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

	Electric Utility		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 34,308,558	\$ 31,806,738	\$ 28,728,543
Non-operating revenues	<u>18,980</u>	<u>18,596</u>	<u>19,507</u>
Total Revenues	<u>34,327,538</u>	<u>31,825,334</u>	<u>28,748,050</u>
Depreciation expense	2,318,974	2,231,582	2,164,888
Other operating expenses	32,022,344	28,175,220	24,607,324
Non-operating expenses	<u>449,323</u>	<u>494,040</u>	<u>517,795</u>
Total Expenses	<u>34,790,641</u>	<u>30,900,842</u>	<u>27,290,007</u>
Income Before Capital Contributions and Transfers	(463,103)	924,492	1,458,043
Capital contributions	508,504	909,643	-
Transfers	<u>(1,562,037)</u>	<u>(1,497,578)</u>	<u>(1,371,520)</u>
Changes in Net Position	(1,516,636)	336,557	86,523

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2015, 2014, and 2013

FINANCIAL ANALYSIS OF RMU (cont.)

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

Water and Water Reclamation Utility

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 5,651,848	\$ 5,038,543	\$ 4,912,443
Non-operating revenues	<u>10,342</u>	<u>13,466</u>	<u>13,193</u>
Total Revenues	<u>5,662,190</u>	<u>5,052,009</u>	<u>4,925,636</u>
Depreciation expense	1,453,445	1,409,019	1,350,329
Other operating expenses	2,753,491	2,694,448	2,524,040
Non-operating expenses	<u>28,699</u>	<u>94,915</u>	<u>114,986</u>
Total Expenses	<u>4,235,635</u>	<u>4,198,382</u>	<u>3,989,355</u>
Income Before Capital Contributions and Transfers	1,426,555	853,627	936,281
Capital contributions	-	672,024	802,496
Transfers	<u>(221,059)</u>	<u>(211,981)</u>	<u>(214,122)</u>
Changes in Net Position	1,205,496	1,313,670	1,524,655

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2015, 2014, and 2013

FINANCIAL ANALYSIS OF RMU (cont.)

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

Communications Utility

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 680,050	\$ 831,694	\$ 962,487
Non-operating revenues	<u>-</u>	<u>7</u>	<u>-</u>
Total Revenues	<u>680,050</u>	<u>831,701</u>	<u>962,487</u>
Depreciation expense	73,343	70,610	192,811
Other operating expenses	740,692	762,255	909,866
Non-operating expenses	<u>997</u>	<u>1,163</u>	<u>1,329</u>
Total Expenses	<u>815,032</u>	<u>834,028</u>	<u>1,104,006</u>
Changes in Net Position	(134,982)	(2,327)	(141,519)

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
April 30, 2015, 2014, and 2013

FINANCIAL ANALYSIS OF RMU (cont.)

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

Technology Center Utility

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 1,359,234	\$ 1,127,944	\$ 626,084
Non-operating revenues	<u>172</u>	<u>344</u>	<u>382</u>
Total Revenues	<u>1,359,406</u>	<u>1,128,288</u>	<u>626,466</u>
Depreciation expense	143,151	143,380	143,380
Other operating expenses	561,436	475,693	234,124
Non-operating expenses	<u>171,004</u>	<u>196,050</u>	<u>187,202</u>
Total Expenses	<u>875,591</u>	<u>815,123</u>	<u>564,706</u>
Changes in Net Position	483,815	313,165	61,760

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2015, 2014, and 2013

RMU BUDGETARY HIGHLIGHTS

The final Electric Fund revenue budget, including other non-operating income, totaled \$39,472,582. Actual revenues, including non-operating income were \$34,327,538. Total budgeted expenses were \$38,579,361. The Electric Fund's actual expenses totaled \$34,790,641 including non-operating expenses. This provided income before contributions and transfers of \$(463,103).

The final Water/Water Reclamation Fund revenue budget totaled \$5,689,000 with actual revenues of \$5,662,190. The Water/Water Reclamation Fund's budgeted expenses were \$7,547,128, while actual expenses totaled \$4,235,635. This provided income before contributions and transfers of \$1,426,555.

The final Communications Fund expenditure budget totaled \$861,211. The total for revenues budgeted, including other non-operating income, was \$876,350. The Communications Fund's actual expenses totaled \$815,032, while actual income totaled \$680,050. This provided income before contributions and transfers of \$(134,982).

The final Technology Center Fund expenditure budget totaled \$1,177,575 while the revenue budget was \$1,279,659. The actual expenses totaled \$875,591 while total revenues were \$1,359,406. This provided income before contributions of \$483,815.

LONG-TERM DEBT

At April 30, 2015, the Electric fund had \$16,370,000 of long-term bonds outstanding. According to the ordinances authorizing the issuance of the Series 2005, 2008, 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 \$2,286,214 and the fiscal year 2015 revenue bond debt service amounted to \$1,061,835 resulting in a debt service coverage ratio of 2.15.

The repayment of bonds and loans are covered from 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

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS April 30, 2015, 2014, and 2013

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.

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%.

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

All currently known facts and economic conditions were considered in preparing the 2016 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 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

April 30, 2015

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
CAPITAL ASSETS					
Depreciable - Plant in Service	\$ 74,222,626	\$ 56,677,856	\$ 3,629,245	\$ 5,240,600	\$ 139,770,327
Accumulated Depreciation	(39,692,678)	(27,071,954)	(2,784,368)	(977,214)	(70,526,214)
Nondepreciable	2,146,948	3,688,065	-	519,453	6,354,466
Net Capital Assets	36,676,896	33,293,967	844,877	4,782,839	75,598,579
CURRENT ASSETS					
Cash and Investments	6,954,460	4,848,344	-	206,070	12,008,874
Receivables					
Accounts	4,452,291	732,345	3,385	29,424	5,217,445
Accrued Interest	-	847	-	-	847
Other	751,259	1,013	-	-	752,272
Prepaid Expenses	322,031	42,167	10,747	-	374,945
Inventory	2,265,841	3,480	-	-	2,269,321
Deposits	368,658	-	-	-	368,658
Restricted Assets					
Cash and Investments	10,070,431	6,000	-	-	10,076,431
Cash Held at Paying Agent	834,211	19,532	-	-	853,743
Total Current Assets	26,019,182	5,653,728	14,132	235,494	31,922,536
NONCURRENT ASSETS					
Advances to Other Funds	1,070,568	-	-	-	1,070,568
Special Assessments	-	313,708	-	-	313,708
Total Noncurrent Assets	1,070,568	313,708	-	-	1,384,276
Total Assets	63,766,646	39,261,403	859,009	5,018,333	108,905,391
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized Loss on Refunding	256,325	-	-	-	256,325
Total Deferred Outflows of Resources	256,325	-	-	-	256,325
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 64,022,971	\$ 39,261,403	\$ 859,009	\$ 5,018,333	\$ 109,161,716

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)

April 30, 2015

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
NET POSITION					
Net Investment in Capital Assets	\$ 19,367,724	\$ 32,289,493	\$ 844,877	\$ 867,839	\$ 53,369,933
Restricted for Debt Service	10,904,642	25,532	-	-	10,930,174
Unrestricted (Deficit)	12,476,796	5,228,268	(984,954)	(323,121)	16,396,989
 Total Net Position (Deficit)	 42,749,162	 37,543,293	 (140,077)	 544,718	 80,697,096
LONG-TERM LIABILITIES					
General Obligation Bonds Payable	-	-	-	3,705,000	3,705,000
Revenue Bonds Payable	16,950,497	-	-	-	16,950,497
IEPA Loans Payable	-	745,775	-	-	745,775
Net Pension Obligation	99,270	39,936	12,358	5,271	156,835
Advance from Other Funds	-	-	965,067	404,338	1,369,405
 Total Long-Term Liabilities	 17,049,767	 785,711	 977,425	 4,114,609	 22,927,512
CURRENT LIABILITIES					
Accounts Payable	2,638,167	526,377	2,843	1,107	3,168,494
Customer Advances	463,396	-	-	-	463,396
Accrued Payroll	37,312	14,822	2,979	2,795	57,908
Accrued Interest Payable	219,211	17,804	-	139,309	376,324
Other Payables	136,549	67,840	2,738	-	207,127
General Obligation Debt Payable	-	-	-	210,000	210,000
Revenue Bonds Payable	615,000	-	-	-	615,000
IEPA Loans Payable	-	258,699	-	-	258,699
Compensated Absences Payable	114,407	46,857	13,101	5,795	180,160
 Total Current Liabilities	 4,224,042	 932,399	 21,661	 359,006	 5,537,108
 Total Liabilities	 21,273,809	 1,718,110	 999,086	 4,473,615	 28,464,620
 TOTAL NET POSITION AND LIABILITIES	 \$ 64,022,971	 \$ 39,261,403	 \$ 859,009	 \$ 5,018,333	 \$ 109,161,716

See accompanying notes to financial statements.

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended April 30, 2015

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
OPERATING REVENUES					
Charges for Services	\$ 33,991,034	\$ 5,640,151	\$ 680,050	\$ 1,359,234	\$ 41,670,469
Miscellaneous	317,524	11,697	-	-	329,221
Total Operating Revenues	34,308,558	5,651,848	680,050	1,359,234	41,999,690
OPERATING EXPENSES					
Operations	32,022,344	2,753,491	740,692	561,436	36,077,963
Depreciation and Amortization	2,318,974	1,453,445	73,343	143,151	3,988,913
Total Operating Expenses	34,341,318	4,206,936	814,035	704,587	40,066,876
OPERATING INCOME (LOSS)	(32,760)	1,444,912	(133,985)	654,647	1,932,814
NON-OPERATING REVENUES (EXPENSES)					
Investment Income	18,980	10,342	-	172	29,494
Interest Expense	(449,323)	(28,699)	(997)	(171,004)	(650,023)
Total Non-Operating Revenues (Expenses)	(430,343)	(18,357)	(997)	(170,832)	(620,529)
NET INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(463,103)	1,426,555	(134,982)	483,815	1,312,285
TRANSFERS					
Transfers to the City	(1,562,037)	(221,059)	-	-	(1,783,096)
Total Transfers	(1,562,037)	(221,059)	-	-	(1,783,096)
CONTRIBUTIONS					
	508,504	-	-	-	508,504
CHANGE IN NET POSITION	(1,516,636)	1,205,496	(134,982)	483,815	37,693
NET POSITION (DEFICIT), MAY 1	44,265,798	36,337,797	(5,095)	60,903	80,659,403
NET POSITION (DEFICIT), APRIL 30	\$ 42,749,162	\$ 37,543,293	\$ (140,077)	\$ 544,718	\$ 80,697,096

See accompanying notes to financial statements.

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS

For the Year Ended April 30, 2015

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 33,403,079	\$ 5,676,245	\$ 241,364	\$ 1,067,805	\$ 40,388,493
Receipts from Interfund Service Transactions	-	-	459,716	131,679	591,395
Receipts from Other Sources	-	-	-	137,809	137,809
Payments to Suppliers	(29,682,521)	(814,953)	(259,888)	(167,579)	(30,924,941)
Payments to Employees	(1,323,359)	(1,190,091)	(321,672)	(169,175)	(3,004,297)
Payments to Other Funds	(629,433)	(921,102)	(164,729)	(226,477)	(1,941,741)
Net Cash from Operating Activities	1,767,766	2,750,099	(45,209)	774,062	5,246,718
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipts of Loans from Other Funds	-	-	(524,210)	-	(524,210)
Repayments from Loans to Other Funds	466,808	-	-	-	466,808
Repayment of Loans from Other Funds	-	-	632,530	(399,095)	233,435
Interest Paid on Interfund Loans	-	-	(997)	(2,410)	(3,407)
Transfers to the City	(1,562,038)	(221,059)	-	-	(1,783,097)
Net Cash from Noncapital Financing Activities	(1,095,230)	(221,059)	107,323	(401,505)	(1,610,471)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Assets Purchased	(5,514,310)	(2,233,998)	(62,114)	(65,489)	(7,875,911)
Issuance of Long-Term Debt	6,578,751	-	-	-	6,578,751
Principal Payments on Long-Term Debt	(590,000)	(251,460)	-	(200,000)	(1,041,460)
Interest Payments on Long-Term Debt	(494,502)	(32,901)	-	(175,710)	(703,113)
Grant Receipts	508,504	491,074	-	-	999,578
Net Cash from Capital and Related Financing Activities	488,443	(2,027,285)	(62,114)	(441,199)	(2,042,155)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received on Investments	16,880	10,593	-	172	27,645
Net Cash from Investing Activities	16,880	10,593	-	172	27,645
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,177,859	512,348	-	(68,470)	1,621,737
CASH AND CASH EQUIVALENTS, MAY 1	15,847,032	4,341,996	-	274,540	20,463,568
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 17,024,891	\$ 4,854,344	\$ -	\$ 206,070	\$ 22,085,305

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS (Continued)

For the Year Ended April 30, 2015

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
RECONCILIATION OF OPERATING INCOME					
(LOSS) TO NET CASH FLOWS FROM					
OPERATING ACTIVITIES					
Operating Income (Loss)	\$ (32,760)	\$ 1,444,912	\$ (133,985)	\$ 654,647	\$ 1,932,814
Adjustments to Reconcile Operating Income					
(Loss) to Net Cash from Operating Activities					
Depreciation and Amortization	2,318,974	1,453,445	73,343	143,151	3,988,913
Changes in Assets and Liabilities					
Accounts Receivable	(335,793)	(30,290)	6,330	(21,941)	(381,694)
Other Receivables	(550,920)	7,725	14,700	-	(528,495)
Prepaid Expenses	(92,825)	1,222	(3,663)	-	(95,266)
Inventory	50,504	350	-	-	50,854
Deposits	-	29,395	-	-	29,395
Accounts Payable	416,693	(184,910)	(7,317)	(4,548)	219,918
Customer Advances	(18,767)	-	-	-	(18,767)
Accrued Payroll	17,087	7,960	1,200	1,179	27,426
Other Payables	(4,733)	17,567	-	-	12,834
Compensated Absences	(1,773)	1,886	3,925	1,464	5,502
Net Pension Obligation	2,079	837	258	110	3,284
NET CASH FROM OPERATING ACTIVITIES	\$ 1,767,766	\$ 2,750,099	\$ (45,209)	\$ 774,062	\$ 5,246,718
CASH AND INVESTMENTS					
Cash and Cash Investments	\$ 6,954,460	\$ 4,848,344	\$ -	\$ 206,070	\$ 12,008,874
Restricted Assets					
Cash and Investments	10,070,431	6,000	-	-	10,076,431
TOTAL CASH AND INVESTMENTS	\$ 17,024,891	\$ 4,854,344	\$ -	\$ 206,070	\$ 22,085,305
NONCASH TRANSACTIONS					
Transfers of Capital Assets	\$ 2,804,227	\$ -	\$ -	\$ -	\$ 2,804,227
Issuance of Refunding Bonds	9,110,000	-	-	-	9,110,000
Premium on Refunding Bonds	613,226	-	-	-	613,226
Payment to Escrow Agent	(9,636,549)	-	-	-	(9,636,549)
TOTAL NONCASH TRANSACTIONS	\$ 2,890,904	\$ -	\$ -	\$ -	\$ (9,636,549)

See accompanying notes to financial statements.

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

April 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

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

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

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

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

D. Cash and Investments

Cash and Cash Equivalents

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments (Continued)

Investments

Investments with a maturity less than one year when purchased are stated at cost or amortized cost. Investments with a maturity of one year or greater when purchased are reported at fair value. Fair value has been based on quoted market prices at April 30, 2015, for debt and equity securities and contract values for mutual funds.

E. Materials and Supplies Inventory

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

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

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

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

F. Restricted Assets

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

G. Prepaid Items/Expenses

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

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

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	25-40
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 generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

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

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

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

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

2. CASH AND INVESTMENTS (Continued)

Deposits with Financial Institutions

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

Investments

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 United States Government (Treasury obligations) or securities issued by agencies of the United States Government that are explicitly guaranteed by the United States Government (GNMAs and Federal Home Loan Bank). However, the investment policy is generally silent regarding credit risk.

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

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

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

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

3. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2015 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
ELECTRIC				
Capital Assets not Being Depreciated				
Land	\$ 697,664	\$ -	\$ -	\$ 697,664
Construction in Progress	-	5,651,118	4,201,834	1,449,284
Total Capital Assets not Being Depreciated	697,664	5,651,118	4,201,834	2,146,948
Capital Assets Being Depreciated				
Generation	8,559,757	3,789,953	-	12,349,710
Transmission	10,409,204	2,778,812	-	13,188,016
Distribution	49,989,271	300,488	5,247,638	45,042,121
General	3,642,779	-	-	3,642,779
Total Capital Assets Being Depreciated	72,601,011	6,869,253	5,247,638	74,222,626
Less Accumulated Depreciation for				
Generation	6,695,107	127,504	446,091	6,376,520
Transmission	7,462,485	413,720	210,219	7,665,986
Distribution	24,867,281	1,705,164	1,788,119	24,784,326
General	793,260	72,586	-	865,846
Total Accumulated Depreciation	39,818,133	2,318,974	2,444,429	39,692,678
Total Capital Assets Being Depreciated, Net	32,782,878	4,550,279	2,803,209	34,529,948
TOTAL ELECTRIC CAPITAL ASSETS, NET	\$ 33,480,542	\$ 10,201,397	\$ 7,005,043	\$ 36,676,896
WATER AND WATER RECLAMATION				
Capital Assets not Being Depreciated				
Land	\$ 262,358	\$ -	\$ -	\$ 262,358
Construction in Progress	1,115,240	2,548,729	238,262	3,425,707
Total Capital Assets not Being Depreciated	1,377,598	2,548,729	238,262	3,688,065
Capital Assets Being Depreciated				
Infrastructure	46,088,357	309,605	-	46,397,962
Equipment	10,253,963	25,931	-	10,279,894
Total Capital Assets Being Depreciated	56,342,320	335,536	-	56,677,856
Less Accumulated Depreciation for				
Infrastructure	19,895,181	1,189,366	-	21,084,547
Equipment	5,723,328	264,079	-	5,897,407
Total Accumulated Depreciation	25,618,509	1,453,445	-	27,071,954
Total Capital Assets Being Depreciated, Net	30,723,811	(1,117,909)	-	29,605,902
TOTAL WATER AND WATER RECLAMATION CAPITAL ASSETS, NET	\$ 32,101,409	\$ 1,430,820	\$ 238,262	\$ 33,293,967

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	3,567,131	62,114	-	3,629,245
Total Capital Assets Being Depreciated	3,567,131	62,114	-	3,629,245
Less Accumulated Depreciation for				
General	2,711,025	73,343	-	2,784,368
Total Accumulated Depreciation	2,711,025	73,343	-	2,784,368
Total Capital Assets Being Depreciated, Net	856,106	(11,229)	-	844,877
TOTAL COMMUNICATION CAPITAL ASSETS, NET	\$ 856,106	\$ (11,229)	\$ -	\$ 844,877
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	4,999	-	4,254,816
General	925,294	60,490	-	985,784
Total Capital Assets Being Depreciated	5,175,111	65,489	-	5,240,600
Less Accumulated Depreciation for				
Building	628,843	100,583	-	729,426
General	205,220	42,568	-	247,788
Total Accumulated Depreciation	834,063	143,151	-	977,214
Total Capital Assets Being Depreciated, Net	4,341,048	(77,662)	-	4,263,386
TOTAL TECHNOLOGY CENTER CAPITAL ASSETS, NET	\$ 4,860,501	\$ (77,662)	\$ -	\$ 4,782,839

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

4. LONG-TERM DEBT

	Balances May 1	Additions	Reductions	Balances April 30	Current Portion
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds					
2005 Electric System Bonds	\$ 9,435,000	\$ -	\$ 9,435,000	\$ -	\$ -
2008 Refunding Bonds	1,850,000	-	590,000	1,260,000	615,000
2008 Refunding Bonds	665,000	-	665,000	-	-
2014 Electric System Bonds	-	6,000,000	-	6,000,000	-
2015 Electric System Bonds	-	9,110,000	-	9,110,000	-
Total Revenue Bonds	11,950,000	15,110,000	10,690,000	16,370,000	615,000
General Obligation Debt Certificates	4,115,000	-	200,000	3,915,000	210,000
IEPA Revolving Loans	1,255,964	-	251,490	1,004,474	258,699
Unamortized Discount	(37,353)	-	(37,353)	-	-
Unamortized Premium	25,041	1,191,977	21,521	1,195,497	-
Compensated Absences	174,658	180,160	174,658	180,160	180,160
Net Pension Obligation	153,551	3,284	-	156,835	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 17,636,861	\$ 16,485,421	\$ 11,300,316	\$ 22,821,966	\$ 1,263,859

Bonds payable at April 30, 2015 are comprised of the following, excluding the refunded bonds that are defeased in-substance.

General Obligation Debt

	Total	Current Portion
\$5,000,000 2008 Limited Tax Debt Certificates, due in annual installments of \$165,000 to \$350,000 from June 30, 2009 to June 30, 2028, interest at 4.27%, retired by the Technology Center Fund.	\$ 3,915,000	\$ 210,000
TOTAL	\$ 3,915,000	\$ 210,000

Revenue and Alternate Revenue Source Bonds

\$5,755,000 Series 2008 Electric System Revenue Refunding Revenue Bonds, due in annual installments of \$565,000 to \$665,000, through May 1, 2016, interest from 3.5% to 4.5%.	\$ 1,260,000	\$ 615,000
\$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%.	6,000,000	-

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

4. LONG-TERM DEBT (Continued)

Revenue and Alternate Revenue Source Bonds (Continued)

	Total	Current Portion
\$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%.	\$ 9,110,000	\$ -
TOTAL ELECTRIC SYSTEM REVENUE BONDS	\$ 16,370,000	\$ 615,000

Illinois EPA Loans

\$3,191,177 Illinois EPA low interest loan related to the Northwest Interceptor Sewer project, due in semiannual installments of \$122,605, through August 2017, interest at 2.89%.	\$ 587,319	\$ 229,885
\$600,000 Illinois EPA low interest loan related to the Askvig Subdivision project, due in semiannual installments of \$19,532, through May 2027, interest at 2.5%.	417,155	28,814
TOTAL WATER AND WATER RECLAMATION IEPA LOANS	\$ 1,004,474	\$ 258,699

Debt Service to Maturity

The annual requirements to amortize all debt outstanding (except compensated absences) as of April 30, 2015, are as follows:

Year Ending April 30,	G.O. Debt Certificates		Revenue Bonds		Illinois EPA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 210,000	\$ 167,171	\$ 615,000	\$ 546,294	\$ 258,699	\$ 25,214
2017	220,000	158,204	645,000	639,652	266,119	17,797
2018	230,000	148,810	600,000	616,615	151,140	10,169
2019	240,000	138,989	615,000	598,865	31,045	7,659
2020	250,000	138,087	630,000	580,190	31,825	6,879
2021-2025	1,410,000	509,296	3,515,000	2,523,700	171,544	21,976
2026-2030	1,355,000	157,552	4,265,000	1,753,595	94,102	2,838
2031-2035	-	-	5,485,000	711,975	-	-
TOTAL	\$ 3,915,000	\$ 1,418,109	\$ 16,370,000	\$ 7,970,886	\$ 1,004,474	\$ 92,532

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

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

4. LONG-TERM DEBT (Continued)

Revenue Source Bonds

The City issued the Series 2008 Refunding Water and Water Reclamation Alternate Revenue Source Bonds to provide funds for water and water reclamation capital improvements. These bonds are payable from a pledge of the City’s water and water reclamation revenues and are being repaid by the Water and Water Reclamation Fund. The bonds are payable solely from water and water reclamation revenues and the final payment on the bonds was made on May 1, 2014. Principal and interest paid for the current year was \$677,469 or 23.37% of total customer net revenues of \$2,898,357.

The City issued the Series 2005 Electric Revenue Alternate Revenue Source Bonds, 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 April 30, 2015 is \$24,340,886. Principal and interest paid for the current year was \$1,061,835 or 46.45% of total customer net revenues of \$2,286,214.

Current Refunding

Electric

On March 4, 2015, the City issued \$9,110,000 Electric System Revenue Refunding Bonds, Series 2015, to refund the Electric System Revenue Bonds, Series 2005. As a result of the refunding, the City achieved cash flow savings of \$722,443 and an economic gain of \$681,002.

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

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

5. REVENUE BONDS (Continued)

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

The City has complied with all significant limitations, restrictions and bond covenants during the year ended April 30, 2015. The restricted assets and restricted net position for purposes other than bond proceeds and the expenses of operating, maintaining and repairing the system, is as follows:

RESTRICTED BOND ORDINANCE ACCOUNTS	
Bond and Interest Account	\$ 1,785,318
Bond Reserve Account	1,283,932
Depreciation, Improvement and Extension Account	<u>7,001,181</u>
TOTAL	<u><u>\$ 10,070,431</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 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 purchases commercial health insurance and is not aware of any additional amounts owed as of April 30, 2015 for the current or prior claim years. 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.

C. Northern Illinois Municipal Power Agency

On May 24, 2004, the City entered into a contract with the Cities of Batavia, Geneva and Geneseo to form a municipal power agency called Northern Illinois Municipal Power Agency (NIMPA). NIMPA declared its intent to acquire from Prairie State Generating Company, LLC an undivided ownership interest as a tenant-in-common in an approximately 1,620 mega-watt "mine mouth" coal fired power generating facility located in Washington County, Illinois, along with certain coal reserves, other related tangible and intangible property and related costs. This ownership interest is referred to as the Prairie State Project.

On November 4, 2004, the City entered into the Peabody Prairie State Project Committee Agreement along with other NIMPA members for the purpose of allocating the preliminary costs of developing and negotiating the documents and agreements necessary to enable NIMPA to acquire ownership interest in the Prairie State Project. On January 24, 2005, the City agreed to enter into additional agreements with the other NIMPA members in order to participate in the Prairie State Project.

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

8. CONTRACTS, COMMITMENTS AND CONTINGENCIES (Continued)

C. Northern Illinois Municipal Power Agency (Continued)

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

NIMPA's outstanding debt service obligation is to be paid by its members through their wholesale power charges through the remainder of the long-term contract, which is \$502 million as of January 1, 2015 (most recent information available).

9. INTERFUND ACCOUNTS

A. Advances From/To

Advances from/to other RMU funds at April 30, 2015 consisted of the following:

	Advance To	Advance From
Electric	\$ 1,070,568	\$ -
Communications	-	965,068
Technology Center	-	404,338
City - General Fund	687,505	-
City - Landfill Fund	-	388,667
TOTAL	\$ 1,758,073	\$ 1,758,073

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

- \$681,901 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.
- \$388,667 advanced from the Electric Fund to the City - Landfill Fund is for funding of the purchase of a share of a golf course. Repayment is not expected within one year.
- \$687,505 advanced from the City - General Fund to the Communications Fund to cover cash deficits. Repayment is not expected within one year.

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

9. INTERFUND ACCOUNTS (Continued)

B. Interfund Transfers

Interfund transfers during the year ended April 30, 2015 consisted of the following:

	Transfer In	Transfer Out
City - General Fund	\$ 1,783,096	\$ -
Electric Utility	-	1,562,037
Water and Water Reclamation	-	221,059
TOTAL	\$ 1,783,096	\$ 1,783,096

The purposes of significant interfund transfers are as follows:

- \$1,783,096 transferred to the City - General Fund was made up of \$1,562,037 from the Electric Fund and \$221,059 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 POSITION
ELECTRIC FUND

April 30, 2015
(with comparative totals)

	2015	2014
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 74,222,626	\$ 72,601,011
Accumulated Depreciation	(39,692,678)	(39,818,133)
Nondepreciable	2,146,948	697,664
Net Capital Assets	36,676,896	33,480,542
CURRENT ASSETS		
Cash and Investments	6,954,460	7,721,113
Receivables		
Accounts	4,452,291	4,116,498
Other	751,259	200,339
Prepaid Expenses	322,031	229,206
Inventory	2,265,841	2,316,345
Deposits	368,658	368,658
Due from Other Funds	-	12,739
Restricted Assets		
Cash and Investments	10,070,431	8,125,919
Cash Held at Paying Agent	834,211	630,638
Total Current Assets	26,019,182	23,721,455
NONCURRENT ASSETS		
Advance to Other Funds	1,070,568	1,524,637
Total Noncurrent Assets	1,070,568	1,524,637
Total Assets	63,766,646	58,726,634
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Loss on Refunding	256,325	39,148
Total Deferred Outflows of Resources	256,325	39,148
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 64,022,971	\$ 58,765,782

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)
ELECTRIC FUND

April 30, 2015
(with comparative totals)

	2015	2014
NET POSITION		
Net Investment in Capital Assets	\$ 19,367,724	\$ 22,247,002
Restricted for Debt Service	10,904,642	8,756,557
Unrestricted	12,476,796	13,262,239
Total Net Position	42,749,162	44,265,798
LONG-TERM LIABILITIES		
Revenue Bonds Payable	16,950,497	10,682,688
Net Pension Obligation	99,270	97,191
Total Long-Term Liabilities	17,049,767	10,779,879
CURRENT LIABILITIES		
Accounts Payable	2,638,167	2,128,069
Customer Advances	463,396	482,163
Accrued Payroll	37,312	20,225
Accrued Interest Payable	219,211	242,186
Other Payables	136,549	141,282
Revenue Bonds Payable	615,000	590,000
Compensated Absences Payable	114,407	116,180
Total Current Liabilities	4,224,042	3,720,105
Total Liabilities	21,273,809	14,499,984
TOTAL NET POSITION AND LIABILITIES	\$ 64,022,971	\$ 58,765,782

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended April 30, 2015
(with comparative totals)

	2015	2014
OPERATING REVENUES		
Charges for Services		
Residential	\$ 6,198,726	\$ 6,161,251
Commercial	5,839,330	5,669,166
Industrial	20,908,758	19,067,930
Public Street Lighting	159,355	158,820
Interdepartmental	522,928	485,965
Other Operating Revenue	361,937	184,376
Miscellaneous	317,524	79,230
	34,308,558	31,806,738
OPERATING EXPENSES		
Operations		
Purchased Power	25,480,767	22,413,478
Generation	1,374,105	1,579,690
Transmission and Distribution	2,894,764	2,637,447
Customer Accounts	486,266	318,424
Administration and General	1,786,442	1,226,181
Depreciation	2,318,974	2,231,582
	34,341,318	30,406,802
OPERATING INCOME (LOSS)	(32,760)	1,399,936
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	18,980	18,596
Interest Expense	(449,323)	(494,040)
	(430,343)	(475,444)
NET INCOME (LOSS) BEFORE TRANSFERS, CAPITAL GRANTS AND CONTRIBUTIONS	(463,103)	924,492
TRANSFERS		
Transfers to the City	(1,562,037)	(1,497,578)
	(1,562,037)	(1,497,578)
CAPITAL GRANTS AND CONTRIBUTIONS	508,504	909,643
CHANGE IN NET POSITION	(1,516,636)	336,557
NET POSITION, MAY 1	44,265,798	43,929,241
NET POSITION, APRIL 30	\$ 42,749,162	\$ 44,265,798

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS
ELECTRIC FUND

For the Year Ended April 30, 2015
(with comparative totals)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 33,403,079	\$ 31,823,026
Payments to Suppliers	(29,682,521)	(27,224,035)
Payments to Employees	(1,323,359)	(1,316,824)
Payments to Other Funds	(629,433)	(685,429)
	1,767,766	2,596,738
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment from Loans to Other Funds	466,808	2,779,126
Transfers to the City	(1,562,038)	(1,497,578)
	(1,095,230)	1,281,548
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(5,514,310)	(3,075,678)
Issuance of Long-Term Debt	6,578,751	-
Principal Payments on Long-Term Debt	(590,000)	(570,000)
Interest Payments on Long-Term Debt	(494,502)	(504,638)
Grant Receipts	508,504	909,643
	488,443	(3,240,673)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	16,880	18,596
	16,880	18,596
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,177,859	656,209
CASH AND CASH EQUIVALENTS, MAY 1	15,847,032	15,190,823
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 17,024,891	\$ 15,847,032

(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, 2015
(with comparative totals)

	2015	2014
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (32,760)	\$ 1,399,936
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities		
Depreciation and Amortization	2,318,974	2,231,582
Changes in Assets and Liabilities		
Accounts Receivable	(335,793)	(513,017)
Other Receivables	(550,920)	33,545
Prepaid Expenses	(92,825)	(75,278)
Inventory	50,504	(616,429)
Deposits	-	502,382
Accounts Payable	416,693	(375,909)
Customer Advances	(18,767)	(6,622)
Accrued Payroll	17,087	7,655
Other Payables	(4,733)	1,631
Compensated Absences	(1,773)	5,226
Net Pension Obligation	2,079	2,036
NET CASH FROM OPERATING ACTIVITIES	\$ 1,767,766	\$ 2,596,738
CASH AND INVESTMENTS		
Cash and Investments	\$ 6,954,460	\$ 7,721,113
Restricted Assets		
Cash and Investments	10,070,431	8,125,919
TOTAL CASH AND INVESTMENTS	\$ 17,024,891	\$ 15,847,032

(See independent auditor's report.)

WATER AND WATER RECLAMATION FUND

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

April 30, 2015
(with comparative totals)

	2015	2014
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 56,677,856	\$ 56,342,320
Accumulated Depreciation	(27,071,954)	(25,618,509)
Nondepreciable	3,688,065	1,377,598
	33,293,967	32,101,409
CURRENT ASSETS		
Cash and Investments	4,848,344	922,045
Receivables		
Accounts	732,345	702,071
Accrued Interest	847	1,098
Other	1,013	8,738
Prepaid Expenses	42,167	43,389
Inventory	3,480	3,830
Due from Other Governments	-	491,074
Restricted Assets		
Cash and Investments	6,000	3,419,951
Cash Held at Paying Agent	19,532	697,001
	5,653,728	6,289,197
NONCURRENT ASSETS		
Special Assessments	313,708	343,103
	313,708	343,103
TOTAL ASSETS		
	39,261,403	38,733,709
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Loss on Refunding	-	-
	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
	\$ 39,261,403	\$ 38,733,709

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

April 30, 2015
(with comparative totals)

	2015	2014
NET POSITION		
Net Investment in Capital Assets	\$ 32,289,493	\$ 30,180,445
Restricted for Debt Service	25,532	4,116,952
Unrestricted	5,228,268	2,040,400
	37,543,293	36,337,797
LONG-TERM LIABILITIES		
IEPA Loans Payable	745,775	1,004,474
Net Pension Obligation	39,936	39,099
	785,711	1,043,573
CURRENT LIABILITIES		
Accounts Payable	526,377	299,300
Accrued Payroll	14,822	6,862
Accrued Interest Payable	17,804	34,443
Deposits Payable	67,840	50,273
Revenue Bonds Payable	-	665,000
IEPA Loans Payable	258,699	251,490
Compensated Absences Payable	46,857	44,971
	932,399	1,352,339
Total Liabilities	1,718,110	2,395,912
TOTAL NET POSITION AND LIABILITIES	\$ 39,261,403	\$ 38,733,709

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended April 30, 2015
(with comparative totals)

	2015	2014
OPERATING REVENUES		
Water		
Charges for Services		
Residential	\$ 853,569	\$ 785,406
Commercial	612,251	606,178
Industrial	804,779	666,011
Interdepartmental	-	-
Rental	52,065	50,147
Other Operating Revenue	45,009	20,749
Miscellaneous	1,552	6,078
	2,369,225	2,134,569
Water Reclamation		
Charges for Services		
Residential	1,021,329	987,550
Commercial	976,817	1,100,831
Industrial	975,467	776,814
Interdepartmental	-	-
Other Operating Revenue	298,867	27,187
Miscellaneous	10,143	11,592
	3,282,623	2,903,974
	5,651,848	5,038,543
OPERATING EXPENSES		
Operations		
Water Source of Supply	286,817	261,362
Water Treatment	169,432	167,195
Transmission, Distribution and Collection	468,998	540,278
Water Reclamation Operations	1,235,223	1,134,778
Administration and General	531,328	540,541
Taxes	61,693	50,294
Depreciation	1,453,445	1,409,019
	4,206,936	4,103,467
OPERATING INCOME	1,444,912	935,076

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended April 30, 2015
(with comparative totals)

	2015	2014
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	\$ 10,342	\$ 13,466
Interest Expense	(28,699)	(94,915)
	(18,357)	(81,449)
NET INCOME BEFORE TRANSFERS, CAPITAL GRANTS AND CONTRIBUTIONS	1,426,555	853,627
TRANSFERS		
Transfers (Out)	(221,059)	(211,981)
	(221,059)	(211,981)
CAPITAL GRANTS AND CONTRIBUTIONS	-	672,024
CHANGE IN NET POSITION	1,205,496	1,313,670
NET POSITION, MAY 1, AS ORIGINALLY STATED	36,337,797	34,822,349
Prior Period Adjustment	-	201,778
NET POSITION, MAY 1, RESTATED	36,337,797	35,024,127
NET POSITION, APRIL 30	\$ 37,543,293	\$ 36,337,797

(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, 2015
(with comparative totals)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 5,676,245	\$ 4,800,572
Payments to Suppliers	(814,953)	(1,017,607)
Payments to Employees	(1,190,091)	(1,201,002)
Payments to Other Funds	(921,102)	(797,225)
	2,750,099	1,784,738
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to the City	(221,059)	(211,981)
	(221,059)	(211,981)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(2,233,998)	(1,211,163)
Principal Payments on Long-Term Debt	(251,460)	(895,677)
Interest Payments on Long-Term Debt	(32,901)	(78,617)
Grant Receipts	491,074	201,778
	(2,027,285)	(1,983,679)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	10,593	13,457
	10,593	13,457
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	512,348	(397,465)
CASH AND CASH EQUIVALENTS, MAY 1	4,341,996	4,739,461
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 4,854,344	\$ 4,341,996

(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, 2015
(with comparative totals)

	2015	2014
RECONCILIATION OF OPERATING INCOME		
TO NET CASH FLOWS FROM		
OPERATING ACTIVITIES		
Operating Income	\$ 1,444,912	\$ 935,076
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	1,453,445	1,409,019
Changes in Assets and Liabilities		
Accounts Receivable	(30,290)	(21,844)
Other Receivables	7,725	(229,262)
Prepaid Expenses	1,222	(24,870)
Inventory	350	(350)
Deposits	29,395	-
Accounts Payable	(184,910)	(301,708)
Accrued Payroll	7,960	1,510
Other Payables	17,567	13,135
Compensated Absences	1,886	3,214
Net Pension Obligation	837	818
NET CASH FROM OPERATING ACTIVITIES	\$ 2,750,099	\$ 1,784,738
CASH AND INVESTMENTS		
Cash and Investments	\$ 4,848,344	\$ 922,045
Restricted Assets		
Cash and Investments	6,000	3,419,951
TOTAL CASH AND INVESTMENTS	\$ 4,854,344	\$ 4,341,996
NONCASH TRANSACTIONS		
Contributions	\$ -	\$ 656,732
TOTAL NONCASH TRANSACTIONS	\$ -	\$ 656,732

(See independent auditor's report.)

COMMUNICATIONS FUND

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF NET POSITION
COMMUNICATIONS FUND**

April 30, 2015
(with comparative totals)

	<u>2015</u>	<u>2014</u>
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 3,629,245	\$ 3,567,131
Accumulated Depreciation	(2,784,368)	(2,711,025)
	<hr/>	<hr/>
Net Capital Assets	844,877	856,106
	<hr/>	<hr/>
CURRENT ASSETS		
Receivables		
Accounts	3,385	9,715
Other	-	14,700
Prepaid Expenses	10,747	7,084
	<hr/>	<hr/>
Total Current Assets	14,132	31,499
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 859,009</u>	<u>\$ 887,605</u>

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET POSITION (Continued)
COMMUNICATIONS FUND

April 30, 2015
(with comparative totals)

	<u>2015</u>	<u>2014</u>
NET POSITION		
Net Investment in Capital Assets	\$ 844,877	\$ 856,106
Unrestricted (Deficit)	(984,954)	(861,201)
Total Net Position (Deficit)	<u>(140,077)</u>	<u>(5,095)</u>
LONG-TERM LIABILITIES		
Advance from Other Funds	965,067	332,537
Net Pension Obligation	12,358	12,100
Total Long-Term Liabilities	<u>977,425</u>	<u>344,637</u>
CURRENT LIABILITIES		
Accounts Payable	2,843	10,160
Accrued Payroll	2,979	1,779
Deposits Payable	2,738	2,738
Due to Other Funds	-	524,210
Compensated Absences Payable	13,101	9,176
Total Current Liabilities	<u>21,661</u>	<u>548,063</u>
Total Liabilities	<u>999,086</u>	<u>892,700</u>
TOTAL NET POSITION AND LIABILITIES	<u>\$ 859,009</u>	<u>\$ 887,605</u>

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended April 30, 2015
(with comparative totals)

	2015	2014
OPERATING REVENUES		
Charges for Services		
Dial-Up Internet Access	\$ 12,432	\$ 16,226
Activation Fee	-	1,000
Wireless Internet Access	26,400	36,020
Network Internet Access	20,396	20,396
Fiber Internet Access	99,034	110,079
Wi-Fi	-	8,679
Web Site Host	8,361	9,500
Data Services	5,748	5,748
VOIP Services	43,968	51,741
Network Administration Fees	459,716	540,442
Mailboxes	2,207	2,067
Revenues from Merchandising	-	4,714
Other Operating Revenues	1,788	25,082
	680,050	831,694
OPERATING EXPENSES		
Operations		
Personnel	230,628	266,412
Insurance Benefits	51,529	77,697
Pension Benefits	44,898	53,968
Contractual Services	406,027	351,863
Commodities	7,610	12,315
Depreciation and Amortization	73,343	70,610
	814,035	832,865
OPERATING INCOME (LOSS)	(133,985)	(1,171)

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended April 30, 2015
(with comparative totals)

	<u>2015</u>	<u>2014</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	\$ -	\$ 7
Interest Expense	(997)	(1,163)
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(997)	(1,156)
	<hr/>	<hr/>
CHANGE IN NET POSITION	(134,982)	(2,327)
	<hr/>	<hr/>
NET POSITION (DEFICIT), MAY 1	(5,095)	(2,768)
	<hr/>	<hr/>
NET POSITION (DEFICIT), APRIL 30	<u>\$ (140,077)</u>	<u>\$ (5,095)</u>

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS
COMMUNICATIONS FUND**

For the Year Ended April 30, 2015
(with comparative totals)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 241,364	\$ 291,791
Receipts from Interfund Service Transactions	459,716	540,442
Payments to Suppliers	(259,888)	(208,412)
Payments to Employees	(321,672)	(405,570)
Payments to Other Funds	(164,729)	(165,201)
	(45,209)	53,050
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt of Loans from Other Funds	(524,210)	221,957
Repayments of Loans from Other Funds	632,530	(54,808)
Interest Paid on Interfund Loans	(997)	(1,163)
	107,323	165,986
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(62,114)	(222,385)
	(62,114)	(222,385)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	-	7
	-	7
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(3,342)
CASH AND CASH EQUIVALENTS, MAY 1	-	3,342
CASH AND CASH EQUIVALENTS, APRIL 30	\$ -	\$ -

(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, 2015
(with comparative totals)

	2015	2014
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (133,985)	\$ (1,171)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities		
Depreciation and Amortization	73,343	70,610
Changes in Assets and Liabilities		
Accounts Receivable	6,330	15,264
Other Receivables	14,700	(14,700)
Prepaid Expenses	(3,663)	5,747
Inventory	-	-
Deposits	-	-
Accounts Payable	(7,317)	(15,182)
Accrued Payroll	1,200	(647)
Other Payables	-	(25)
Compensated Absences	3,925	(7,100)
Net Pension Obligation	258	254
	\$ (45,209)	\$ 53,050
NET CASH FROM OPERATING ACTIVITIES	\$ (45,209)	\$ 53,050
CASH AND INVESTMENTS		
Cash and Investments	\$ -	\$ -

(See independent auditor's report.)

TECHNOLOGY CENTER FUND

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF NET POSITION
TECHNOLOGY CENTER FUND**

April 30, 2015
(with comparative totals)

	<u>2015</u>	<u>2014</u>
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 5,240,600	\$ 5,175,111
Accumulated Depreciation	(977,214)	(834,063)
Nondepreciable	519,453	519,453
	<hr/>	<hr/>
Net Capital Assets	4,782,839	4,860,501
	<hr/>	<hr/>
CURRENT ASSETS		
Cash and Investments	206,070	274,540
Receivables		
Accounts	29,424	7,483
	<hr/>	<hr/>
Total Current Assets	235,494	282,023
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 5,018,333</u>	<u>\$ 5,142,524</u>

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)
TECHNOLOGY CENTER FUND

April 30, 2015
(with comparative totals)

	2015	2014
NET POSITION		
Net Investment in Capital Assets	\$ 867,839	\$ 745,501
Unrestricted (Deficit)	(323,121)	(684,598)
	544,718	60,903
LONG-TERM LIABILITIES		
Advance from Other Funds	404,338	803,433
Net Pension Obligation	5,271	5,161
Long-Term Debt, Net of Current Maturities		
General Obligation Debt Payable	3,705,000	3,915,000
	4,114,609	4,723,594
CURRENT LIABILITIES		
Accounts Payable	1,107	5,655
Accrued Payroll	2,795	1,616
Compensated Absences Payable	5,795	4,331
Accrued Interest Payable	139,309	146,425
General Obligation Debt Payable	210,000	200,000
	359,006	358,027
Total Current Liabilities	359,006	358,027
Total Liabilities	4,473,615	5,081,621
TOTAL NET POSITION AND LIABILITIES	\$ 5,018,333	\$ 5,142,524

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended April 30, 2015
(with comparative totals)

	2015	2014
OPERATING REVENUES		
Charges for Services		
Telecommunications Leases	\$ 59,688	\$ 77,760
Commercial Fiber Leases	420,787	407,987
Commercial Colocation Leases	601,980	508,493
Internal Colocation Leases	131,679	131,679
Penalties	7,291	2,025
Miscellaneous	137,809	-
	1,359,234	1,127,944
OPERATING EXPENSES		
Operations		
Personnel	171,928	169,871
Contractual Services	158,865	144,322
Commodities	230,643	161,500
Depreciation and Amortization	143,151	143,380
	704,587	619,073
OPERATING INCOME	654,647	508,871
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	172	344
Interest Expense	(171,004)	(196,050)
	(170,832)	(195,706)
CHANGE IN NET POSITION	483,815	313,165
NET POSITION (DEFICIT), MAY 1	60,903	(252,262)
NET POSITION, APRIL 30	\$ 544,718	\$ 60,903

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS
TECHNOLOGY CENTER FUND**

For the Year Ended April 30, 2015
(with comparative totals)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 1,067,805	\$ 997,490
Receipts from Interfund Service Transactions	131,679	131,679
Receipts from Other Sources	137,809	-
Payments to Suppliers	(167,579)	(151,409)
Payments to Employees	(169,175)	(163,816)
Payments to Other Funds	(226,477)	(154,714)
	774,062	659,230
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of Loans from Other Funds	(399,095)	(48,947)
Interest Paid on Interfund Loans	(2,410)	(2,557)
	(401,505)	(51,504)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(65,489)	(56,815)
Principal Payments on Long-Term Debt	(200,000)	(190,000)
Interest Payments on Long-Term Debt	(175,710)	(183,824)
	(441,199)	(430,639)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	172	344
	172	344
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(68,470)	177,431
CASH AND CASH EQUIVALENTS, MAY 1	274,540	97,109
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 206,070	\$ 274,540

(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, 2015
(with comparative totals)

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 654,647	\$ 508,871
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	143,151	143,380
Changes in Assets and Liabilities		
Accounts Receivable	(21,941)	1,225
Accounts Payable	(4,548)	(301)
Accrued Payroll	1,179	1,616
Compensated Absences	1,464	4,331
Net Pension Obligation	110	108
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 774,062</u>	<u>\$ 659,230</u>
CASH AND INVESTMENTS		
Cash and Investments	<u>\$ 206,070</u>	<u>\$ 274,540</u>

(See independent auditor's report.)