

City of Rochelle, Illinois

Comprehensive Annual Financial Report
For the Year Ended
December 31, 2017



Prepared by:
Finance Department

Chris Cardott
Finance Director

CITY OF ROCHELLE, ILLINOIS

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Year Ended
December 31, 2017

Prepared by
Finance Department

Chris Cardott
Finance Director

CITY OF ROCHELLE, ILLINOIS
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CITY OF ROCHELLE, ILLINOIS

List of Elected and Appointed Officers and Officials

December 31, 2017

Mayor

Chet Olson

City Council

Don Burke

John Bearrows

Bil Hayes

Kathryn Shaw-Dickey

Dan McDermott

Tom McDermott

City Clerk

Bruce W. McKinney

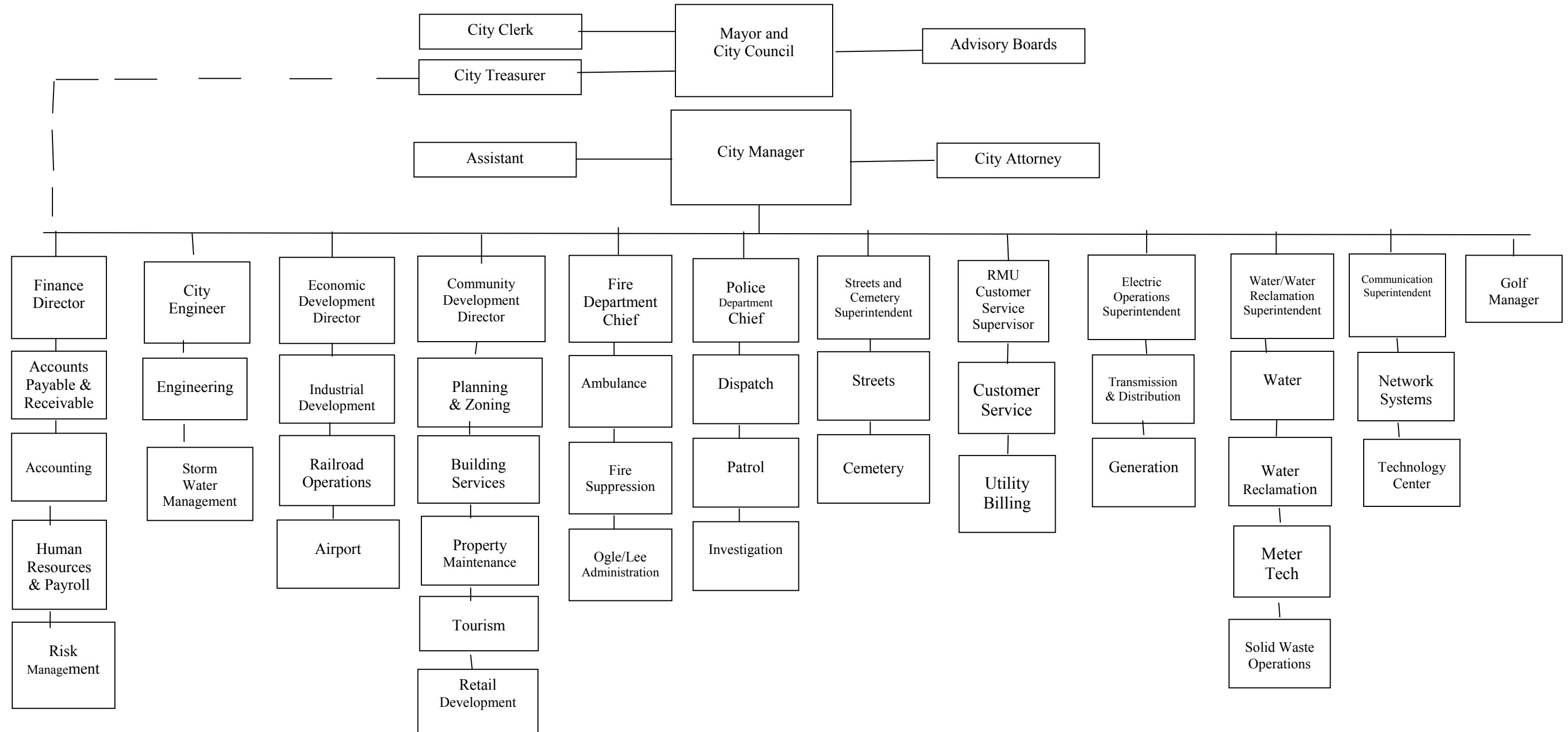
City Manager

Jeff Fiegenschuh

Finance Director

Chris Cardott

CITY OF ROCHELLE
Organizational Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Rochelle
Illinois**

For its Comprehensive Annual
Financial Report
for the Eight Months Ended

December 31, 2016

Christopher P. Morill

Executive Director/CEO



July 10, 2018

Mayor Chet Olson and City Council
City of Rochelle, Illinois

The Comprehensive Annual Financial Report (CAFR) of the City of Rochelle for the calendar year ended December 31, 2017 is hereby submitted. State law requires an annual audit for local governments. The audit must be conducted in accordance with generally-accepted auditing standards, include all of the accounts and funds of the City, and be completed within six months after the close of the calendar year. The City is required to issue a report on its financial position and activity presented in conformance with generally-accepted accounting principles (GAAP). This report represents a comprehensive picture of the City's financial activities and has been published to fulfill the requirements for the fiscal year January 1, 2017 - December 31, 2017.

The financial report consists of management's representations concerning the finances of the City of Rochelle. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City of Rochelle's financial statements have been audited by Sikich LLP, a firm of licensed certified public accountants. The independent auditor issued an unmodified ("clean") opinion on the City's financial statements for the year ended December 31, 2017. The independent auditor's report is located at the beginning of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the government

The City of Rochelle, founded in 1853, located 80 miles west of Chicago, with quick access to two major highways and serves a population of 9,491. The City of Rochelle is empowered to levy a property tax on real property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Rochelle operates under the Council Manager form of government that was approved by public referendum in 1994. The City operates under the City Manager Statutes of the State of Illinois which states that "The City Manager shall be the Chief Administrative Officer of the City and shall be responsible to the City Council for the proper administration of all affairs of the City."

Working closely with the City Council, city staff, community organizations, the business community and citizens, the City Manager's office ensures that quality services and programs are available to meet the needs of the City of Rochelle.

The City of Rochelle provides a full range of services, including police and fire protection, refuse collection, snow and leaf removal, traffic control, on- and off-street parking, building inspections, licenses and permits, construction and maintenance of streets and other infrastructure, cemetery maintenance, water and water reclamation service, electric service, and advanced communication services.

The City Council is required to adopt an initial budget for the calendar year no later than December 31 preceding the beginning of the calendar year on January 1. This annual budget serves as the foundation for the City of Rochelle's financial planning and control. The budget is prepared by fund and department. Department heads may transfer resources within a department as they see fit. The City Manager may transfer resources between departments; however transfers between funds require the approval from the City Council.

Local economy

The City of Rochelle is located 80 miles outside the City of the Chicago. Close to 265 Chamber of Commerce member businesses call Rochelle home, including Rochelle Foods, Americold, Tyson Brands, Bay Valley Foods, Cain Millwork, Clark Dietrich Building Systems, Silgan Containers, DelMonte, Central Refrigeration, Allstate Insurance, Coated Sands Solutions, Mighty Vine, and Bright Farms to name just a few. The City of Rochelle boasts a rich transportation history; two Class 1 Railroads, the Union Pacific and Burlington Northern Santa Fe, the Union Pacific Global III Intermodal, Interstates I-39 and I-88 and our own municipal airport.

In the past thirty years, over \$1.5B of capital investment has been made in Rochelle; \$60M in public infrastructure advancements, 6M sq. ft. of industrial space added, one-thousand acre Industrial Park, fifteen (15) new Industries and well over 2,500 jobs have been created. Through a recession, commercial and retail development in the City is on the rise. Phase II of the Electrical System infrastructure upgrade is in progress. Some areas will receive new wires, either overhead or underground and others will receive utility pole replacements.

During the past ten years, the unemployment rate for Rochelle rose from 6.6% in 2007 to a high of 18.5% in 2010. The December 2017 unemployment rate for Rochelle was 4.5%.

Long-term financial planning and major initiatives

Earlier this year, City Council and staff worked with Northern Illinois University on a strategic planning document that will guide decisions for the next 2-5 years. A list of short-term and long-term routine and complex goals were identified along with funding sources.

The City of Rochelle continues to take an active role in the development of a vibrant downtown experience. With the addition of the much anticipated Kennay Farms Distillery and a wedding venue in 2018, the City looks forward to the positive impact on the local economy, tourism and residential development.

Relevant financial policies

The City of Rochelle updated its Fund Balance Policy, Travel & Meal Expense Control Act Policy, Credit Card and Charge Policy, Cell Phone Policy, and Tuition Reimbursement Policies. These policies are to assist the decision making process of the City Council and the Administration to provide guidelines for evaluating both current activities and proposals for future programs and budgets.

Financial policies aid the City by improving financial management, financial position and the credit worthiness of the City. They also serve to ensure that all financial transactions conducted by or on behalf of the City are made in a manner and method which provides for the most proficient and effective management of the financial resources and funds of the City.

Awards & Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Rochelle for its comprehensive annual financial report for the fiscal year ended December 31, 2016. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Respectfully submitted,

Jeff Fiegenschuh

Jeff Fiegenschuh
City Manager

Chris Cardott

Chris Cardott
Finance Director

1415 West Diehl Road, Suite 400
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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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Rochelle, Illinois (the City) as of and for the year ended December 31, 2017 and the related notes to financial statements, which collectively comprise the City's basic 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Rochelle, Illinois, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section as listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Sikich LLP

Naperville, Illinois

July 10, 2018

**GENERAL PURPOSE EXTERNAL
FINANCIAL STATEMENTS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Rochelle offers all persons interested in the financial position of the City this narrative overview and analysis of the City's financial performance during the fiscal year ending December 31, 2017. You are invited to read this narrative in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Rochelle exceeded its liabilities and deferred inflows of resources by \$136,394,956 (net position). Of this amount, \$9,131,101 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, \$11,185,378 is restricted for specific purposes (restricted net position), and \$116,078,477 is the net investment in capital assets.
- The City's total net position increased by \$3,512,293. Governmental activities net position increased by \$1,722,908, while business-type net position increased by \$1,806,018.
- The governmental activities net position increase of \$1,706,275 is primarily due to an accumulation of funds restricted to capital projects. Those funds will be used for future projects.
- On December 31, 2017, the City's governmental funds reported combined fund balances of \$7,060,808, an increase of \$2,201,184 from December 31, 2016. Unassigned fund balance was \$1,366,193 at year end.
- Revenues for the governmental activities increased from the previous year by 12%. Expenses increased by 21%. The increases were due to the eight-month fiscal period in 2016.
- The assets and deferred outflows of resources of the Electric Utility exceed its liabilities and deferred inflows of resources by \$45,370,570 (net position). Of this amount, \$9,569,521 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, \$7,040,080 is restricted for debt service (restricted net position), and \$28,760,969 is the net investment in capital assets.
- The assets and deferred outflows of resources of the Water and Water Reclamation Utility exceeded its liabilities and deferred inflows of resources by \$40,967,122 (net position). Of this amount, \$8,210,924 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, \$541,403 is restricted for debt service (restricted net position), and \$32,214,795 is the net investment in capital assets.
- Operating revenues for the Electric Utility were up 46% while expenses were up 51%. The increases in revenues and expenses are due to the change in fiscal year and comparison of a 12-month year to an 8-month year.
- Operating revenues for the Water and Water Reclamation Utility were up 59%, while operating expenses were up 49%. The increases in revenues and expenses are due to the change in fiscal year and comparison of a 12-month year to an 8-month year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. These financial statements consist of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of City government, reporting the City's operations in more detail than the government-wide statements.

These financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City using accounting methods similar to those used by private-sector companies. The statement of net position includes all the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net Position – the difference between the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the City's financial health, or position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

The statement of activities presents information showing how the government's 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, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

FUND FINANCIAL STATEMENTS (cont.)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 18 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds – The City maintains eight proprietary funds, six of which are enterprise funds and two internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary fund financial statements present the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other Information – In addition to the basic financial statements and accompanying notes, *required supplementary information* presents a detailed budgetary comparison schedule for the general fund to demonstrate compliance with the budget as well as information concerning the City's funding of pension benefit obligations to its employees. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

An analysis of the City's financial position begins with a review of the Statement of Net Position and the Statement of Activities. These two statements report the City's net position and changes therein. It should be noted that the financial position could also be affected by non-financial factors, including economic conditions, population growth and new regulations.

A summary of the City's Statement of Net Position is presented below in Table 1.

**Table 1
Condensed Statements of Net Position**

	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
Current Assets	\$ 10,774,967	\$ 8,650,069	\$ 32,193,139	\$ 31,160,252	\$ 42,968,106	\$ 39,810,321
Deferred Outflows of Resources	3,482,063	4,218,613	1,993,040	1,433,193	5,475,103	5,651,806
Capital Assets	51,171,529	51,981,268	90,983,062	90,338,356	142,154,591	142,319,624
Total Assets and Deferred Outflows	<u>65,428,559</u>	<u>64,849,950</u>	<u>125,169,241</u>	<u>121,498,608</u>	<u>190,597,800</u>	<u>182,129,945</u>
Long-term Liabilities	17,939,144	18,664,491	27,576,882	26,804,842	45,516,026	45,469,333
Deferred Inflows of Resources	3,532,799	3,535,837	76,741	119,438	3,609,540	3,655,275
Other Liabilities	1,054,789	1,454,070	4,022,489	4,320,410	5,077,278	5,774,480
Total Liabilities and Deferred Inflows	<u>22,526,732</u>	<u>23,654,398</u>	<u>31,676,112</u>	<u>31,244,690</u>	<u>54,202,844</u>	<u>51,243,813</u>
Net investment in capital assets	49,454,386	50,119,377	66,624,091	66,767,303	116,078,477	116,886,680
Restricted	3,603,895	2,793,415	7,581,483	6,791,996	11,185,378	9,585,411
Unrestricted (Deficit)	<u>(10,156,454)</u>	<u>(11,717,240)</u>	<u>19,287,555</u>	<u>18,127,812</u>	<u>9,131,101</u>	<u>6,410,572</u>
Total Net Position	<u>\$ 42,901,827</u>	<u>\$ 41,195,552</u>	<u>\$ 93,493,129</u>	<u>\$ 91,687,111</u>	<u>\$ 136,394,956</u>	<u>\$ 132,882,663</u>

The largest portion of the City's net position (85%) 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. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (7%) may be used to meet the government's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in all three categories of net position for the City as a whole.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY (cont.)

Table 2
Condensed Statement of Activities

	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16
	Governmental	Governmental	Business-type	Business-type	Total	Total
	Activities	Activities	Activities	Activities		
Revenues:						
Program Revenues						
Charges for Services	\$ 3,611,337	\$ 2,019,429	\$ 47,568,357	\$ 33,009,564	\$ 51,179,694	\$ 35,028,993
Operating Grants and contributions	354,304	253,482	-	-	354,304	253,482
Capital Grants and Contributions	5,606	308,156	1,881	1,294,396	7,487	1,602,552
General Revenues						
Property Taxes	3,376,985	3,120,172	61,739	63,084	3,438,724	3,183,256
Other Taxes	5,051,688	3,443,9074	-	-	5,051,688	3,443,907
Other	189,631	510,122	450,140	167,342	189,631	677,464
Total Revenues	<u>12,589,551</u>	<u>9,655,268</u>	<u>48,082,117</u>	<u>34,534,386</u>	<u>60,671,668</u>	<u>44,189,654</u>
Expenses:						
General Government	2,223,886	2,371,762	-	-	2,223,886	2,371,762
Public Safety	6,178,925	4,865,637	-	-	6,178,925	4,865,637
Public Works	3,476,945	2,545,336	-	-	3,476,945	2,545,336
Conservation and Development	726,054	629,061	-	-	726,054	629,061
Public Service Enterprises	119,565	115,159	-	-	119,565	115,159
Landfill	-	-	567,450	471,220	567,450	471,220
Airport	-	-	583,104	491,928	583,104	491,928
Electric	-	-	36,247,916	23,889,662	36,247,916	23,889,662
Water and Water Reclamation	-	-	4,682,269	3,086,559	4,682,269	3,086,559
Communications	-	-	-	476,654	-	476,654
Technology Center	-	-	1,184,320	646,669	1,184,320	646,669
Interest and Fiscal Charges	134,347	91,162	-	-	134,347	91,162
Total Expenses	<u>12,859,722</u>	<u>10,618,117</u>	<u>43,265,059</u>	<u>29,062,692</u>	<u>56,124,781</u>	<u>39,680,809</u>
Income (Loss) Before Transfers	(270,171)	(962,849)	4,817,058	5,471,694	4,546,887	4,508,845
Transfers	<u>2,353,969</u>	<u>1,866,078</u>	<u>(2,353,969)</u>	<u>(1,866,078)</u>	<u>-</u>	<u>-</u>
Changes in Net Position	<u>2,083,798</u>	<u>903,229</u>	<u>2,463,089</u>	<u>3,605,616</u>	<u>4,546,887</u>	<u>4,508,845</u>
Net Position, January 1	41,195,552	40,292,323	91,687,111	88,081,495	132,882,663	128,373,818
Prior Period Adjustment	(377,523)		(657,071)		(1,034,594)	
Net Position, January 1, Restated	<u>40,818,029</u>		<u>91,030,040</u>		<u>131,848,069</u>	
Net Position, December 31	<u>42,901,827</u>	<u>41,195,552</u>	<u>93,493,129</u>	<u>91,687,111</u>	<u>136,394,956</u>	<u>132,882,663</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (cont.)

As previously noted, the Condensed Statements of Net Position (Table 1) shows the change in financial position of net position. The specific nature or source of these changes then becomes more evident in the Condensed Statement of Activities as shown above in Table 2.

GOVERNMENTAL ACTIVITIES

Governmental activities increased the City's net position by \$2,083,798. This increase is primarily a result of the following item:

- South Main Street and Seventh Avenue bridge projects were delayed to 2018.

BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City's net position by \$2,463,089. This increase is primarily a result of the following items:

- System upgrades in Electric and Water and Water Reclamation.
-

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

GOVERNMENTAL FUNDS

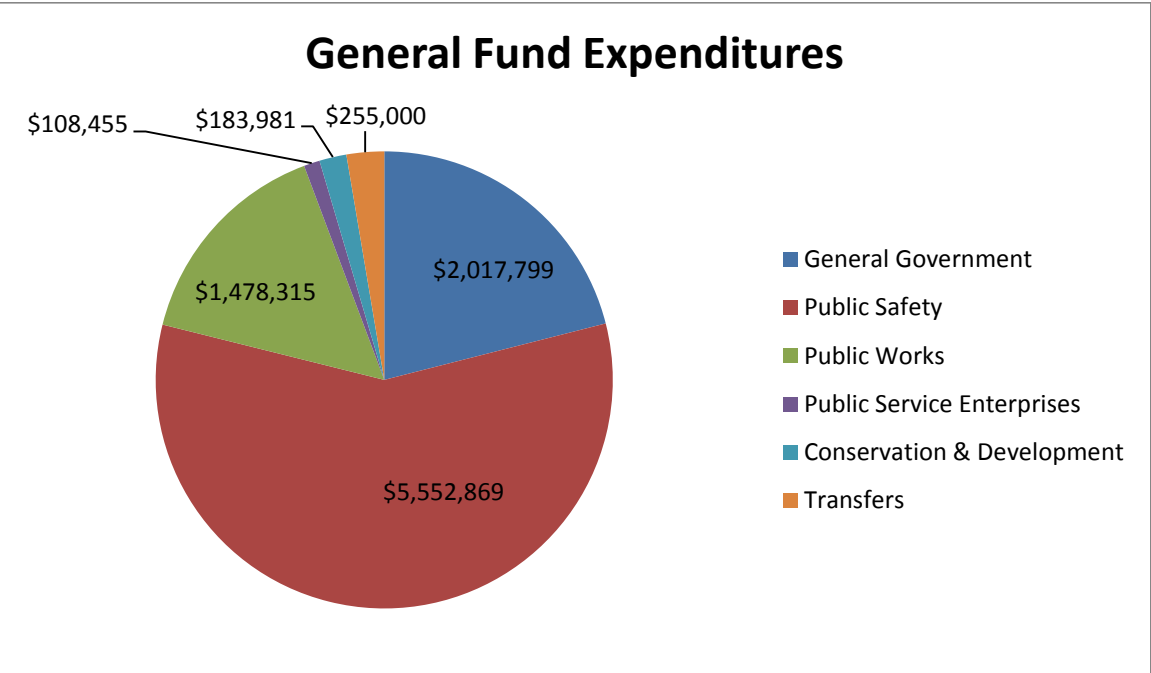
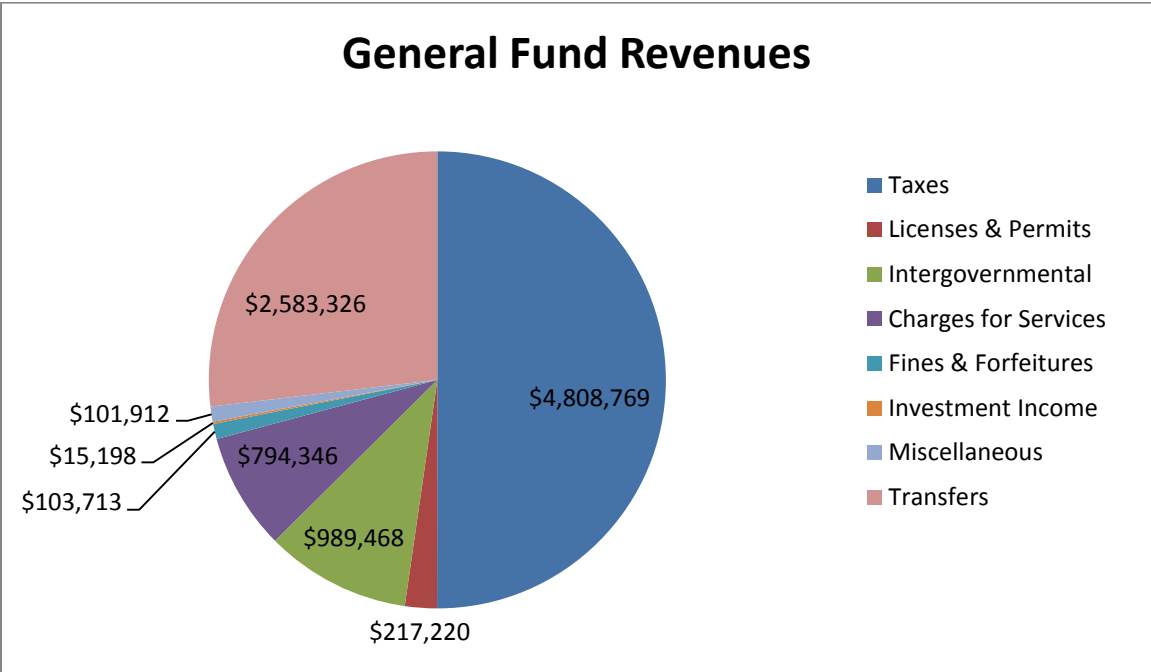
The focus of the City of Rochelle's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

At December 31, 2017, the City's governmental funds reported combined fund balances of \$7,060,808. Approximately 20% of this amount, \$1,366,193 constitutes unrestricted, unassigned fund balance, which is available to meet the City's current and future needs. The remaining \$5,694,615 is nonspendable in form (prepaid items), restricted or assigned for various capital improvements, tourism/employee benefits, and other specific purposes.

General Fund

The City's general fund is the chief operating fund of the City. Total fund balance in the general fund increased \$17,533. Unrestricted, unassigned fund balance increased \$16,763.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (cont.)



FINANCIAL ANALYSIS OF THE CITY'S FUNDS (cont.)

GOVERNMENTAL FUNDS (cont.)

Non-major Governmental Funds

Fund balance of all other governmental funds is \$4,926,418 of which all but \$13,789 (nonspendable prepaid items) and \$625,916 (unassigned deficit) are restricted or assigned for future projects and expenditures.

Proprietary Funds

The City of Rochelle's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities. The City's four major enterprise funds include electric, water and water reclamation, communications, and technology center. The total net position of the electric fund is \$45,370,570. Of that, \$7,040,080 is restricted for debt service and \$28,760,969 is the net investment of capital assets. The water and water reclamation net position is \$40,967,122. That includes \$541,403 restricted for debt service and \$32,214,795 for the net investment in capital assets. The communications fund was closed during 2017. A portion was moved to the technology center fund and the rest created an internal service fund called network administration. The net position of the technology center is \$382,229 and includes \$1,926,092 for the net investment in capital assets. Additional information on the major proprietary funds is as follows:

Electric Operations

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

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

Water/Water Reclamation Operations

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (cont.)

Technology Center

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

- Merging the two departments into one.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final General Fund budget had total appropriations of \$10,437,814. Actual expenditures, including transfers (out) were \$9,596,419, resulting in a \$841,395 favorable variance.

Total revenues and other sources were \$9,613,952, \$835,879 less than the final budget.

CAPITAL ASSETS

**Table 3
Capital Assets**

	12/31/17	12/31/16	12/31/17	12/31/16	12/31/17	12/31/16
	Governmental	Governmental	Business-type	Business-type	12/31/17	12/31/16
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u>
Construction in progress	\$ 1,069,680	\$ 421,236	\$ 7,249,094	\$ 10,000,440	\$ 8,318,774	\$ 10,421,676
Land and other assets not being depreciated	5,552,030	5,552,030	3,397,940	3,397,940	8,949,970	8,949,970
Buildings and improvements	3,437,697	3,424,547	7,260,948	7,260,948	10,698,645	10,685,495
Machinery and equipment	8,072,233	7,845,786	10,766,577	10,761,627	18,838,810	18,607,413
Infrastructure and utility plant	<u>63,719,464</u>	<u>63,502,856</u>	<u>148,081,785</u>	<u>139,689,450</u>	<u>211,801,249</u>	<u>203,192,306</u>
 Total Capital Assets	 81,851,104	 80,746,455	 176,756,344	 171,110,405	 258,607,448	 251,856,860
 Less: Accumulated Depreciation	 <u>(30,679,575)</u>	 <u>(28,765,187)</u>	 <u>(85,773,282)</u>	 <u>(80,772,049)</u>	 <u>(116,452,857)</u>	 <u>(109,537,236)</u>
 Net Capital Assets	 <u>\$ 51,171,529</u>	 <u>\$ 51,981,268</u>	 <u>\$ 90,983,062</u>	 <u>\$ 90,338,356</u>	 <u>\$ 142,154,591</u>	 <u>\$ 142,319,624</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS (cont.)

At the end fiscal year 2017, the City had invested a total of \$142,154,591 in capital assets. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

Major capital asset events during the current fiscal year included the following:

- Improvements to City sidewalks, streets, and alleys
- General system upgrades and extensions to electric, water, and waste water
- Continuation of the 5kV conversion
- Replacement of 138kV transmission line

See note 3 on pages 36-38 for more information on the City's capital assets.

LONG-TERM DEBT

At December 31, 2017, the City had business-type activities debt including \$27,576,882 of long-term debt outstanding. \$14,510,000 of this is revenue debt, \$5,054,195 is IEPA loans, \$3,380,000 in debt certificates, \$595,000 is a general obligation bond, and \$4,037,687 of other long-term debt (net pension liability, unamortized premium, and compensated absences). The City also has governmental activities debt outstanding of \$17,939,144. \$4,122,461 is in the form of general obligation tax increment financing bond, installment purchase contract, and debt certificates, while \$13,816,683 is made up of net pension liabilities, unamortized premium, compensated absences, and the net other postemployment benefit obligation. The debt is payable either through the City's enterprise funds/business type activities, the TIF, or tax levy. See notes 4-6 on pages 38-44 for more information on the City's long-term debt.

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

All currently known facts and economic conditions were considered in preparing the 2018 City budget. None of these conditions are anticipated to significantly change the overall financial position of the City.

REQUESTS FOR INFORMATION

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

CITY OF ROCHELLE, ILLINOIS

STATEMENT OF NET POSITION

December 31, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 6,499,962	\$ 15,564,209	\$ 22,064,171
Receivables (Net, Where Applicable, of Allowances for Uncollectibles)			
Property Taxes	2,615,345	19,340	2,634,685
Accounts	424,804	5,900,604	6,325,408
Accrued Interest	-	393	393
Other	82,620	359,066	441,686
Prepaid Expenses	38,375	79,467	117,842
Deposits	-	300,000	300,000
Due from Other Governments	1,113,861	683,765	1,797,626
Inventory	-	1,421,296	1,421,296
Restricted Assets			
Restricted Cash and Investments	-	7,581,483	7,581,483
Cash Held at Paying Agent	-	48,151	48,151
Special Assessments	-	235,365	235,365
Capital Assets			
Not Depreciated	6,621,710	10,647,034	17,268,744
Depreciated (Net of Accumulated Depreciation)	44,549,819	80,336,028	124,885,847
 Total Assets	 61,946,496	 123,176,201	 185,122,697
DEFERRED OUTFLOWS OF RESOURCES			
Pension Items	3,482,063	1,605,198	5,087,261
Unamortized Loss on Refunding	-	387,842	387,842
 Total Deferred Outflows of Resources	 3,482,063	 1,993,040	 5,475,103
 Total Assets and Deferred Outflows of Resources	 65,428,559	 125,169,241	 190,597,800

(This statement is continued on the following page.)

CITY OF ROCHELLE, ILLINOIS

STATEMENT OF NET POSITION (Continued)

December 31, 2017

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts Payable	\$ 315,177	\$ 3,751,380	\$ 4,066,557
Accrued Payroll	632,804	23	632,827
Accrued Interest Payable	11,283	110,682	121,965
Other Payables	-	110,462	110,462
Deposits Payable	68,141	49,942	118,083
Unearned Revenue	27,384	-	27,384
Long-Term Liabilities			
Due Within One Year	573,719	1,354,947	1,928,666
Due in More than One Year	17,365,425	26,221,935	43,587,360
Total Liabilities	18,993,933	31,599,371	50,593,304
DEFERRED INFLOWS OF RESOURCES			
Pension Items	917,454	57,401	974,855
Deferred Property Taxes	2,615,345	19,340	2,634,685
Total Deferred Inflows of Resources	3,532,799	76,741	3,609,540
Total Liabilities and Deferred Inflows of Resources	22,526,732	31,676,112	54,202,844
NET POSITION			
Net Investment in Capital Assets	49,454,386	66,624,091	116,078,477
Restricted for			
Audit	14,051	-	14,051
Maintenance of Roadways	396,015	-	396,015
Tourism	161,373	-	161,373
Employee Retirement	2,553	-	2,553
Insurance	58,062	-	58,062
Capital Improvements	2,423,859	-	2,423,859
Economic Development	373,361	-	373,361
Public Safety	32,340	-	32,340
Cemetery	142,281	-	142,281
Debt Service	-	7,581,483	7,581,483
Unrestricted (Deficit)	(10,156,454)	19,287,555	9,131,101
TOTAL NET POSITION	\$ 42,901,827	\$ 93,493,129	\$ 136,394,956

See accompanying notes to financial statements.

CITY OF ROCHELLE, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 2,223,886	\$ 2,505,643	\$ -	\$ -
Public Safety	6,178,925	546,731	-	-
Public Works	3,476,945	324,057	354,304	5,606
Public Service Enterprises	119,565	57,720	-	-
Conservation and Development	726,054	177,186	-	-
Interest	134,347	-	-	-
Total Governmental Activities	12,859,722	3,611,337	354,304	5,606
Business-Type Activities				
Electric	36,247,916	38,988,537	-	-
Water and Water Reclamation	4,682,269	6,175,344	-	-
Technology Center	1,184,320	1,287,994	-	-
Landfill	567,450	807,633	-	-
Airport	583,104	308,849	-	1,881
Total Business-Type Activities	43,265,059	47,568,357	-	1,881
TOTAL PRIMARY GOVERNMENT	\$ 56,124,781	\$ 51,179,694	\$ 354,304	\$ 7,487

	Net (Expense) Revenue and Change in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
	\$ 281,757	\$ -	\$ 281,757
	(5,632,194)	-	(5,632,194)
	(2,792,978)	-	(2,792,978)
	(61,845)	-	(61,845)
	(548,868)	-	(548,868)
	(134,347)	-	(134,347)
	<u>(8,888,475)</u>	<u>-</u>	<u>(8,888,475)</u>
	-	2,740,621	2,740,621
	-	1,493,075	1,493,075
	-	103,674	103,674
	-	240,183	240,183
	-	(272,374)	(272,374)
	<u>-</u>	<u>4,305,179</u>	<u>4,305,179</u>
	<u>(8,888,475)</u>	<u>4,305,179</u>	<u>(4,583,296)</u>
General Revenues			
Taxes			
Property and Replacement	3,376,985	61,739	3,438,724
Sales and Use	3,103,976	-	3,103,976
Telecommunications	298,393	-	298,393
Hotel/Motel	225,959	-	225,959
Utility	385,033	-	385,033
Other	158,963	-	158,963
Shared Income Tax	879,364	-	879,364
Intergovernmental - Unrestricted	78,022	-	78,022
Investment Income	33,906	95,728	129,634
Miscellaneous	67,454	354,412	421,866
Gain on Sale of Capital Assets	10,249	-	10,249
Transfers In (Out)	2,353,969	(2,353,969)	-
Total	<u>10,972,273</u>	<u>(1,842,090)</u>	<u>9,130,183</u>
CHANGE IN NET POSITION	2,083,798	2,463,089	4,546,887
NET POSITION, JANUARY 1	<u>41,195,552</u>	<u>91,687,111</u>	<u>132,882,663</u>
Prior period adjustment	(377,523)	(657,071)	(1,034,594)
NET POSITION, JANUARY 1, RESTATED	<u>40,818,029</u>	<u>91,030,040</u>	<u>131,848,069</u>
NET POSITION, DECEMBER 31	<u>\$ 42,901,827</u>	<u>\$ 93,493,129</u>	<u>\$ 136,394,956</u>

See accompanying notes to financial statements.

CITY OF ROCHELLE, ILLINOIS

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2017

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 1,827,583	\$ 4,657,919	\$ 6,485,502
Receivables (Net, Where Applicable, of Allowances for Uncollectibles)			
Property Taxes	1,970,335	645,010	2,615,345
Accounts	154,898	201,773	356,671
Prepaid Items	-	13,789	13,789
Due from Other Governments	675,246	438,615	1,113,861
Due from Other Funds	260,984	286,190	547,174
TOTAL ASSETS	\$ 4,889,046	\$ 6,243,296	\$ 11,132,342

(This statement is continued on the following page.)

CITY OF ROCHELLE, ILLINOIS

BALANCE SHEET
GOVERNMENTAL FUNDS (Continued)

December 31, 2017

	General	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 149,017	\$ 66,870	\$ 215,887
Accrued Payroll	632,804	-	632,804
Deposits Payable	2,500	65,641	68,141
Due to Other Funds	-	511,973	511,973
Unearned Revenue	-	27,384	27,384
Total Liabilities	784,321	671,868	1,456,189
DEFERRED INFLOWS OF RESOURCES			
Unavailable Property Taxes	1,970,335	645,010	2,615,345
Total Liabilities and Deferred Inflows of Resources	2,754,656	1,316,878	4,071,534
FUND BALANCES			
Nonspendable Prepaid Items	-	13,789	13,789
Restricted for Audit	-	14,051	14,051
Restricted for Maintenance of Roadways	-	396,015	396,015
Restricted for Tourism	-	161,373	161,373
Restricted for Employee Retirement	-	2,553	2,553
Restricted for Insurance	-	58,062	58,062
Restricted for Capital Improvements	-	2,423,859	2,423,859
Restricted for Economic Development	-	373,361	373,361
Restricted for Public Safety	-	32,340	32,340
Restricted for Cemetery	142,281	-	142,281
Unrestricted			
Assigned for Ambulance Replacement	-	60,711	60,711
Assigned for Stormwater	-	108,260	108,260
Assigned for Railroad	-	1,873,310	1,873,310
Assigned for Capital Purposes	-	34,650	34,650
Unassigned (Deficit)	1,992,109	(625,916)	1,366,193
Total Fund Balances	2,134,390	4,926,418	7,060,808
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,889,046	\$ 6,243,296	\$ 11,132,342

See accompanying notes to financial statements.

CITY OF ROCHELLE, ILLINOIS

**RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION**

December 31, 2017

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 7,060,808
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	51,171,529
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Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings and contributions subsequent to the measurement date for the Illinois Municipal Retirement Fund are recognized as deferred outflows and inflows of resources on the statement of net position	1,098,010
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Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings for the Police Pension Fund are recognized as deferred outflows and inflows of resources on the statement of net position	682,666
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Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings for the Firefighters' Pension Fund are recognized as deferred outflows and inflows of resources on the statement of net position	783,933
--	---------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
General Obligation Tax Increment Financing Bonds	(2,435,000)
General Obligation Debt Certificates	(1,660,000)
Installment Purchase Contract	(27,461)
Accrued interest payable	(11,283)
Unamortized bond premium	(79,551)
Compensated absences payable	(502,813)
Net pension liability - IMRF	(1,943,333)
Net pension liability - Police Pension	(5,986,220)
Net pension liability - Firefighters' Pension	(5,082,268)
Other postemployment benefit payable	(195,641)

The net position of the internal service fund are included in the governmental activities in the statement of net position	<u>28,451</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 42,901,827</u></u>
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See accompanying notes to financial statements.

CITY OF ROCHELLE, ILLINOIS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2017

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 4,808,769	\$ 2,675,873	\$ 7,484,642
Licenses and Permits	217,220	41,770	258,990
Intergovernmental	989,468	327,828	1,317,296
Charges for Services	794,346	2,386,470	3,180,816
Fines and Forfeitures	103,713	-	103,713
Investment Income	15,198	18,708	33,906
Miscellaneous	91,663	108,276	199,939
Total Revenues	7,020,377	5,558,925	12,579,302
EXPENDITURES			
Current			
General Government	2,017,799	297,875	2,315,674
Public Safety	5,552,869	393,609	5,946,478
Public Works	1,478,315	491,572	1,969,887
Public Service Enterprises	108,455	16,905	125,360
Conservation and Development	183,981	559,036	743,017
Capital Outlay	-	1,229,701	1,229,701
Debt Service			
Principal	-	300,000	300,000
Interest and Fiscal Charges	-	139,680	139,680
Total Expenditures	9,341,419	3,428,378	12,769,797
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,321,042)	2,130,547	(190,495)
OTHER FINANCING SOURCES (USES)			
Transfers In	2,583,326	1,458,326	4,041,652
Transfers (Out)	(255,000)	(1,432,683)	(1,687,683)
Proceeds from Sale of Capital Assets	10,249	-	10,249
Loan Proceeds	-	27,461	27,461
Total Other Financing Sources (Uses)	2,338,575	53,104	2,391,679
NET CHANGE IN FUND BALANCES	17,533	2,183,651	2,201,184
FUND BALANCES, JANUARY 1	2,116,857	2,742,767	4,859,624
FUND BALANCES, DECEMBER 31	\$ 2,134,390	\$ 4,926,418	\$ 7,060,808

See accompanying notes to financial statements.

CITY OF ROCHELLE, ILLINOIS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 2,201,184
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities	1,176,809
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Depreciation	(1,986,548)
Change in compensated absences	(23,770)
Change in other postemployment benefit obligation	(28,037)
The amortizations of premiums is reported as interest expense on the statement of activities	4,833
The issuance of long-term debt is reported as an other financing source when due in governmental funds but as an increase in principal outstanding on the statement of activities	(27,461)
The increase in interest payable is reported as an increase of expense on the statement of activities	499
The repayment of long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal on the government-wide financial statements	300,000
The change in the Illinois Municipal Retirement Fund net pension liability and deferred outflows/inflows of resources is not a source or use of a financial resources	696,243
The change in the Police Pension Fund net pension liability and deferred outflows/inflows of resources is not a source or use of a financial resource	(261,796)
The change in the Firefighters' Pension Fund net pension liability and deferred outflows/inflows of resources is not a source or use of a financial resources	(152,416)
The addition (reduction) in net position of certain activities of Internal Service Funds is included in governmental funds	<u>184,258</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,083,798</u>

See accompanying notes to financial statements.

CITY OF ROCHELLE, ILLINOIS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

December 31, 2017

	Business-Type Activities		
	Electric Utility	Water and Water Reclamation	Communications
CURRENT ASSETS			
Cash and Investments	\$ 6,119,315	\$ 6,525,518	\$ -
Receivables			
Property Taxes	-	-	-
Accounts	4,818,780	925,255	-
Accrued Interest	-	393	-
Other	300,990	58,076	-
Prepaid Expenses	69,653	1,945	-
Deposits	300,000	-	-
Inventory	1,381,191	-	-
Due from Other Governments	-	683,765	-
Restricted Assets			
Cash and Investments	7,040,080	541,403	-
Cash Held at Paying Agent	-	-	-
	<hr/>	<hr/>	<hr/>
Total Current Assets	20,030,009	8,736,355	-
NONCURRENT ASSETS			
Advance to Other Funds	458,434	1,080,150	-
Special Assessments	-	235,365	-
	<hr/>	<hr/>	<hr/>
Subtotal Noncurrent Assets	458,434	1,315,515	-
CAPITAL ASSETS			
Nondepreciable	6,330,034	1,879,082	-
Depreciable	85,018,752	66,504,628	-
Accumulated Depreciation	(47,348,755)	(31,114,720)	-
	<hr/>	<hr/>	<hr/>
Net Capital Assets	44,000,031	37,268,990	-
	<hr/>	<hr/>	<hr/>
Total Noncurrent Assets	44,458,465	38,584,505	-
	<hr/>	<hr/>	<hr/>
Total Assets	64,488,474	47,320,860	-
DEFERRED OUTFLOWS OF RESOURCES			
Pension Items - IMRF	956,698	446,245	-
Unamortized Loss on Refunding	258,244	-	-
	<hr/>	<hr/>	<hr/>
Total Deferred Outflows of Resources	1,214,942	446,245	-
	<hr/>	<hr/>	<hr/>
Total Assets and Deferred Outflows of Resources	65,703,416	47,767,105	-

Business-Type Activities			Governmental
Technology Center	Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ -	\$ 2,919,376	\$ 15,564,209	\$ 14,460
-	19,340	19,340	-
51,352	105,217	5,900,604	68,133
-	-	393	-
-	-	359,066	82,620
7,356	513	79,467	24,586
-	-	300,000	-
-	40,105	1,421,296	-
-	-	683,765	-
-	-	7,581,483	-
-	48,151	48,151	-
58,708	3,132,702	31,957,774	189,799
-	-	1,538,584	-
-	-	235,365	-
-	-	1,773,949	-
519,453	1,918,465	10,647,034	-
9,218,544	5,367,386	166,109,310	116,880
(4,341,191)	(2,968,616)	(85,773,282)	(116,880)
5,396,806	4,317,235	90,983,062	-
5,396,806	4,317,235	92,757,011	-
5,455,514	7,449,937	124,714,785	189,799
166,941	35,314	1,605,198	-
104,038	25,560	387,842	-
270,979	60,874	1,993,040	-
5,726,493	7,510,811	126,707,825	189,799

(This statement is continued on the following pages.)

CITY OF ROCHELLE, ILLINOIS

STATEMENT OF NET POSITION (Continued)
 PROPRIETARY FUNDS

December 31, 2017

	Business-Type Activities		
	Electric Utility	Water and Water Reclamation	Communications
CURRENT LIABILITIES			
Accounts Payable	\$ 2,827,613	\$ 856,535	\$ -
Accrued Payroll	-	-	-
Accrued Interest Payable	101,348	1,059	-
Other Payables	110,462	-	-
Due to Other Funds	-	-	-
Deposits Payable	-	47,204	-
General Obligation Debt Payable	-	-	-
Revenue Bonds Payable	620,000	-	-
IEPA Loans Payable	-	164,678	-
Compensated Absences Payable	129,225	63,480	-
Total Current Liabilities	3,788,648	1,132,956	-
LONG-TERM LIABILITIES			
Advance from Other Funds	-	-	-
Net Pension Liability	1,632,681	761,553	-
Long-Term Debt, Net of Current Maturities			
General Obligation Debt Payable	-	-	-
Revenue Bonds Payable	14,877,306	-	-
IEPA Loans Payable	-	4,889,517	-
Total Long-Term Liabilities	16,509,987	5,651,070	-
Total Liabilities	20,298,635	6,784,026	-
DEFERRED INFLOWS OF RESOURCES			
Pension Items - IMRF	34,211	15,957	-
Deferred Property Taxes	-	-	-
Total Deferred Inflows of Resources	34,211	15,957	-
Total Liabilities and Deferred Inflows of Resources	20,332,846	6,799,983	-
NET POSITION			
Net Investment in Capital Assets	28,760,969	32,214,795	-
Restricted for Debt Service	7,040,080	541,403	-
Unrestricted (Deficit)	9,569,521	8,210,924	-
TOTAL NET POSITION	\$ 45,370,570	\$ 40,967,122	\$ -

Business-Type Activities			Governmental
Technology Center	Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 13,422	\$ 53,810	\$ 3,751,380	\$ 99,290
-	23	23	-
5,124	3,151	110,682	-
-	-	110,462	-
-	-	-	35,201
2,738	-	49,942	-
305,000	45,000	350,000	-
-	-	620,000	-
-	-	164,678	-
22,815	4,749	220,269	26,857
349,099	106,733	5,377,436	161,348
1,538,584	-	1,538,584	-
284,897	60,267	2,739,398	-
3,165,714	550,000	3,715,714	-
-	-	14,877,306	-
-	-	4,889,517	-
4,989,195	610,267	27,760,519	-
5,338,294	717,000	33,137,955	161,348
5,970	1,263	57,401	-
-	19,340	19,340	-
5,970	20,603	76,741	-
5,344,264	737,603	33,214,696	161,348
1,926,092	3,722,235	66,624,091	-
-	-	7,581,483	-
(1,543,863)	3,050,973	19,287,555	28,451
\$ 382,229	\$ 6,773,208	\$ 93,493,129	\$ 28,451

See accompanying notes to financial statements.

CITY OF ROCHELLE, ILLINOIS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS

For the Year Ended December 31, 2017

	Business-Type Activities		
	Electric Utility	Water and Water Reclamation	Communications
OPERATING REVENUES			
Charges for Services	\$ 38,988,537	\$ 6,175,344	\$ -
Miscellaneous	344,059	10,353	-
Total Operating Revenues	39,332,596	6,185,697	-
OPERATING EXPENSES			
Administration	-	-	-
Operations	32,541,059	2,992,224	-
Depreciation and Amortization	3,022,190	1,581,641	-
Total Operating Expenses	35,563,249	4,573,865	-
OPERATING INCOME (LOSS)	3,769,347	1,611,832	-
NON-OPERATING REVENUES (EXPENSES)			
Taxes	-	-	-
Investment Income	61,032	25,545	-
Loss on Disposal of Capital Assets	(128,131)	-	-
Interest Expense	(556,536)	(108,404)	-
Total Non-Operating Revenues (Expenses)	(623,635)	(82,859)	-
NET INCOME BEFORE TRANSFERS, CAPITAL GRANTS AND CONTRIBUTIONS	3,145,712	1,528,973	-
TRANSFERS			
Transfers In	-	-	420,707
Transfers (Out)	(2,039,828)	(230,341)	-
Total Transfers	(2,039,828)	(230,341)	420,707
CAPITAL GRANTS AND CONTRIBUTIONS			
	-	-	-
CHANGE IN NET POSITION	1,105,884	1,298,632	420,707
NET POSITION (DEFICIT), JANUARY 1	44,581,860	39,816,433	(420,707)
Prior Period Adjustment	-	-	-
Change in Accounting Principle	(317,174)	(147,943)	-
NET POSITION (DEFICIT), JANUARY 1, RESTATED	44,264,686	39,668,490	(420,707)
NET POSITION, DECEMBER 31	\$ 45,370,570	\$ 40,967,122	\$ -

Business-Type Activities			Governmental
Technology	Nonmajor		Internal
Center	Enterprise	Total	Service
	Funds		Funds
\$ 1,287,994	\$ 1,116,482	\$ 47,568,357	\$ 1,100,018
-	-	354,412	17,758
1,287,994	1,116,482	47,922,769	1,117,776
-	-	-	676,730
884,161	954,166	37,371,610	256,788
218,515	178,896	5,001,242	-
1,102,676	1,133,062	42,372,852	933,518
185,318	(16,580)	5,549,917	184,258
-	61,739	61,739	-
459	8,692	95,728	-
-	-	(128,131)	-
(81,644)	(17,492)	(764,076)	-
(81,185)	52,939	(734,740)	-
104,133	36,359	4,815,177	184,258
-	80,000	500,707	-
(420,707)	(163,800)	(2,854,676)	-
(420,707)	(83,800)	(2,353,969)	-
-	1,881	1,881	-
(316,574)	(45,560)	2,463,089	184,258
879,049	6,830,476	91,687,111	(155,807)
(124,900)	-	(124,900)	-
(55,346)	(11,708)	(532,171)	-
698,803	6,818,768	91,030,040	(155,807)
\$ 382,229	\$ 6,773,208	\$ 93,493,129	\$ 28,451

See accompanying notes to financial statements.

CITY OF ROCHELLE, ILLINOIS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended December 31, 2017

	Business-Type Activities		
	Electric Utility	Water and Water Reclamation	Communications
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 39,057,004	\$ 6,080,603	\$ -
Receipts from Interfund Services Transactions	-	-	-
Payments to Suppliers	(29,123,752)	(1,148,497)	-
Payments to Employees	(1,557,020)	(1,452,802)	-
Payments to Other Funds	(515,426)	(689,952)	-
Net Cash from Operating Activities	7,860,806	2,789,352	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts from Property Taxes	-	-	-
Receipts of Loans from Other Funds	-	-	-
Repayment of Loans to Other Funds	-	-	-
Repayment of Loans from Other Funds	1,022,163	-	-
Loans Provided to Other Funds	-	(1,080,150)	-
Transfers (Out)	(2,039,828)	(230,341)	-
Net Cash from Noncapital Financing Activities	(1,017,665)	(1,310,491)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Assets Purchased	(5,414,022)	(1,415,049)	-
Issuance of Long-Term Debt	-	1,337,290	-
Principal Payments on Long-Term Debt	(600,000)	(312,057)	-
Interest Payments on Long-Term Debt	(612,567)	(111,357)	-
Grant Receipts	-	-	-
Net Cash from Capital and Related Financing Activities	(6,626,589)	(501,173)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received on Investments	61,032	25,451	-
Net Cash from Investing Activities	61,032	25,451	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	277,584	1,003,139	-
CASH AND CASH EQUIVALENTS, JANUARY 1	12,881,811	6,063,782	-
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 13,159,395	\$ 7,066,921	\$ -

Business-Type Activities			Governmental
Nonmajor			Activities
Technology Center	Enterprise Funds	Total	Internal Service
\$ 1,350,097	\$ 1,247,088	\$ 47,734,792	\$ -
31,680	-	31,680	1,042,903
(241,434)	(738,505)	(31,252,188)	(485,374)
(407,035)	(145,188)	(3,562,045)	(594,962)
(368,463)	(105,733)	(1,679,574)	-
364,845	257,662	11,272,665	(37,433)
-	61,739	61,739	-
1,080,150	-	1,080,150	35,201
(1,022,163)	-	(1,022,163)	-
-	-	1,022,163	-
-	-	(1,080,150)	-
-	(83,800)	(2,353,969)	-
57,987	(22,061)	(2,292,230)	35,201
(43,727)	-	(6,872,798)	-
-	-	1,337,290	-
(230,000)	(35,000)	(1,177,057)	-
(164,151)	(15,989)	(904,064)	-
-	1,881	1,881	-
(437,878)	(49,108)	(7,614,748)	-
2	8,692	95,177	-
2	8,692	95,177	-
(15,044)	195,185	1,460,864	(2,232)
15,044	2,724,191	21,684,828	16,692
\$ -	\$ 2,919,376	\$ 23,145,692	\$ 14,460

(This statement is continued on the following pages.)

CITY OF ROCHELLE, ILLINOIS

STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS

For the Year Ended December 31, 2017

	<u>Business-Type Activities</u>		
	<u>Electric Utility</u>	<u>Water and Water Reclamation</u>	<u>Communications</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 3,769,347	\$ 1,611,832	\$ -
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities			
Depreciation and Amortization	3,022,190	1,581,641	-
Changes in Assets and Liabilities			
Accounts Receivable	53,579	(109,509)	-
Other Receivables	(69,689)	(1,664)	-
Prepaid Expenses	443,118	74,045	-
Deposits	(300,000)	(23,257)	-
Inventory	458,943	3,480	-
Special Assessments	-	29,336	-
Pension Items - IMRF	(584,945)	(272,844)	-
Accounts Payable	1,445,033	(69,015)	-
Customer Advances	(259,482)	-	-
Accrued Payroll	(104,550)	(45,014)	-
Other Payables	(8,208)	-	-
Compensated Absences	(4,530)	10,321	-
NET CASH FROM OPERATING ACTIVITIES	\$ 7,860,806	\$ 2,789,352	\$ -
CASH AND INVESTMENTS			
Cash and Investments	\$ 6,119,315	\$ 6,525,518	\$ -
Restricted Cash and Investments	7,040,080	541,403	-
TOTAL CASH AND INVESTMENTS	\$ 13,159,395	\$ 7,066,921	\$ -
NONCASH TRANSACTIONS			
Transfer of Operations to Technology Fund	\$ -	\$ -	\$ 420,707
Illinois EPA Loan Receivable	-	683,765	-
Illinois EPA Loan Payable	-	(683,765)	-
Issuance of Refunding Bonds	-	-	-
Payment to Escrow Agent	-	-	-
Costs of Issuance	-	-	-
TOTAL NONCASH TRANSACTIONS	\$ -	\$ -	\$ 420,707

Business-Type Activities			Governmental
Nonmajor			Activities
Technology Center	Enterprise Funds	Total	Internal Service
\$ 185,318	\$ (16,580)	\$ 5,549,917	\$ 184,258
218,515	178,896	5,001,242	-
93,783	130,606	168,459	(74,873)
-	-	(71,353)	-
21,864	6,683	545,710	(13,507)
-	-	(323,257)	-
-	(27,624)	434,799	-
-	-	29,336	-
(102,042)	(13,654)	(973,485)	-
(33,619)	8,895	1,351,294	(119,102)
-	-	(259,482)	-
(17,486)	(8,410)	(175,460)	(17,201)
-	-	(8,208)	-
(1,488)	(1,150)	3,153	2,992
<u>\$ 364,845</u>	<u>\$ 257,662</u>	<u>\$ 11,272,665</u>	<u>\$ (37,433)</u>
\$ -	\$ 2,919,376	\$ 15,564,209	\$ 14,460
-	-	7,581,483	-
<u>\$ -</u>	<u>\$ 2,919,376</u>	<u>\$ 23,145,692</u>	<u>\$ 14,460</u>
\$ (420,707)	\$ -	\$ -	\$ -
-	-	683,765	-
-	-	(683,765)	-
3,230,714	485,000	3,715,714	-
(3,119,038)	(465,560)	(3,584,598)	-
(111,676)	(19,440)	(131,116)	-
<u>\$ (420,707)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF ROCHELLE, ILLINOIS

**STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS**

December 31, 2017

ASSETS

Cash and Short-Term Investments	\$ 1,288,820
Investments, at Fair Value	
U.S. Treasury Securities	2,040,353
U.S. Agency Securities	3,299,922
Equity Mutual Funds	9,183,366
Fixed Income Mutual Funds	326,451
Corporate Bonds	1,836,501
Municipal Bonds	713,169
Equities	1,295,391
Annuity Contracts	182,268
Receivables	
Accrued Interest	<u>50,570</u>
 Total Assets	 <u>20,216,811</u>

LIABILITIES

None	<u>-</u>
 Total Liabilities	 <u>-</u>

NET POSITION RESTRICTED FOR PENSIONS \$ 20,216,811

See accompanying notes to financial statements.

CITY OF ROCHELLE, ILLINOIS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS**

For the Year Ended December 31, 2017

ADDITIONS

Contributions	
Employer Contributions	\$ 940,926
Employee Contributions	<u>239,052</u>
Total Contributions	<u>1,179,978</u>
Investment Income	
Net Appreciation in Fair Value of Investments	1,523,715
Interest	<u>626,384</u>
Total Investment Income	2,150,099
Less Investment Expense	<u>(78,329)</u>
Net Investment Income	<u>2,071,770</u>
Total Additions	<u>3,251,748</u>

DEDUCTIONS

Benefits and Refunds	1,536,064
Administrative Expenses	<u>36,916</u>
Total Deductions	<u>1,572,980</u>

NET INCREASE 1,678,768

NET POSITION RESTRICTED FOR PENSIONS

January 1	<u>18,538,043</u>
December 31	<u><u>\$ 20,216,811</u></u>

See accompanying notes to financial statements.

CITY OF ROCHELLE, ILLINOIS

INDEX TO NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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CITY OF ROCHELLE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Rochelle, Illinois (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (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 City's accounting policies are described below.

A. Reporting Entity

The City was incorporated in 1853 and is a municipal corporation governed by an elected board under the mayor/council form of government. The City is considered to be a primary government as defined by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statement No. 14 and 34*, since its council is separately elected and fiscally independent. In accordance with these pronouncements, the basic financial statements include all funds for which the City is financially accountable.

Based on these criteria, the City is not considered a component unit of any other governmental unit, nor does it have any component units.

B. Fund Accounting

The City 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. The minimum number of funds are maintained consistent with legal and managerial requirements.

Funds are classified into the following categories: governmental, proprietary and fiduciary.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Governmental funds are used to account for all or most of the City's general activities, including the collection and disbursement of restricted or committed monies (special revenue funds), the funds committed, restricted or assigned for the acquisition or construction of capital assets (capital projects funds) and the funds committed, restricted or assigned for the servicing of long-term debt (debt service funds). The General Fund is used to account for all activities of the City not accounted for in some other fund.

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).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. The City utilizes pension trust funds which are generally used to account for assets that the City holds in a fiduciary capacity.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The City reports the following major proprietary funds:

The Electric Utility Fund accounts for the activities of the electric system.

The Water and Water Reclamation Fund accounts for the activities of the water and water reclamation system.

The Communications Fund accounts for the activities of the communication system. The Communications Fund did not meet the criteria for inclusion as a major fund; however, the City has elected to report it as such. The Communications Fund was closed as of December 31, 2017. Operations were transferred to the Technology Center Fund and the newly created Network Administration Internal Service Fund.

The Technology Center Fund accounts for the activities of the technology center.

Additionally, the City reports the following proprietary fund type:

Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost reimbursement basis. These are reported as part of the governmental activities on the government-wide financial statements as they provide services to the City's governmental funds/activities. The Administrative Services Fund is used to allocate administrative costs to other city funds. The Network Administration Fund is used to allocate network administration costs to other city funds.

The City reports pension trust funds as fiduciary funds to account for the Police Pension Fund and Firefighters' Pension Fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for sales taxes and telecommunication taxes which use a 90-day period. Expenditures generally are recorded when a fund liability is incurred. However, debt service expenditures are recorded only when payment is due, unless due the first day of the following fiscal year.

Property taxes, sales taxes and telecommunication taxes owed to the state at year end, utility taxes, franchise taxes, licenses, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. Fines and permit revenue are considered to be measurable and available only when cash is received by the City.

In applying the susceptible to accrual concept to intergovernmental revenues (i.e., federal and state grants), the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are generally revocable only for failure to comply with prescribed eligibility requirements, such as equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

The City reports unearned revenue and deferred/unavailable revenue on its financial statements. Deferred/unavailable revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period, under the modified accrual basis of accounting. 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 the City 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 the City has a legal claim to the resources, the liability and deferred inflows of resource for unearned and deferred/unavailable revenue are removed from the financial statements and revenue is recognized.

E. Cash and Investments

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City's proprietary funds consider 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 of less than one year when purchased, non-negotiable certificates of deposit and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased and all investments of the pension trust funds are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

F. Property Taxes

Property taxes for 2016 are levied in December 2016 and attach as an enforceable lien on the property on January 1, 2016. Tax bills are prepared by the County and issued on or about May 1, 2017 and August 1, 2017, and are due and collectible on or about June 1, 2017 and September 1, 2017. The County collects the taxes and remits them periodically to the City. Those 2016 taxes were intended to finance the year ending December 31, 2017. The 2017 levy, which attached as a lien on property as January 1, 2017, is intended to finance the 2018 fiscal year and is not considered available or earned for current operations and, therefore, is reported as deferred/unavailable revenue at December 31, 2017.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory

Inventory is valued at average cost on a first-in/first-out (FIFO) method.

H. Restricted Assets

Certain cash and investments in the Electric Utility Fund and Water and Water Reclamation Fund are restricted in accordance with the ordinances authorizing the issuance of the revenue bonds or loans issued by the Illinois Environmental Protection Agency (IEPA). Cash held with paying agent is held for payment of the Series 2009 General Obligation Bonds and the General Obligation Refunding Bonds, Series 2017 (Airport). These assets are reflected as restricted cash and investments.

I. 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 and are accounted for using the consumption method.

J. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City 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 acquisition value at the date of donation.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets (Continued)

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
Utility System	5-77
Infrastructure	10-50

K. Vacation, Sick Pay and Other Employee Benefits

Vested or accumulated vacation related to employees that have retired or terminated at year end but have not yet been paid is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested and accumulated vacation of governmental activities and proprietary funds is recorded as an expense and liability as the benefits accrue to employees. Sick leave does not vest and, therefore, no liability has been recorded for sick leave except for police officers and firefighters.

L. Interfund Transactions

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

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

M. 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.”

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Interfund Receivables/Payables (Continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

N. Long-Term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund financial statements. Bond premiums and discounts, as well as any gains/losses on refunding are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year of issuance.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

O. 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.

P. Fund Balance/Net Position

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose or externally imposed by outside entities or from enabling legislation adopted by the City. Committed fund balance is constrained by formal actions of the City Council, which

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balance/Net Position (Continued)

is considered the City's highest level of decision-making authority. Formal actions include ordinances approved by the City Council. Assigned fund balance represents amounts constrained by the City's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the City Manager and Finance Director through the City's Fund Balance Policy. Any residual fund balance in the General Fund, including fund balance targets and any deficit fund balance of any other governmental fund is reported as unassigned.

The City has a policy to maintain unassigned fund balance in the General Fund at a target level of 10% to 40% of annual budgeted expenditures. Balances in excess of 40% of annual budgeted expenditures may be transferred to the Capital Improvement Fund to support future capital projects.

The City's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending the City considers committed funds to be expended first followed by assigned funds and then unassigned funds.

In the government-wide financial statements, restricted net positions are legally restricted by outside parties for a specific purpose. Net investment in capital assets represents the book value of capital assets less any outstanding long-term debt issued to acquire or construct the capital assets.

At December 31, 2017, the City had \$752,654 of net position and fund balances that were restricted for capital improvements and maintenance of roadways as a result of enabling legislation adopted by the City.

Q. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows 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

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

2. CASH AND INVESTMENTS (Continued)

The City maintains a cash and investment pool that is available for use by all funds except the pension trust funds. Each fund's portion of this pool is displayed on the financial statements as "cash and investments." In addition, investments are separately held by several of the City's funds. The deposits and investments of the pension trust funds are held separately from those of other funds. The investments are governed by three separate investment policies; one policy for the City adopted by the City Council and one policy each for the Police Pension Fund and Firefighters' Pension Fund approved by their respective boards.

In accordance with the City's investment policy, the City's 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. Investments in the Illinois Funds are valued at the share price, the price for which the investment could be sold.

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.

City 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.

City 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.

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

2. CASH AND INVESTMENTS (Continued)

City 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. Illinois Funds and the money market mutual funds are not subject to custodial credit risk.

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

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

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

3. CAPITAL ASSETS

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

	Beginning Balances	Increases/ Transfers	Decreases/ Transfers	Ending Balances
GOVERNMENTAL ACTIVITIES				
Capital Assets not being Depreciated				
Land	\$ 3,213,149	\$ -	\$ -	\$ 3,213,149
Land Right of Way	2,338,881	-	-	2,338,881
Construction in Progress	421,236	648,444	-	1,069,680
Total Capital Assets not Being Depreciated	5,973,266	648,444	-	6,621,710
Capital Assets Being Depreciated				
Buildings	3,424,547	13,150	-	3,437,697
Machinery and Equipment	7,845,786	298,607	72,160	8,072,233
Bridges	10,515,760	-	-	10,515,760
Streets	32,220,163	-	-	32,220,163
Stormwater	4,701,899	-	-	4,701,899
Sidewalks	3,061,996	216,608	-	3,278,604
Railroad Spur	12,689,408	-	-	12,689,408
Street Lights	313,630	-	-	313,630
Total Capital Assets Being Depreciated	74,773,189	528,365	72,160	75,229,394

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

3. CAPITAL ASSETS (Continued)

	Beginning Balances	Increases/ Transfers	Decreases/ Transfers	Ending Balances
GOVERNMENTAL ACTIVITIES				
(Continued)				
Less Accumulated Depreciation for				
Buildings	\$ 1,854,408	\$ 78,528	\$ -	\$ 1,932,936
Machinery and Equipment	5,875,027	401,688	72,160	6,204,555
Bridges	1,775,543	210,315	-	1,985,858
Streets	13,216,168	771,997	-	13,988,165
Stormwater	3,800,579	177,547	-	3,978,126
Sidewalks	949,222	81,965	-	1,031,187
Railroad Spur	1,186,729	254,054	-	1,440,783
Street Lights	107,511	10,454	-	117,965
Total Accumulated Depreciation	28,765,187	1,986,548	72,160	30,679,575
Total Capital Assets being Depreciated, Net	46,008,002	(1,458,183)	-	44,549,819
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET				
	\$ 51,981,268	\$ (809,739)	\$ -	\$ 51,171,529

Depreciation expense was charged to functions/programs of the governmental activities as follows:

GOVERNMENTAL ACTIVITIES		
General Government		\$ 99,327
Public Safety		218,520
Public Works		1,648,836
Public Service Enterprises		19,865
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES		\$ 1,986,548

	Beginning Balances	Increases/ Transfers	Decreases/ Transfers	Ending Balances
BUSINESS-TYPE ACTIVITIES				
Capital Assets not Being Depreciated				
Land	\$ 3,397,940	\$ -	\$ -	\$ 3,397,940
Construction in Progress	10,000,440	5,446,398	8,197,744	7,249,094
Total Capital Assets not being Depreciated	13,398,380	5,446,398	8,197,744	10,647,034
Capital Assets Being Depreciated				
Infrastructure	50,937,851	5,199,009	-	56,136,860
Equipment	10,761,627	4,950	-	10,766,577
Other Tangible Assets	2,134,356	-	-	2,134,356
Structures and Improvements	2,811,526	-	-	2,811,526
Building	4,449,422	-	-	4,449,422
General	8,413,838	44,155	-	8,457,993
Generation	14,081,892	381,831	57,528	14,406,195
Transmission	13,978,106	2,001,746	-	15,979,852
Distribution	50,143,407	893,725	70,603	50,966,529
Total Capital Assets Being Depreciated	157,712,025	8,525,416	128,131	166,109,310

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

3. CAPITAL ASSETS (Continued)

	Beginning Balances	Increases/ Transfers	Decreases/ Transfers	Ending Balances
BUSINESS-TYPE ACTIVITIES				
(Continued)				
Less Accumulated Depreciation for				
Infrastructure	\$ 23,117,025	\$ 1,328,518	\$ -	\$ 24,445,543
Equipment	6,635,401	276,924	-	6,912,325
Other Tangible Assets	1,590,669	47,167	-	1,637,836
Structures and Improvements	957,012	107,928	-	1,064,940
Building	920,674	103,780	-	1,024,454
General	4,211,660	188,058	-	4,399,718
Generation	6,781,481	321,734	-	7,103,215
Transmission	8,506,512	577,206	-	9,083,718
Distribution	28,051,615	2,049,918	-	30,101,533
Total Accumulated Depreciation	80,772,049	5,001,233	-	85,773,282
 Total Capital Assets Being Depreciated, Net	 76,939,976	 3,524,183	 128,131	 80,336,028
 BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET	\$ 90,338,356	\$ 8,970,581	\$ 8,325,875	\$ 90,983,062

4. LONG-TERM DEBT

During the fiscal period, the following changes occurred in liabilities reported in the governmental activities:

	Balances January 1, as restated	Additions	Reductions	Balances December 31	Current Portion
GOVERNMENTAL ACTIVITIES					
GO TIF Bonds	\$ 2,565,000	\$ -	\$ 130,000	\$ 2,435,000	\$ 135,000
GO Debt Certificates	1,830,000	-	170,000	1,660,000	170,000
Unamortized Bond Premium	84,384	-	4,833	79,551	-
Installment Purchase Contract	-	27,461	-	27,461	3,883
Compensated Absences*	502,907	278,217	251,454	529,670	264,836
Net Pension Liability - IMRF*	2,101,150	-	157,817	1,943,333	-
Net Pension Liability - Police*	6,229,287	-	243,067	5,986,220	-
Net Pension Liability - Firefighters'*	5,341,976	-	259,708	5,082,268	-
Net Other Postemployment Benefit Obligation*	167,604	28,037	-	195,641	-
 TOTAL GOVERNMENTAL ACTIVITIES	 \$ 18,822,308	 \$ 333,715	 \$ 1,216,879	 \$ 17,939,144	 \$ 573,719

*These liabilities are primarily retired by the General Fund.

Beginning balances were restated to record the amounts for IMRF one year in arrears. See note 13 for additional information.

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM DEBT (Continued)

During the fiscal period, the following changes occurred in liabilities reported in the business-type activities:

	Balances January 1, as restated	Additions	Reductions/ Refundings	Balances December 31	Current Portion
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds					
2014 Electric System Bonds	\$ 6,000,000	\$ -	\$ 95,000	\$ 5,905,000	\$ 90,000
2015 Electric System Bonds	9,110,000	-	505,000	8,605,000	530,000
Total Revenue Bonds	15,110,000	-	600,000	14,510,000	620,000
General Obligation Debt Certificates	3,485,000	3,140,000	3,245,000	3,380,000	305,000
General Obligation Bonds	585,000	485,000	475,000	595,000	45,000
IEPA Revolving Loans	3,608,792	1,757,460	312,057	5,054,195	164,678
Unamortized Premium	1,059,536	90,715	72,231	1,078,020	-
Compensated Absences	217,116	220,269	217,116	220,269	220,269
Net Pension Liability - IMRF	2,961,861	-	222,463	2,739,398	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 27,027,305	\$ 5,693,444	\$ 5,143,867	\$ 27,576,882	\$ 1,354,947

Beginning balances were restated to record the amounts for IMRF one year in arrears. See note 13 for additional information.

Bonds payable and other long-term obligations at December 31, 2017 are comprised of the following, excluding the refunded bonds that are defeased in-substance:

General Obligation Debt

	Total	Current
\$5,000,000 2008 Limited Tax Debt Certificates, due in annual installments of \$165,000 to \$350,000 from June 30, 2009 to June 30, 2028, interest at 4.27%, retired by the Technology Center Fund. These debt certificates were partially refunded by the 2017A Debt Certificates. The remaining balance of \$240,000 is due in one installment at June 30, 2018.	\$ 240,000	\$ 240,000
\$750,000 2009 General Obligation Bonds, due in annual installments of \$15,000 to \$60,000 from June 30, 2011 to June 30, 2029, interest at 3.90% to 5.20%, retired by the Airport Fund, a nonmajor enterprise fund. These bonds were partially refunded by the 2017B General Obligation Bonds. The remaining balance of \$110,000 is due in annual installments of principal on January 1 in varying amounts ranging from \$35,000 to \$40,000, with interest payable semiannually at 3.90% to 4.75% maturing on January 1, 2020.	110,000	35,000

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM DEBT (Continued)

General Obligation Debt (Continued)

	<u>Total</u>	<u>Current</u>
\$2,000,000 Limited Tax Debt Certificates, due in annual installments of \$165,000 to \$170,000 from June 1, 2016 to June 1, 2027, interest at 2.00% to 4.50%, retired by the Capital Improvements Fund, a major governmental fund.	\$ 1,660,000	\$ 170,000
\$3,140,000 2017A Limited Tax Refunding Debt Certificates, due in annual installments of \$65,000 to \$350,000 from June 30, 2018 to June 30, 2028, interest at 2% to 4%, retired by the Technology Center Fund.	3,140,000	65,000
\$485,000 2017B General Obligation Refunding Bonds, due in annual installments of \$5,000 to \$60,000 from January 1, 2018 to January 1, 2029, interest at 2.000% to 3.125%, retired by the Airport Fund, a nonmajor enterprise fund.	<u>485,000</u>	<u>10,000</u>
TOTAL GENERAL OBLIGATION DEBT	<u><u>\$ 5,635,000</u></u>	<u><u>\$ 520,000</u></u>

\$2,955,000 Series 2013 General Obligation Refunding (Tax Increment Financing Alternate Revenue Source) Bonds, due in annual installments of \$60,000 to \$260,000, through December 1, 2030, interest from 2% to 4%.	<u>\$ 2,435,000</u>	<u>\$ 135,000</u>
TOTAL TIF FUND ALTERNATE REVENUE BONDS	<u><u>\$ 2,435,000</u></u>	<u><u>\$ 135,000</u></u>

Revenue Bonds

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

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM DEBT (Continued)

Revenue and Alternate Revenue Source Bonds Illinois EPA Loans

	<u>Total</u>	<u>Current</u>
\$600,000 Illinois EPA low interest loan related to the Askvig Subdivision project, due in semiannual installments of \$19,532, through May 2027, interest at 2.50%.	\$ 328,516	\$ 31,045
\$4,879,732 Illinois EPA low interest loan related to the Well #12 Project, due in semiannual installments of \$94,545 through November 2036, interest at 1.86%.	3,596,685	159,424
\$3,345,195 Illinois EPA low interest loan related to the Well #11 Project, through June 2038, interest at 1.32%.*	<u>1,128,994</u>	<u>-</u>
TOTAL WATER AND WATER RECLAMATION IEPA LOANS	<u>\$ 5,054,195</u>	<u>\$ 190,469</u>

*This loan was not fully drawn at December 31, 2017. Therefore, a debt service to maturity schedule is not available.

Installment Purchase Contract

	<u>Total</u>	<u>Current</u>
\$27,461 Installment Purchase Contract related to the purchase of a Kubota Tractor for the golf course, due in annual installments of \$5,681, through May 2023, interest at 6.55%.	\$ 27,461	\$ 3,883
TOTAL INSTALLMENT PURCHASE CONTRACT	<u>\$ 27,461</u>	<u>\$ 3,883</u>

Advance Refunding - General Obligation Debt Certifies, Series 2017A

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

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

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM DEBT (Continued)

Advance Refunding - General Obligation Refunding Bonds, Series 2017B

On December 14, 2017, the City issued \$485,000 General Obligation Refunding Bonds, Series 2017B. The City passed an ordinance directing the execution of an escrow agreement in order to partially refund General Obligation Bonds, Series 2009 issued by the City and outstanding in the principal amount of \$440,000. This advance refunding was undertaken to reduce total debt service payments over the next eleven years by \$27,281 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding debt certificates) of \$25,458. The reacquisition price exceeded the net carrying amount of the old debt by \$25,560. This amount is being amortized over the remaining life of the refunding debt.

Proceeds in the amount of \$465,560 from the refunding debt certificates were used to execute the escrow agreement. The refunded \$440,000 General Obligation Bonds, Series 2009 will be called in its entirety on January 1, 2019.

Debt Service to Maturity

The annual requirements to amortize all debt outstanding (except compensated absences, net pension liabilities and net OPEB obligations) as of December 31, 2017, are as follows:

Fiscal Year Ending December 31,	Business-Type Activities General Obligation Debt		Governmental Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
	2018	\$ 350,000	\$ 124,902	\$ 170,000
2019	310,000	114,875	170,000	49,150
2020	320,000	104,794	165,000	44,550
2021	330,000	94,694	165,000	39,600
2022	335,000	84,719	165,000	34,443
2023-2027	1,875,000	238,019	825,000	85,182
2028-2029	455,000	8,771	-	-
TOTAL	\$ 3,975,000	\$ 770,774	\$ 1,660,000	\$ 306,113

Fiscal Year Ending December 31,	Revenue Bonds		General Obligation Alternate Revenue Debt	
	Principal	Interest	Principal	Interest
	2018	\$ 615,000	\$ 598,865	\$ 135,000
2019	630,000	580,190	140,000	76,905
2020	650,000	558,240	145,000	73,405
2021	675,000	532,740	150,000	69,635
2022	700,000	506,240	160,000	65,735
2023-2027	3,950,000	2,080,700	965,000	250,450
2028-2032	4,915,000	1,191,225	740,000	59,612
2033-2037	2,375,000	120,125	-	-
TOTAL	\$ 14,510,000	\$ 6,168,325	\$ 2,435,000	\$ 676,022

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. LONG-TERM DEBT (Continued)

Debt Service to Maturity (Continued)

Fiscal Year Ending December 31,	Installment Purchase Contract		Illinois EPA Loans	
	Principal	Interest	Principal	Interest
2018	\$ 3,883	\$ 1,798	\$ 190,469	\$ 73,819
2019	4,137	1,544	194,228	70,060
2020	4,408	1,273	198,064	66,224
2021	4,697	985	201,976	62,312
2022	5,004	677	205,966	58,322
2023-2027	5,332	349	1,073,014	229,254
2028-2032	-	-	995,768	132,152
2033-2036	-	-	865,716	36,620
TOTAL	\$ 27,461	\$ 6,626	\$ 3,925,201	\$ 728,763

Revenue Source Bonds

The City issued the Series 2014 Electric Revenue Alternate Revenue Source Bonds and the Series 2015 Refunding Electric Alternate Revenue Source Bonds to provide funds for electric capital improvements. These bonds are payable from a pledge of the City's electric revenues and are being repaid by the Electric Fund. The bonds are payable solely from electric revenues and are payable through 2034. The total principal and interest remaining to be paid on the bonds as of December 31, 2017 is \$20,678,325. Principal and interest paid for the current year was \$1,216,615 or 17.92% of total customer net revenues of \$6,789,654.

5. INDUSTRIAL REVENUE BONDS

The City has approved the issuance of industrial revenue bonds for the benefit of private business enterprises. The bonds are secured solely by the property financed and are payable solely from the payments received on the underlying mortgage loans on the property. The City is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds outstanding are not reported as a liability in these financial statements. As of December 31, 2017, there was one bond outstanding. The aggregate principal amount payable was \$4,200,000.

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

6. REVENUE BONDS

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

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

The City has complied with all significant limitations, restrictions and bond covenants during the year ended December 31, 2017. The restricted assets and restricted net position for purposes other than bond proceeds and the expenses of operating, maintaining and repairing the system, is as follows:

RESTRICTED BOND ORDINANCE ACCOUNTS

Bond and Interest Account	\$ 428,953
Bond Reserve Account	1,295,795
Capital Improvement Account	1,569,880
Depreciation, Improvement and Extension Account	<u>3,745,452</u>
TOTAL	<u>\$ 7,040,080</u>

7. DEFINED BENEFIT PENSION PLANS

The City contributes to three defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer public employee retirement system; the Police Pension Plan, which is a single-employer pension plan; and the Firefighters' Pension Plan, which is also a single-employer pension plan. The benefits, benefit levels, employee contributions, and employer contributions for all three plans are governed by Illinois Compiled Statutes (ILCS) and can only be amended by the Illinois General Assembly. None of the pension plans issue separate reports on the pension plans. However, IMRF does issue a publicly available report that includes financial statements and supplementary information for the plan as a whole, but not for individual employers. That report can be obtained from IMRF, 2211 York Road, Suite 500, Oak Brook, Illinois 60523 or at www.imfr.org. The total pension liability for all plans was \$15,751,219 at December 31, 2017. Pension expense for all plans totaled \$1,079,200 for the year ended December 31, 2017.

A. Plan Descriptions

Illinois Municipal Retirement Fund

Plan Administration

All employees (other than those covered by the Police Pension Plan and Firefighters' Pension Plan) hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members.

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

Plan Membership

At December 31, 2016, the latest actuarial valuation date, IMRF membership consisted of:

Inactive Employees or their Beneficiaries	
Currently Receiving Benefits	108
Inactive Employees Entitled to but not yet Receiving Benefits	32
Active Employees	<u>92</u>
 TOTAL	 <u><u>232</u></u>

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Benefits Provided

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

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

Contributions

Participating members are required to contribute 4.50% of their annual salary to IMRF. The City is required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution rate for calendar years 2016 and 2017 was 11.83% and 11.94% of covered payroll, respectively.

Net Pension Liability

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

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Net Pension Liability (Continued)

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

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

Discount Rate

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

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

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Changes in the Net Pension Liability

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension (Asset) Liability
BALANCES AT JANUARY 1, 2016	\$ 37,920,790	\$ 32,857,779	\$ 5,063,011
Changes for the Period			
Service Cost	642,258	-	642,258
Interest	2,791,955	-	2,791,955
Difference Between Expected and Actual Experience	(40,100)	-	(40,100)
Changes in Assumptions	(90,079)	-	(90,079)
Employer Contributions	-	725,858	(725,858)
Employee Contributions	-	343,977	(343,977)
Net Investment Income	-	2,260,861	(2,260,861)
Benefit Payments and Refunds	(1,832,637)	(1,832,637)	-
Administrative Expense	-	-	-
Other (Net Transfer)	-	353,618	(353,618)
Net Changes	1,471,397	1,851,677	(380,280)
BALANCES AT DECEMBER 31, 2016	\$ 39,392,187	\$ 34,709,456	\$ 4,682,731

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

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

For the year ended December 31, 2017, the City recognized pension expense of \$552,487.

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows/Infl ows of Resources
	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>
Difference Between Expected and Actual Experience	\$ 414,561	\$ 30,225	\$ 384,336
Changes in Assumption	22,593	67,897	(45,304)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,538,775	-	1,538,775
Contributions after measurement date	768,000	-	768,000
	<u>768,000</u>	<u>-</u>	<u>768,000</u>
TOTAL	\$ 2,743,929	\$ 98,122	\$ 2,645,807

\$768,000 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement period ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to IMRF will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2018	\$ 673,620
2019	673,620
2020	494,894
2021	35,673
	<u>35,673</u>
TOTAL	\$ 1,877,807

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate Sensitivity

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$ 9,529,867	\$ 4,682,731	\$ 665,536

Police Pension Plan

Plan Administration

Police sworn personnel are covered by the Police Pension Plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

The plan is governed by a five-member Board of Trustees. Two members of the Board of Trustees are appointed by the City's Mayor, one member is elected by pension beneficiaries and two members are elected by active police employees.

Plan Membership

At December 31, 2017, the valuation date, membership consisted of:

Inactive Plan Members Currently Receiving Benefits	18
Inactive Plan Members Entitled to but not yet Receiving Benefits	-
Active Plan Members	<u>19</u>
TOTAL	<u><u>37</u></u>

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Benefits Provided

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive 2.50% of salary for each year of service. The monthly benefit shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officers' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police officer retires, or the first anniversary of the pension starting date, whichever is later.

Contributions

Employees are required by ILCS to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. Effective January 1, 2011, the City has until the year 2040 to fund 90% of the past service cost for the Police Pension Plan. However, the City has adopted a funding policy to fund 100% of the past service cost by 2040. For the year ended December 31, 2017, the City's contribution was 26.45% of covered payroll.

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Investment Policy

ILCS limits the Police Pension Fund's (the Fund) investments to those allowable by ILCS and require the Fund's Board of Trustees to adopt an investment policy which can be amended by a majority vote of the Board of Trustees. The Fund's investment policy authorizes the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, obligations of states and their political subdivisions, insured credit union shares, repurchase agreements, commercial paper rates within the three highest classifications by at least two standard rating services, the Illinois Funds, mutual funds, equity securities, corporate debt securities and variable annuities.

The Fund's investment policy in accordance with ILCS establishes the following target allocation across asset classes (Table below represents most recent data available, as of November 30, 2017):

Asset Class	Target	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	3.00%	0.90%
Fixed Income	32.00%	0.95%
U.S. Large Cap Equity	11.50%	5.05%
U.S. Small/Mid Cap Equity	10.50%	5.95%
U.S. Preferred Securities	3.50%	2.10%
International Developed Markets Equity	11.00%	8.64%
Emerging Markets Equity	9.00%	7.53%
Real Estate	10.00%	6.16%
Tactical All Asset	2.50%	4.03%
MLPs	4.00%	7.89%
U.S. Corporate High Yield Securities	3.00%	2.58%

The long-term expected real rates of return are net of a 2.44% factor for inflation and investment expense. ILCS limits the Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Investment Policy (Continued)

The long-term expected rate of return on the Fund's investments was determined using an asset allocation study conducted by the Fund's investment management consultant in which best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates or arithmetic real rates of return excluding inflation for each major asset class included in the Fund's target asset allocation are listed in the table above.

Investment Valuations

All investments in the plan are stated at fair value and are recorded as of the trade date. Fair value is based on quoted market prices at December 31 for debt securities, equity securities and mutual funds and contract values for insurance contracts. Investments in the Illinois Funds are valued at the share price, the price for which the investment could be sold.

Investment Concentrations

There are no significant investments (other than United States Government guaranteed obligations) in any one organization that represent 5% or more of the Fund's investments.

Investment Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.91%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 Fund's deposits may not be returned to them. The Fund's investment policy does not require pledging of collateral for bank balances in excess of federal depository insurance, since flow-through FDIC insurance is available for the Fund's deposits with financial institutions.

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Interest Rate Risk

The following table presents the investments and maturities of the Fund's debt securities as of December 31, 2017:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury Obligations	\$ 1,431,783	\$ -	\$ 779,165	\$ 478,953	\$ 173,665
U.S. Agency Obligations	483,163	59,829	-	-	423,334
Corporate Bonds	1,456,960	10,030	260,357	878,699	307,874
TOTAL	\$ 3,371,906	\$ 69,859	\$ 1,039,522	\$ 1,357,652	\$ 904,873

The Fund has the following recurring fair value measurements as of December 31, 2017: the U.S. Treasury obligations, equities, equity mutual funds and fixed income mutual funds are valued using quoted prices in active markets for identical assets (Level 1 inputs). The U.S. agency obligations and the corporate bonds are valued using quoted matrix pricing models (Level 2 inputs).

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 Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed for expected current cash flows. The investment policy does not limit the maximum maturity length of investments in the Fund.

Credit Risk

The Fund 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 or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government and corporate bonds rated within the four highest ratings categories at the time of purchase by a national rating agency. The corporate bonds are rated A+ to BBB- by Standard and Poor's.

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Fund will not be able to recover the value of its investments that are in possession of an outside party. The investment policy is silent on limiting exposure to custodial credit risk. In addition, the Fund allows the manager purchasing the investment to also serve as custodian over the investment. To limit its exposure, the manager has purchased an excess SIPC policy to cover any investment losses not covered by the limits of SIPC.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of January 1, 2017, rolled forward to December 31, 2017 using the following actuarial methods and assumptions.

Actuarial Valuation Date	January 1, 2017
Measurement Date	December 31, 2017
Actuarial Cost Method	Entry-Age Normal
Assumptions	
Inflation	2.50%
Salary Increases	2.50% to 17.91%
Interest Rate	6.75%
Cost of Living Adjustments	3.00%
Asset Valuation Method	Market

Mortality rates were based on rates developed in a 2016 study performed by the actuary for Illinois Police Officers. Other demographic assumption rates are based on a review of assumptions in the actuary's 2016 study for Illinois Police Officers.

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Changes in the Net Pension Liability

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2017	\$ 16,613,906	\$ 10,384,619	\$ 6,229,287
Changes for the Period			
Service Cost	244,048	-	244,048
Interest	1,090,246	-	1,090,246
Difference Between Expected and Actual Experience	240,607	-	240,607
Changes in Assumptions	-	-	-
Employer Contributions	-	497,804	(497,804)
Employee Contributions	-	140,386	(140,386)
Net Investment Income	-	1,200,675	(1,200,675)
Benefit Payments and Refunds	(924,236)	(924,236)	-
Administrative Expense	-	(20,897)	20,897
Net Changes	650,665	893,732	(243,067)
BALANCES AT DECEMBER 31, 2017	\$ 17,264,571	\$ 11,278,351	\$ 5,986,220

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Police Pension Plan (Continued)

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

For the year ended December 31, 2017, the City recognized police pension expense of \$236,007.

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the police pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Difference Between Expected and Actual Experience	\$ 207,420	\$ 144,009	\$ 63,411
Changes in Assumption	758,874	282,801	476,073
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	143,182	-	143,182
TOTAL	\$ 1,109,476	\$ 426,810	\$ 682,666

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the police pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2018	\$ 235,398
2019	235,398
2020	102,042
2021	18,464
2022	80,818
Thereafter	<u>10,546</u>
TOTAL	\$ 682,666

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Police Pension Plan (Continued)

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the City calculated using the discount rate of 6.75% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 8,572,783	\$ 5,986,220	\$ 3,894,656

Firefighters' Pension Plan

Plan Administration

Firefighter sworn personnel are covered by the Firefighters' Pension Plan, a single-employer defined benefit pension plan sponsored by the City. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/4-101) and may be amended only by the Illinois legislature. The City accounts for the Firefighters' Pension Plan as a pension trust fund.

The plan is governed by a five-member Board of Trustees. Two members of the Board of Trustees are appointed by the City's Mayor, one member is elected by pension beneficiaries and two members are elected by active firefighter employees.

Plan Membership

At December 31, 2017, the valuation date, membership consisted of:

Inactive Plan Members Currently Receiving Benefits	10
Inactive Plan Members Entitled to but not yet Receiving Benefits	-
Active Plan Members	<u>13</u>
TOTAL	<u><u>23</u></u>

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Benefits Provided

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Tier 1 employees (those hired prior to January 1, 2011) attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit equal to one-half of the salary attached to the rank held at the date of retirement. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension, and 3% compounded annually thereafter.

Tier 2 employees (those hired on or after January 1, 2011) attaining the age of 55 or older with ten or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the firefighter during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Firefighters' salary for pension purposes is capped at \$106,800, plus the lesser of ½ of the annual change in the Consumer Price Index or 3% compounded. The annual benefit shall be increased by 2.50% of such salary for each additional year of service over 20 years up to 30 years to a maximum of 75% of such salary. Employees with at least ten years may retire at or after age 50 and receive a reduced benefit (i.e., ½% for each month under 55). The monthly benefit of a Tier 2 firefighter shall be increased annually at age 60 on the January 1st after the firefighter retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% or ½ of the change in the Consumer Price Index for the proceeding calendar year.

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Contributions

Employees are required by ILCS to contribute 9.455% of their base salary to the Firefighter's Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan, as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the City to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. However, the City has adopted a funding policy to fund 100% of the past service cost by 2040. For the year ended December 31, 2017, the City's contribution was 42.82% of covered payroll.

Investment Policy

Permitted Deposits and Investments - Statutes and the Firefighter's Pension Fund's (the Fund) investment policy authorize the Fund to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, obligations of states and their political subdivisions, insured credit union shares, repurchase agreements, commercial paper rates within the three highest classifications by at least two standard rating services, the Illinois Funds, mutual funds, equity securities, corporate debt securities and variable annuities.

The Fund's investment policy in accordance with ILCS establishes the following target allocation across asset classes:

Asset Class	Target	Long-Term Expected Real Rate of Return
Large Cap Domestic Equity	28%	6.70%
Small Cap Domestic Equity	8%	8.30%
International Equity	4%	6.20%
Fixed Income	60%	1.30%

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Investment Policy (Continued)

The long-term expected real rates of return are net of a 3.15% factor for inflation and investment expense. ILCS limits the Fund's investments in equities, mutual funds and variable annuities to 65%. Securities in any one company should not exceed 5% of the total fund.

The long-term expected rate of return on the Fund's investments was determined using *Stocks, Bonds, Bills and Inflation 2016 Yearbook - Morningstar*, for the period of December 31, 1925 through December 31, 2016. The long-term expected rate of return on the Internal Equity class was based on the MCSI EAFE index for the period of December 31, 1969 through December 31, 2016. The long-term expected rates of return are the best estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) for each major assets class. Best estimates or geometric real rates of return excluding inflation for each major asset class included in the Fund's target asset allocation as of December 31, 2017 are listed in the table on the previous page.

Concentrations

There are no significant investments (other than United States Government guaranteed obligations) in any one organization that represent 5% or more of the Fund's investments.

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.86%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 Fund's deposits may not be returned to them. The Fund's investment policy does not require pledging of collateral for bank balances in excess of federal depository insurance, since flow-through FDIC insurance is available for the Fund's deposits with financial institutions.

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Interest Rate Risk

The following table presents the investments and maturities of the Fund's debt securities as of December 31, 2017:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	Greater than 10
U.S. Treasury Obligations	\$ 608,570	\$ 184,609	\$ 398,680	\$ 25,281	\$ -
U.S. Agency Obligations	2,816,759	-	734,051	1,856,180	226,528
Corporate Bonds	379,541	100,692	99,341	179,508	-
State and Local Obligations	713,169	-	112,325	271,808	329,036
TOTAL	\$ 4,518,039	\$ 285,301	\$ 1,344,397	\$ 2,332,777	\$ 555,564

The Fund has the following recurring fair value measurements as of December 31, 2017: the U.S. Treasury obligations and equity mutual funds are valued using quoted prices in active markets for identical assets (Level 1 inputs). The U.S. agency obligations and the corporate and municipal bonds are valued using quoted matrix pricing models (Level 2 inputs). The annuity contracts are reported at cash surrender value (Level 3 inputs).

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 Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed for expected current cash flows. The investment policy does not limit the maximum maturity length of investments in the Fund.

Credit Risk

The Fund 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 or securities issued by agencies of the United States Government that are explicitly or implicitly guaranteed by the United States Government and state and local obligations rated within the four highest ratings categories at the time of purchase by a national rating agency. The agency securities are rated Aaa by Standard and Poor's, the current rating for federal debt securities. The state and local obligations are rated from A+ to AA. The corporate bonds are rated from BBB+ to AAA.

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Fund will not be able to recover the value of its investments that are in possession of an outside party. The investment policy is silent on limiting exposure to custodial credit risk. To limit its exposure, the manager has purchased an excess SIPC policy to cover any investment losses not covered by the limits of SIPC.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of January 1, 2017, rolled forward to December 31, 2017 using the following actuarial methods and assumptions.

Actuarial Valuation Date	January 1, 2017
Measurement Date	December 31, 2017
Actuarial Cost Method	Entry-Age Normal
Assumptions	
Inflation	2.50%
Salary Increases	2.50% to 17.64%
Interest Rate	6.75%
Cost of Living Adjustments	3.00%
Asset Valuation Method	Market

Mortality rates were based on rates developed in a 2016 study performed by the actuary for Illinois Firefighters. Other demographic assumption rates are based on a review of assumptions in the actuary's 2016 study for Illinois Firefighters.

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Changes in the Net Pension Liability

	(a) Total Pension Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net Pension Liability
BALANCES AT JANUARY 1, 2017	\$ 13,495,400	\$ 8,153,424	\$ 5,341,976
Changes for the Period			
Service Cost	168,513	-	168,513
Interest	890,290	-	890,290
Difference Between Expected and Actual Experience	78,353	-	78,353
Changes in Assumptions	-	-	-
Employer Contributions	-	443,122	(443,122)
Employee Contributions	-	98,666	(98,666)
Net Investment Income	-	871,095	(871,095)
Benefit Payments and Refunds	(611,828)	(611,828)	-
Administrative Expense	-	(16,019)	16,019
Net Changes	525,328	785,036	(259,708)
BALANCES AT DECEMBER 31, 2017	\$ 14,020,728	\$ 8,938,460	\$ 5,082,268

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

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

For the year ended December 31, 2017, the City recognized firefighters' pension expense of \$290,706.

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the firefighters' pension fund from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
Difference Between Expected and Actual Experience	\$ 549,790	\$ 159,216	\$ 390,574
Changes in Assumption	651,670	290,707	360,963
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	32,396	258,915	32,396
TOTAL	\$ 1,233,856	\$ 449,923	\$ 783,933

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the firefighters' pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2018	\$ 166,833
2019	166,833
2020	96,973
2021	52,685
2022	112,732
Thereafter	<u>187,877</u>
TOTAL	\$ 783,933

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

A. Plan Descriptions (Continued)

Firefighters' Pension Plan (Continued)

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability of the City calculated using the discount rate of 6.75% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 7,106,826	\$ 5,082,268	\$ 3,432,846

B. Schedule of Fiduciary Net Position

	Police Pension	Firefighters' Pension	Total
ASSETS			
Cash and Short-Term Investments	\$ 547,345	\$ 741,475	\$ 1,288,820
Investments, at Fair Value			
U.S. Treasury Securities	1,431,783	608,570	2,040,353
U.S. Agency Securities	483,163	2,816,759	3,299,922
Equity Mutual Funds	5,714,740	3,468,626	9,183,366
Fixed Income Mutual Funds	326,451	-	326,451
Corporate Bonds	1,456,960	379,541	1,836,501
Municipal Bonds	-	713,169	713,169
Equities	1,295,391	-	1,295,391
Annuity Contracts	-	182,268	182,268
Receivables			
Accrued Interest	22,518	28,052	50,570
Total Assets	11,278,351	8,938,460	20,216,811
LIABILITIES			
None	-	-	-
Total Liabilities	-	-	-
NET POSITION RESTRICTED FOR PENSIONS	\$ 11,278,351	\$ 8,938,460	\$ 20,216,811

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

7. DEFINED BENEFIT PENSION PLANS (Continued)

C. Schedule of Changes in Fiduciary Net Position

	Police Pension	Firefighters' Pension	Total
ADDITIONS			
Contributions			
Employer Contributions	\$ 497,804	\$ 443,122	\$ 940,926
Employee Contributions	140,386	98,666	239,052
Total Contributions	638,190	541,788	1,179,978
INVESTMENT INCOME			
Net Appreciation on Fair Value of Investments			
	927,777	595,938	1,523,715
Interest Earned	333,803	292,581	626,384
Less Investment Expense	(60,905)	(17,424)	(78,329)
Net Investment Income	1,200,675	871,095	2,071,770
Total Additions	1,838,865	1,412,883	3,251,748
DEDUCTIONS			
Benefits and Refunds	924,236	611,828	1,536,064
Administrative Expenses	20,897	16,019	36,916
Total Deductions	945,133	627,847	1,572,980
NET INCREASE	893,732	785,036	1,678,768
NET POSITION RESTRICTED FOR PENSIONS			
January 1	10,384,619	8,153,424	18,538,043
December 31	\$ 11,278,351	\$ 8,938,460	\$ 20,216,811

8. RISK MANAGEMENT

The City 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. The City purchases third party indemnity insurance to limit its exposure to losses. Settled claims from these risks have not exceeded commercial insurance coverage in the current fiscal year or the two prior fiscal years.

9. CONTRACTS, COMMITMENTS AND CONTINGENCIES

A. Litigation

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

B. Grants

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

C. Northern Illinois Municipal Power Agency

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

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

9. CONTRACTS, COMMITMENTS AND CONTINGENCIES (Continued)

C. Northern Illinois Municipal Power Agency (Continued)

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

D. Rochelle Waste Disposal

The City signed a host agreement with Rochelle Waste Disposal, LLC (the Operator) for Sanitary Landfill No. 2, effective May 1, 1996. Under this agreement, the Operator is responsible for all closure and post-closure costs, with no liability to the City. The leasing parties are responsible for any remediation costs. The lease will run as long as the capacity permits for the disposal of solid waste remains, or a minimum of 20 years. The Operator paid an initiation fee of \$200,000. The Operator will also pay a base fee of \$75,000 payable in quarterly installments and a usage fee based on a tonnage fee, or 6.10% of gross revenues on the accrual basis, whichever is greater.

E. Ogle-Lee Fire Protection District

The City is engaged in an intergovernmental agreement for fire protection services with Ogle-Lee Fire Protection District (the District). The management board consists of two members appointed by the District and two by the City. The District is required to pay \$86,500 per year through September 30, 2022.

F. Tax Abatements

The City abates property taxes to stimulate commercial and industrial development within the City under certain circumstances. The terms of these abatement arrangements are specified within written agreements with the businesses concerned.

For the fiscal year ended December 31, 2017, the City abated 60% of the City portion of the property tax extension for a dealership who constructed a new automobile showroom at 1260 North 7th Street, Rochelle, Illinois. The abatement for the year amounted to \$5,600. In addition, the City abated ½ of the 1% portion of sales tax attributable to sales and services rendered at the new showroom. The sales tax abatement amounted to \$31,539. The storm water management fee of \$1,300 was also waived by the City in accordance with this agreement. Under the terms of the agreement, the dealership is required to employ a minimum of 25 full-time equivalent employees for at least five years. The agreement expires December 31, 2018.

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

9. CONTRACTS, COMMITMENTS AND CONTINGENCIES (Continued)

F. Tax Abatements (Continued)

For the fiscal year ended December 31, 2017, the City abated ½ of the 1% portion of sales tax attributable to sales and services rendered for a dealership who renovated their building at 620 South 7th Street, Rochelle, Illinois. The sales tax abatement amounted to \$48,158. A portion of the property taxes attributable to any new improvements added to the property (30% to 90%) will be rebated by the City related to this agreement starting in fiscal year 2018 (2017 tax levy). Under the terms of the agreement, the dealership is required to employ a minimum of 19 full-time equivalent employees for at least five years. The agreement expires December 31, 2022.

10. INDIVIDUAL FUND DISCLOSURES

A. Due From/To Other Funds

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

Fund	Due From	Due To
General	\$ 260,984	\$ -
Internal Service Fund	-	35,201
Nonmajor Governmental	286,190	511,973
TOTAL	\$ 547,174	\$ 547,174

Due from/to amounts are to cover temporary cash deficits. Repayment is expected within one year.

B. Advances From/To Other Funds

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

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

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

10. INDIVIDUAL FUND DISCLOSURES (Continued)

B. Advances From/To Other Funds (Continued)

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

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

C. Interfund Transfers

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

	Transfer In	Transfer Out
General	\$ 2,583,326	\$ 255,000
Electric	-	2,039,828
Water and Water Reclamation	-	230,341
Communications	420,707	-
Technology Center	-	420,707
Nonmajor Governmental	1,458,326	1,432,683
Nonmajor Enterprise	80,000	163,800
TOTAL	\$ 4,542,359	\$ 4,542,359

The purposes of significant interfund transfers are as follows:

- \$2,583,326 transferred to the General Fund was made up of \$2,039,828 from the Electric Utility Fund, \$230,341 from the Water and Water Reclamation Fund, \$163,800 from the Nonmajor Enterprise Funds for annual transfers as permitted under bond ordinances and city policies. \$149,357 was transferred from the Nonmajor Governmental Funds (\$12,000 from the Overweight Truck Permit Fund to pay for administrative fees and \$137,357 from the Railroad Fund to pay for 50% of the Economic Development budget). The transfers will not be repaid.

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

10. INDIVIDUAL FUND DISCLOSURES (Continued)

C. Interfund Transfers (Continued)

- \$1,128,326 transferred to the Capital Improvement Fund (Nonmajor Governmental Fund) from Nonmajor Governmental Funds (Utility Tax Fund \$290,431, Motor Fuel Tax Fund \$109,933, Railroad Fund \$235,983 and Sales Tax Fund \$491,979) for annual sidewalk maintenance and miscellaneous street maintenance and CIP projects. These transfers will not be repaid.

D. Fund Balance/Net Position Deficits

As of December 31, 2016, the IMRF Fund, Downtown TIF Fund and Capital Improvement Fund had deficit fund balances of \$12,356, \$213,427, and \$400,133 respectively.

11. RECEIVABLES

The following receivables are included in due from other governments on the statement of net position at December 31, 2017:

GOVERNMENTAL ACTIVITIES

Telecommunications Tax	\$ 68,823
Use Tax	75,770
Sales Tax	759,081
Auto Rental Tax	192
Video Gaming Tax	23,945
Grants	164,895
Motor Fuel Tax	<u>21,155</u>

TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 1,113,861</u>
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BUSINESS-TYPE ACTIVITIES

IEPA Loan	<u>\$ 683,765</u>
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12. OTHER POSTEMPLOYMENT BENEFITS

A. 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. The activity of the plan is reported in the City's governmental activities.

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Benefits Provided

The City provides postemployment health care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the City's retirement plans.

The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous and substance abuse care; and prescriptions. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the City's plan becomes secondary.

C. Membership

At January 1, 2017, the valuation date, membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	2
Terminated Employees Entitled to Benefits but not yet Receiving Them	-
Active Employees	<u>103</u>
TOTAL	<u><u>105</u></u>

D. Funding Policy

The City negotiates the contribution percentages between the City and employees through the union contracts and personnel policy. Active employees do not contribute to the plan until retirement.

E. Annual OPEB Costs and Net OPEB Obligation

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation 2016 and 2017 were as follows:

Fiscal Period Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 34,883	\$ 7,638	21.90%	\$ 151,178
2016*	24,258	7,832	32.29%	167,604
2017	42,123	14,086	33.44%	195,641

*The City changed to a December 31 year end, effective December 31, 2016.

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

E. Annual OPEB Costs and Net OPEB Obligation (Continued)

The net OPEB obligation (NOPEBO) as December 31, 2017 was calculated as follows:

Annual Required Contribution	\$ 41,894
Interest on Net OPEB Obligation	5,766
Adjustment to Annual Required Contribution	<u>(5,537)</u>
Annual OPEB Cost	42,123
Contributions Made	<u>(14,086)</u>
Increase in Net OPEB Obligation	28,037
Net OPEB Obligation, Beginning of Year	<u>167,604</u>
NET OPEB OBLIGATION, END OF YEAR	<u>\$ 195,641</u>

Funded Status and Funding Progress. The funded status of the plan as of January 1, 2017 was as follows:

Actuarial Accrued Liability (AAL)	\$ 412,718
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	412,718
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%
Covered Payroll (Active Plan Members)	\$ 7,879,246
UAAL as a Percentage of Covered Payroll	5.24%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

E. Annual OPEB Costs and Net OPEB Obligation (Continued)

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2017 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included 3.40% investment rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate of 1.40% reduced to an ultimate healthcare cost trend rate of 5.00%. The actuarial value of assets was not determined as the City has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open 30-year basis.

13. PRIOR PERIOD ADJUSTMENT AND CHANGE IN ACCOUNTING PRINCIPLE

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

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

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

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

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

	Increase (Decrease)
GOVERNMENTAL ACTIVITIES	
Change in accounting principle	
To record the IMRF net pension liability	\$ (377,523)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ (377,523)</u>

CITY OF ROCHELLE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

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

BUSINESS-TYPE ACTIVITIES

Change in accounting principle	
To record the IMRF net pension liability	\$ (532,171)
Prior period adjustment	
Restatement - correction of an error	<u>(124,900)</u>

TOTAL BUSINESS-TYPE ACTIVITIES \$ (657,071)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Taxes	\$ 4,790,269	\$ 4,808,769	\$ 18,500
Licenses and Permits	219,000	217,220	(1,780)
Intergovernmental	1,131,335	989,468	(141,867)
Charges for Services	833,400	794,346	(39,054)
Fines and Forfeitures	117,500	103,713	(13,787)
Investment Income	3,000	15,198	12,198
Miscellaneous	72,000	91,663	19,663
Total Revenues	7,166,504	7,020,377	(146,127)
EXPENDITURES			
Current			
General Government	2,310,932	2,017,799	(293,133)
Public Safety	5,912,389	5,552,869	(359,520)
Public Works	1,641,793	1,478,315	(163,478)
Public Service Enterprises	115,984	108,455	(7,529)
Conservation and Development	201,716	183,981	(17,735)
Total Expenditures	10,182,814	9,341,419	(841,395)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,016,310)	(2,321,042)	695,268
OTHER FINANCING SOURCES (USES)			
Transfers In	3,283,327	2,583,326	(700,001)
Transfers (Out)	(255,000)	(255,000)	-
Proceeds from Sale of Asset	-	10,249	10,249
Total Other Financing Sources (Uses)	3,028,327	2,338,575	(689,752)
NET CHANGE IN FUND BALANCE	\$ 12,017	17,533	\$ 5,516
FUND BALANCE, JANUARY 1		2,116,857	
FUND BALANCE, DECEMBER 31		\$ 2,134,390	

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

December 31, 2017

Actuarial Valuation Date April 30/ December 31	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2013	N/A	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A	N/A
2015	\$ -	\$ 291,160	\$ -	\$ 291,160	\$ 7,276,593	4.00%
2016	N/A	N/A	N/A	N/A	N/A	N/A
2016*	N/A	N/A	N/A	N/A	N/A	N/A
2017	-	412,718	-	412,718	7,879,246	5.24%

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

N/A - Not available

(See independent auditor's report.)

CITY OF ROCHELLE

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

Last Three Fiscal Years

FISCAL YEAR ENDED	April 30		December 31	
	2016		2016*	
			2017	
Actuarially Determined Contribution	\$ 683,782	\$ 491,358	\$ 768,000	
Contributions in Relation to the Actuarially Determined Contribution	683,782	491,358	768,000	
CONTRIBUTION DEFICIENCY (Excess)	\$ -	\$ -	\$ -	
Covered-Employee Payroll	\$ 6,035,344	\$ 4,153,491	\$ 6,432,161	
Contributions as a Percentage of Covered-Employee Payroll	11.33%	11.83%	11.94%	

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

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 27 years; the asset valuation method was at five-year smoothed market; and the significant actuarial assumptions were an investment rate of return at 7.00% annually, projected salary increases of 4.40% to 16.00% compounded annually and postretirement benefit increases of 3.00% compounded annually.

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

(See independent auditor's report.)

CITY OF ROCHELLE

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND**

Last Four Fiscal Years

FISCAL YEAR ENDED	April 30		December 31	
	2015	2016	2016*	2017
Actuarially Determined Contribution	\$ 263,541	\$ 366,575	\$ 389,808	\$ 499,765
Contributions in Relation to the Actuarially Determined Contribution	276,905	360,627	388,135	497,804
CONTRIBUTION DEFICIENCY (Excess)	\$ (13,364)	\$ 5,948	\$ 1,673	\$ 1,961
Covered-Employee Payroll	\$ 1,586,341	\$ 1,349,905	\$ 1,212,418	\$ 1,882,279
Contributions as a Percentage of Covered-Employee Payroll	17.46%	26.71%	32.01%	26.45%

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

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of May 1/January 1 of the prior fiscal years. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 24 years; the asset valuation method was market value; and the significant actuarial assumptions were an investment rate of return of 6.75% annually, projected salary increase assumption of 2.50% to 17.91% plus 2.50% for inflation compounded annually and postretirement benefit increases of 3.00% compounded annually.

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

(See independent auditor's report.)

CITY OF ROCHELLE

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREFIGHTERS' PENSION FUND**

Last Four Fiscal Years

FISCAL YEAR ENDED	April 30		December 31	
	2015	2016	2016*	2017
Actuarially Determined Contribution	\$ 273,650	\$ 337,824	\$ 345,086	\$ 444,861
Contributions in Relation to the Actuarially Determined Contribution	278,524	306,002	345,372	443,122
CONTRIBUTION DEFICIENCY (Excess)	\$ (4,874)	\$ 31,822	\$ (286)	\$ 1,739
Covered-Employee Payroll	\$ 909,588	\$ 924,791	\$ 666,530	\$ 1,034,788
Contributions as a Percentage of Covered-Employee Payroll	30.62%	33.09%	51.82%	42.82%

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

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of May 1/January 1 of the prior fiscal years. Additional information as of the latest actuarial valuation presented is as follows: the actuarial cost method was entry-age normal; the amortization method was level percent of pay, closed and the amortization period was 24 years; the asset valuation method was market value; and the significant actuarial assumptions were an investment rate of return of 6.75% annually, projected salary increase assumption of 2.50% to 17.64% plus 2.50% for inflation compounded annually and postretirement benefit increases of 3.00% compounded annually.

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

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

December 31, 2017

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2013	\$ 18,973	\$ 50,495	69.43%
2014	18,973	50,495	37.57%
2015	3,601	32,747	37.57%
2016	7,638	34,057	22.43%
2016*	7,832	23,613	33.17%
2017	14,086	41,894	33.62%

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

CITY OF ROCHELLE, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND

Last Two Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2015	2016
TOTAL PENSION LIABILITY		
Service Cost	\$ 633,562	\$ 642,258
Interest	2,620,202	2,791,955
Difference Between Expected and Actual Experience of the Total Pension Liability	803,929	(40,100)
Changes of Assumptions	43,813	(90,079)
Benefit Payments, Including Refunds of Member Contributions	(1,693,209)	(1,832,637)
Net Change in Total Pension Liability	2,408,297	1,471,397
Total Pension Liability - Beginning	35,512,493	37,920,790
TOTAL PENSION LIABILITY - ENDING	\$ 37,920,790	\$ 39,392,187
PLAN FIDUCIARY NET POSITION		
Contributions - Employer	\$ 687,703	\$ 725,858
Contributions - Member	280,253	343,977
Net Investment Income	165,264	2,260,861
Benefit Payments, Including Refunds of Member Contributions	(1,693,209)	(1,832,637)
Other (Net Transfer)	2,251	353,618
Net Change in Plan Fiduciary Net Position	(557,738)	1,851,677
Plan Fiduciary Net Position - Beginning	33,415,517	32,857,779
PLAN FIDUCIARY NET POSITION - ENDING	\$ 32,857,779	\$ 34,709,456
EMPLOYER'S NET PENSION LIABILITY	\$ 5,063,011	\$ 4,682,731
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.65%	88.11%
Covered-Employee Payroll	\$ 6,035,344	\$ 6,126,370
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	83.89%	76.44%

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

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
POLICE PENSION FUND

Last Four Fiscal Years

MEASUREMENT DATE	April 30		December 31	
	2015	2016	2016*	2017
TOTAL PENSION LIABILITY				
Service Cost	\$ 285,666	\$ 280,429	\$ 228,616	\$ 244,048
Interest	971,183	996,514	734,327	1,090,246
Differences Between Actual and Expected Experience	-	(203,820)	(17,329)	240,607
Changes in Assumptions	-	1,183,719	(367,219)	-
Benefit Payments, Including Refunds of Member Contributions	(925,616)	(837,526)	(565,736)	(924,236)
Net Change in Total Pension Liability	331,233	1,419,316	12,659	650,665
Total Pension Liability - Beginning	14,850,698	15,181,931	16,601,247	16,613,906
TOTAL PENSION LIABILITY - ENDING	\$ 15,181,931	\$ 16,601,247	\$ 16,613,906	\$ 17,264,571
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	\$ 276,905	\$ 360,627	\$ 388,135	\$ 497,804
Contributions - Member	138,909	137,476	90,544	140,386
Net Investment Income	504,446	(283,084)	328,130	1,200,675
Benefit Payments, Including Refunds of Member Contributions	(925,616)	(837,526)	(565,736)	(924,236)
Administrative Expense	(17,065)	(18,984)	(17,314)	(20,897)
Net Change in Plan Fiduciary Net Position	(22,421)	(641,491)	223,759	893,732
Plan Fiduciary Net Position - Beginning	10,824,772	10,802,351	10,160,860	10,384,619
PLAN FIDUCIARY NET POSITION - ENDING	\$ 10,802,351	\$ 10,160,860	\$ 10,384,619	\$ 11,278,351
EMPLOYER'S NET PENSION LIABILITY	\$ 4,379,580	\$ 6,440,387	\$ 6,229,287	\$ 5,986,220
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.15%	61.21%	62.51%	65.33%
Covered-Employee Payroll	\$ 1,586,341	\$ 1,349,905	\$ 1,212,418	\$ 1,882,279
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	276.08%	477.10%	513.79%	318.03%

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

2016 - There was a change with respect to actuarial assumptions from the prior year to reflect revised expectations with respect to mortality rates, disability rates, turnover rates and retirement rates.

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

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' PENSION FUND

Last Four Fiscal Years

MEASUREMENT DATE	April 30		December 31	
	2015	2016	2016*	2017
TOTAL PENSION LIABILITY				
Service Cost	\$ 215,229	\$ 217,247	\$ 157,858	\$ 168,513
Interest	741,514	753,420	606,381	890,290
Differences Between Actual and Expected Experience	-	663,185	(193,311)	78,353
Changes in Assumptions	-	900,875	(352,959)	-
Benefit Payments, Including Refunds of Member Contributions	(498,763)	(554,623)	(395,431)	(611,828)
Net Change in Total Pension Liability	457,980	1,980,104	(177,462)	525,328
Total Pension Liability - Beginning	11,234,778	11,692,758	13,672,862	13,495,400
TOTAL PENSION LIABILITY - ENDING	\$ 11,692,758	\$ 13,672,862	\$ 13,495,400	\$ 14,020,728
PLAN FIDUCIARY NET POSITION				
Contributions - Employer	\$ 278,524	\$ 306,002	\$ 345,372	\$ 443,122
Contributions - Member	91,671	93,373	62,958	98,666
Net Investment Income	520,913	12,259	283,880	871,095
Benefit Payments, Including Refunds of Member Contributions	(498,763)	(554,623)	(395,431)	(611,828)
Administrative Expense	(16,044)	(21,062)	(11,138)	(16,019)
Net Change in Plan Fiduciary Net Position	376,301	(164,051)	285,641	785,036
Plan Fiduciary Net Position - Beginning	7,655,533	8,031,834	7,867,783	8,153,424
PLAN FIDUCIARY NET POSITION - ENDING	\$ 8,031,834	\$ 7,867,783	\$ 8,153,424	\$ 8,938,460
EMPLOYER'S NET PENSION LIABILITY	\$ 3,660,924	\$ 5,805,079	\$ 5,341,976	\$ 5,082,268
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.69%	57.54%	60.42%	63.75%
Covered-Employee Payroll	\$ 909,588	\$ 942,791	\$ 666,530	\$ 1,034,788
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	402.48%	615.73%	801.46%	491.14%

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

2016 - There was a change with respect to actuarial assumptions from the prior year to reflect revised expectations with respect to mortality rates, disability rates, turnover rates and retirement rates.

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

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF INVESTMENT RETURNS
POLICE PENSION FUND**

Last Four Fiscal Years

FISCAL YEAR ENDED	April 30		December 31	
	2015	2016	2016*	2017
Annual Money-Weighted Rate of Return, Net of Investment Expense	4.74%	(2.66%)	3.27%	11.91%

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

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

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF INVESTMENT RETURNS
FIREFIGHTERS' PENSION FUND**

Last Four Fiscal Years

FISCAL YEAR ENDED	April 30		December 31	
	2015	2016	2016*	2017
Annual Money-Weighted Rate of Return, Net of Investment Expense	0.70%	(0.45%)	3.37%	8.86%

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

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

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2017

1. BUDGETS

Budgets are adopted on a basis consistent with GAAP. Annual budgets are adopted for the General, Special Revenue, Debt Service and Capital Projects Funds. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted by the City to obtain taxpayer comments.

Subsequently, the budget is legally enacted through passage of an ordinance.

Formal budgetary integration is employed as a management control device during the year for all funds.

The legal level of budgetary control is at the fund level. The City Manager can transfer budgeted amounts between departments; however, any revision altering both revenues and budgeted expenditures for any fund must be approved by a two-thirds council action.

2. INDIVIDUAL FUND DISCLOSURES

The following funds had expenditures in excess of budget:

<u>Fund</u>	<u>Excess</u>
IMRF	\$ 10,591
Social Security	4,845

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

MAJOR GOVERNMENTAL FUNDS

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF DETAILED REVENUES - BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Taxes			
Property	\$ 1,834,280	\$ 1,812,317	\$ (21,963)
Road and Bridge	170,000	168,476	(1,524)
Local Use	224,989	247,646	22,657
Telecommunications	336,000	298,393	(37,607)
State Sales	1,900,000	1,907,819	7,819
Replacement	205,000	240,006	35,006
Video Gaming	120,000	134,112	14,112
Total Taxes	4,790,269	4,808,769	18,500
Licenses and Permits			
Licenses			
Amusement	2,000	2,021	21
Liquor	25,000	27,350	2,350
Franchise	90,000	126,678	36,678
Permits			
Building	102,000	61,171	(40,829)
Total Licenses and Permits	219,000	217,220	(1,780)
Intergovernmental			
Shared Income Tax	981,335	879,364	(101,971)
Federal Grants	150,000	110,104	(39,896)
Total Intergovernmental	1,131,335	989,468	(141,867)
Charges for Services			
Fire Protection	60,000	66,625	6,625
Ambulance Fees	375,000	310,964	(64,036)
Police Services	85,000	65,429	(19,571)
Planning/Zoning Fees	60,000	73,966	13,966
Grave Opening Fees	20,500	28,155	7,655
Brush Pick-Up Fees	85,500	85,500	-
Rental Income	14,400	13,200	(1,200)
Cemetery Lot Sales	15,000	25,495	10,495
Cemetery Receipts	3,000	4,070	1,070
Water Reclamation Solid Waste	115,000	120,942	5,942
Total Charges for Services	833,400	794,346	(39,054)

(This schedule is continued on the following page.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF DETAILED REVENUES - BUDGET AND ACTUAL (Continued)
GENERAL FUND**

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES (Continued)			
Fines and Forfeitures			
Circuit Court	\$ 115,000	\$ 101,909	\$ (13,091)
Alarm	2,500	1,804	(696)
Total Fines and Forfeitures	117,500	103,713	(13,787)
Investment Income	3,000	15,198	12,198
Miscellaneous			
Refunds/Reimbursements	12,000	18,705	6,705
Miscellaneous	60,000	72,958	12,958
Total Miscellaneous	72,000	91,663	19,663
TOTAL REVENUES	\$ 7,166,504	\$ 7,020,377	\$ (146,127)

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
GENERAL GOVERNMENT			
Mayor and Council			
Salaries	\$ 50,500	\$ 50,640	\$ 140
Travel Expenditures and Dues	2,700	632	(2,068)
Conferences	3,000	2,379	(621)
Supplies and Equipment	800	776	(24)
Other Professional Services	100	-	(100)
Printing	200	-	(200)
Community Relations	1,200	536	(664)
Recruitment	-	861	861
Equipment	2,000	-	(2,000)
Total Mayor and Council	60,500	55,824	(4,676)
City Clerk			
Salaries	109,690	108,709	(981)
Health Insurance	21,159	18,538	(2,621)
Life Insurance	-	90	90
Postage	10,000	5,816	(4,184)
Data Processing Services	750	-	(750)
Publishing	1,000	140	(860)
Printing	500	-	(500)
Travel Expenditures and Dues	6,300	1,635	(4,665)
Tuition and Training	3,000	92	(2,908)
Publications	300	135	(165)
Conferences	3,500	1,273	(2,227)
Office Supplies	3,000	1,014	(1,986)
Other Professional Services	400	300	(100)
Microcomputer Software	300	-	(300)
Maintenance of Equipment	300	203	(97)
Equipment	1,000	-	(1,000)
Miscellaneous Charges	15,000	13,672	(1,328)
Total City Clerk	176,199	151,617	(24,582)
Municipal Building			
Salaries	40,663	41,426	763
Health Insurance	8,251	7,623	(628)
Life Insurance	-	138	138
Maintenance (Buildings)	9,000	17,479	8,479
Maintenance (Grounds)	2,000	324	(1,676)
Maintenance (Other)	2,500	1,920	(580)
Network Administration	123,597	123,597	-
Other Professional Services	32,000	23,721	(8,279)
Utilities	85,000	88,356	3,356
Telephone	2,000	1,560	(440)
Travel Expenditures	200	-	(200)
Garbage Disposal/Recycling	500	506	6
Other Contractual Services	500	144	(356)
Property Tax	5,200	4,804	(396)

(This schedule is continued on the following pages.)

CITY OF ROCHELLE, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
GENERAL GOVERNMENT (Continued)			
Municipal Building (Continued)			
Maintenance Supplies	\$ 2,700	\$ 787	\$ (1,913)
Office Supplies	4,000	4,647	647
General Supplies	5,000	3,896	(1,104)
Building Improvements	25,000	14,190	(10,810)
Equipment	3,500	3,450	(50)
Other Improvements	4,000	-	(4,000)
Public Relations	26,000	26,335	335
Sales Tax Rebates	75,000	79,697	4,697
Administrative Services	235,174	235,174	-
	<hr/>	<hr/>	<hr/>
Total Municipal Building	691,785	679,774	(12,011)
City Attorney			
Legal	155,000	119,320	(35,680)
Conferences	250	-	(250)
Publications and Dues	100	-	(100)
	<hr/>	<hr/>	<hr/>
Total City Attorney	155,350	119,320	(36,030)
City Manager			
Salaries	167,700	180,232	12,532
Health Insurance	29,416	18,772	(10,644)
Life Insurance	-	253	253
Other Professional Services	5,000	134	(4,866)
Telephone	3,600	1,555	(2,045)
Publishing	200	-	(200)
Dues	3,500	3,267	(233)
Travel	2,500	560	(1,940)
Tuition	150	442	292
Publications	300	279	(21)
Conferences	6,500	2,210	(4,290)
Office Supplies	500	801	301
Public Relations	1,000	1,186	186
Equipment	1,000	1,297	297
	<hr/>	<hr/>	<hr/>
Total City Manager	221,366	210,988	(10,378)
Building, Zoning and Engineering			
Salaries	497,046	481,164	(15,882)
Health Insurance	98,876	92,885	(5,991)
Life Insurance	-	897	897
Maintenance (Building)	3,000	1,050	(1,950)
Maintenance (Equipment)	1,600	68	(1,532)
Maintenance (Vehicles)	3,500	848	(2,652)
Engineering	16,000	27,996	11,996
Legal Services	3,400	-	(3,400)
Medical Services	100	-	(100)
Other Professional Services	275,100	135,801	(139,299)
Postage	350	-	(350)

(This schedule is continued on the following pages.)

CITY OF ROCHELLE, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
GENERAL GOVERNMENT (Continued)			
Building, Zoning and Engineering (Continued)			
Telephone	\$ 5,360	\$ 4,537	\$ (823)
Printing	700	763	63
Dues	3,350	4,927	1,577
Travel	8,200	4,172	(4,028)
Training	12,000	8,813	(3,187)
Publications	6,500	2,678	(3,822)
Public Relations	2,000	585	(1,415)
Utilities	5,100	7,608	2,508
Supplies (Equipment)	5,400	4,470	(930)
Office Supplies	3,200	2,682	(518)
Operating Supplies	-	606	606
Microcomputer Software	5,000	-	(5,000)
General Supplies	800	507	(293)
Small Tools	550	218	(332)
Gasoline and Oil	5,000	3,718	(1,282)
Capital Improvements	29,800	6,895	(22,905)
Software	5,600	3,721	(1,879)
Nuisance Abatement	4,000	2,045	(1,955)
Conference Expenditures	4,000	570	(3,430)
Miscellaneous	200	52	(148)
	<hr/>	<hr/>	<hr/>
Total Building, Zoning and Engineering	1,005,732	800,276	(205,456)
	<hr/>	<hr/>	<hr/>
Total General Government	2,310,932	2,017,799	(293,133)
	<hr/>	<hr/>	<hr/>
PUBLIC SAFETY			
Police Department			
Salaries	2,188,275	2,077,393	(110,882)
Health Insurance	430,361	328,687	(101,674)
Life Insurance	-	3,450	3,450
Pension Contribution	499,765	497,804	(1,961)
Uniform Allowance	30,000	11,592	(18,408)
Maintenance (Equipment)	40,000	36,920	(3,080)
Maintenance (Vehicles)	30,000	33,660	3,660
Medical Services	2,500	690	(1,810)
Data Processing Services	27,000	15,031	(11,969)
Other Professional Services	5,000	2,777	(2,223)
Postage	100	13	(87)
Telephone	17,000	20,598	3,598
Printing and Publishing	5,000	3,841	(1,159)
Dues	7,000	8,866	1,866
Travel	3,500	605	(2,895)
Training	10,000	5,992	(4,008)
Utilities	1,200	1,256	56
Animal Control	1,000	76	(924)
Supplies (Equipment)	500	-	(500)
Supplies (Vehicles)	3,000	6,954	3,954
Office Supplies	7,000	4,067	(2,933)
Operating Supplies	20,000	11,615	(8,385)

(This schedule is continued on the following pages.)

CITY OF ROCHELLE, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
PUBLIC SAFETY (Continued)			
Police Department (Continued)			
Gas and Oil	\$ 45,000	\$ 35,723	\$ (9,277)
K9 Supplies	5,000	7,787	2,787
Prisoner Supplies	2,000	1,393	(607)
Capital Improvements	238,491	238,981	490
Miscellaneous	15,000	15,795	795
Total Police Department	<u>3,633,692</u>	<u>3,371,566</u>	<u>(262,126)</u>
Fire Department			
Salaries	1,330,304	1,351,758	21,454
Health Insurance	223,432	220,018	(3,414)
Life Insurance	-	1,794	1,794
Pension Contribution	444,861	443,122	(1,739)
Uniform Allowance	12,000	9,730	(2,270)
Maintenance (Building)	9,000	5,378	(3,622)
Maintenance (Equipment)	12,000	9,268	(2,732)
Maintenance (Vehicles)	10,000	6,709	(3,291)
Medical Services	7,800	1,560	(6,240)
Other Professional Services	40,000	30,419	(9,581)
Postage	500	62	(438)
Telephone	8,000	5,665	(2,335)
Printing and Publishing	200	450	250
Dues	1,400	1,224	(176)
Travel	2,500	584	(1,916)
Training	6,000	3,972	(2,028)
Tuition Reimbursement	2,000	1,950	(50)
Publications	1,200	252	(948)
Utilities	17,000	14,117	(2,883)
Community Relations	1,000	598	(402)
Supplies (Building)	4,000	3,396	(604)
Supplies (Equipment)	5,000	2,163	(2,837)
Supplies (Vehicles)	5,000	4,260	(740)
Capital Outlay - Equipment	59,500	-	(59,500)
Capital Outlay - Vehicles	42,000	36,174	(5,826)
Office Supplies	2,500	926	(1,574)
Operating Supplies	14,000	14,760	760
Janitorial Supplies	4,500	3,013	(1,487)
Gas and Oil	13,000	7,981	(5,019)
Total Fire Department	<u>2,278,697</u>	<u>2,181,303</u>	<u>(97,394)</u>
Total Public Safety	<u>5,912,389</u>	<u>5,552,869</u>	<u>(359,520)</u>
PUBLIC WORKS			
Streets			
Salaries	801,630	747,265	(54,365)
Health Insurance	162,663	153,867	(8,796)
Life Insurance	-	1,380	1,380
Uniform Allowance	3,500	2,524	(976)
Maintenance (Building)	7,500	7,446	(54)

(This schedule is continued on the following pages.)

CITY OF ROCHELLE, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
PUBLIC WORKS (Continued)			
Streets (Continued)			
Maintenance (Equipment)	\$ 33,500	\$ 29,941	\$ (3,559)
Maintenance (Streets)	30,000	35,059	5,059
Maintenance (Snow Removal)	3,000	108	(2,892)
Maintenance (Service Vehicles)	20,000	21,634	1,634
Maintenance (Other)	5,000	5,000	-
Janitorial Services	2,000	2,090	90
Other Professional Services	12,000	14,887	2,887
Postage	100	17	(83)
Telephone	4,700	4,991	291
Printing and Publishing	300	224	(76)
Travel	1,200	666	(534)
Training	3,500	1,595	(1,905)
Utilities	14,000	11,226	(2,774)
Street Lighting	169,000	163,293	(5,707)
Lease or Rentals	3,000	2,500	(500)
Supplies (Vehicles)	35,000	34,616	(384)
Supplies (Streets)	55,000	61,471	6,471
Supplies (Snow Removal)	110,000	45,939	(64,061)
Supplies (Safety)	3,500	3,050	(450)
Supplies (Other)	31,200	27,526	(3,674)
Office Supplies	2,000	1,338	(662)
Operating Supplies	8,000	7,216	(784)
Gas and Oil	55,000	39,670	(15,330)
Capital Outlay	65,000	51,766	(13,234)
Miscellaneous	500	10	(490)
Total Streets	1,641,793	1,478,315	(163,478)
Total Public Works	1,641,793	1,478,315	(163,478)
PUBLIC SERVICE ENTERPRISES			
Cemetery			
Salaries	37,929	36,258	(1,671)
Health Insurance	10,955	9,761	(1,194)
Life Insurance	-	98	98
Uniform Allowance	500	337	(163)
Maintenance (Buildings)	2,500	1,770	(730)
Maintenance (Equipment)	1,500	682	(818)
Maintenance (Vehicles)	300	78	(222)
Other Professional Services	45,000	45,144	144
Telephone	1,500	2,669	1,169
Printing and Publishing	200	-	(200)
Travel	100	-	(100)
Training	100	-	(100)
Utilities	3,250	2,869	(381)
Supplies (Vehicles)	500	53	(447)
Supplies (Other)	2,350	1,864	(486)

(This schedule is continued on the following page.)

CITY OF ROCHELLE, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES - BUDGET AND ACTUAL (Continued)
GENERAL FUND

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
PUBLIC SERVICE ENTERPRISES (Continued)			
Cemetery (Continued)			
Operating Supplies	\$ 700	\$ 719	\$ 19
Gas and Oil	2,000	1,539	(461)
Equipment	4,500	4,536	36
Capital Outlay	2,000	-	(2,000)
Miscellaneous	100	78	(22)
Total Cemetery	<u>115,984</u>	<u>108,455</u>	<u>(7,529)</u>
Total Public Service Enterprises	<u>115,984</u>	<u>108,455</u>	<u>(7,529)</u>
CONSERVATION AND DEVELOPMENT			
Economic Development			
Salaries	153,278	153,212	(66)
Health Insurance	31,738	19,927	(11,811)
Life Insurance	-	276	276
Other Professional Services	3,000	616	(2,384)
Postage	100	-	(100)
Telephone	1,500	1,280	(220)
Dues	750	750	-
Travel	7,000	3,152	(3,848)
Training	1,000	780	(220)
Publications	150	236	86
Community Relations	-	461	461
Office Supplies	1,200	1,258	58
Miscellaneous	2,000	2,033	33
Total Economic Development	<u>201,716</u>	<u>183,981</u>	<u>(17,735)</u>
Total Conservation and Development	<u>201,716</u>	<u>183,981</u>	<u>(17,735)</u>
TOTAL EXPENDITURES	<u>\$ 10,182,814</u>	<u>\$ 9,341,419</u>	<u>\$ (841,395)</u>

(See independent auditor's report.)

NONMAJOR GOVERNMENTAL FUNDS

CITY OF ROCHELLE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2017

	Special Revenue				
	Audit	Insurance	Motor Fuel Tax	Hotel/Motel Tax	IMRF Fund
ASSETS					
Cash and Investments	\$ 14,801	\$ 58,062	\$ 173,539	\$ 145,715	\$ -
Receivables (Net, Where Applicable, of Allowances for Uncollectibles)					
Property Taxes	14,123	230,671	-	-	178,208
Accounts	-	-	-	16,599	-
Prepaid Items	-	13,318	-	-	-
Due from Other Governments	-	-	182,523	-	-
Due from Other Funds	-	-	-	-	-
TOTAL ASSETS	\$ 28,924	\$ 302,051	\$ 356,062	\$ 162,314	\$ 178,208
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 750	\$ -	\$ -	\$ 941	\$ -
Deposit Payable	-	-	-	-	-
Due to Other Funds	-	-	-	-	12,356
Unearned Revenue	-	-	-	-	-
Total Liabilities	750	-	-	941	12,356
DEFERRED INFLOWS OF RESOURCES					
Unavailable Property Taxes	14,123	230,671	-	-	178,208
Total Deferred Inflows of Resources	14,123	230,671	-	-	178,208
Total Liabilities and Deferred Inflows of Resources	14,873	230,671	-	941	190,564
FUND BALANCES					
Nonspendable Prepaid Items	-	13,318	-	-	-
Restricted for Audit	14,051	-	-	-	-
Restricted for Maintenance of Roadways	-	-	356,062	-	-
Restricted for Tourism	-	-	-	161,373	-
Restricted for Employee Retirement	-	-	-	-	-
Restricted for Insurance	-	58,062	-	-	-
Restricted for Capital Improvements	-	-	-	-	-
Restricted for Economic Development	-	-	-	-	-
Restricted for Public Safety	-	-	-	-	-
Unrestricted					
Assigned for Ambulance Replacement	-	-	-	-	-
Assigned for Stormwater	-	-	-	-	-
Assigned for Railroad	-	-	-	-	-
Assigned for Golf Course	-	-	-	-	-
Unassigned (Deficit)	-	-	-	-	(12,356)
Total Fund Balances (Deficit)	14,051	71,380	356,062	161,373	(12,356)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 28,924	\$ 302,051	\$ 356,062	\$ 162,314	\$ 178,208

(This statement is continued on the following page.)

		Special Revenue				Capital Projects		
Social Security	Lighthouse Pointe TIF	Foreign Fire Insurance	Overweight Truck Permits	Downtown TIF	Capital Improvement	Ambulance Replacement	Stormwater	
\$ 2,553	\$ 373,361	\$ 32,340	\$ 39,953	\$ -	\$ -	\$ 60,711	\$ 108,260	
222,008	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
\$ 224,561	\$ 373,361	\$ 32,340	\$ 39,953	\$ -	\$ -	\$ 60,711	\$ 108,260	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,302	\$ -	\$ -	
-	-	-	-	-	65,641	-	-	
-	-	-	-	213,427	286,190	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	213,427	400,133	-	-	
222,008	-	-	-	-	-	-	-	
222,008	-	-	-	-	-	-	-	
222,008	-	-	-	213,427	400,133	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	39,953	-	-	-	-	
2,553	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	373,361	-	-	-	-	-	-	
-	-	32,340	-	-	-	-	-	
-	-	-	-	-	-	60,711	-	
-	-	-	-	-	-	-	108,260	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	(213,427)	(400,133)	-	-	
2,553	373,361	32,340	39,953	(213,427)	(400,133)	60,711	108,260	
\$ 224,561	\$ 373,361	\$ 32,340	\$ 39,953	\$ -	\$ -	\$ 60,711	\$ 108,260	

(This statement is continued on the following page.)

CITY OF ROCHELLE, ILLINOIS

COMBINING BALANCE SHEET (Continued)
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2017

	<u>Capital Projects</u>				<u>Total</u>
	<u>Utility Tax</u>	<u>Sales Tax</u>	<u>Railroad</u>	<u>Golf Course</u>	
ASSETS					
Cash and Investments	\$ 684,865	\$ 1,168,876	\$ 1,741,878	\$ 53,005	\$ 4,657,919
Receivables (Net, Where Applicable, of Allowances for Uncollectibles)					
Property Taxes	-	-	-	-	645,010
Accounts	27,836	-	153,338	4,000	201,773
Prepaid Items	-	-	-	471	13,789
Due from Other Governments	-	256,092	-	-	438,615
Due from Other Funds	-	286,190	-	-	286,190
TOTAL ASSETS	\$ 712,701	\$ 1,711,158	\$ 1,895,216	\$ 57,476	\$ 6,243,296
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ 16,873	\$ 4	\$ 66,870
Deposit Payable	-	-	-	-	65,641
Due to Other Funds	-	-	-	-	511,973
Unearned Revenue	-	-	5,033	22,351	27,384
Total Liabilities	-	-	21,906	22,355	671,868
DEFERRED INFLOWS OF RESOURCES					
Unavailable Property Taxes	-	-	-	-	645,010
Total Deferred Inflows of Resources	-	-	-	-	645,010
Total Liabilities and Deferred Inflows of Resources	-	-	21,906	22,355	1,316,878
FUND BALANCES					
Nonspendable Prepaid Items	-	-	-	471	13,789
Restricted for Audit	-	-	-	-	14,051
Restricted for Maintenance of Roadways	-	-	-	-	396,015
Restricted for Tourism	-	-	-	-	161,373
Restricted for Employee Retirement	-	-	-	-	2,553
Restricted for Insurance	-	-	-	-	58,062
Restricted for Capital Improvements	712,701	1,711,158	-	-	2,423,859
Restricted for Economic Development	-	-	-	-	373,361
Restricted for Public Safety	-	-	-	-	32,340
Unrestricted					
Assigned for Ambulance Replacement	-	-	-	-	60,711
Assigned for Stormwater	-	-	-	-	108,260
Assigned for Railroad	-	-	1,873,310	-	1,873,310
Assigned for Golf Course	-	-	-	34,650	34,650
Unassigned (Deficit)	-	-	-	-	(625,916)
Total Fund Balances (Deficit)	712,701	1,711,158	1,873,310	35,121	4,926,418
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 712,701	\$ 1,711,158	\$ 1,895,216	\$ 57,476	\$ 6,243,296

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2017

	Special Revenue				
	Audit	Insurance	Motor Fuel Tax	Hotel/Motel Tax	IMRF Fund
REVENUES					
Taxes	\$ 24,017	\$ 162,969	\$ -	\$ 225,959	\$ 189,153
Licenses and Permits	-	-	-	-	-
Intergovernmental	-	-	249,806	-	-
Charges For Services	-	-	-	-	-
Investment Income	36	105	3,201	387	39
Miscellaneous	-	-	-	29,954	-
Total Revenues	24,053	163,074	253,007	256,300	189,192
EXPENDITURES					
Current					
General Government	26,520	50,565	-	-	39,654
Public Safety	-	217,664	-	-	51,878
Public Works	-	90,560	-	-	155,109
Public Service Enterprises	-	4,468	-	-	8,444
Conservation and Development	-	-	-	214,482	20,862
Capital Outlay	-	-	-	747	-
Debt Service					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Total Expenditures	26,520	363,257	-	215,229	275,947
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,467)	(200,183)	253,007	41,071	(86,755)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	235,000	-	-	-
Transfers (Out)	-	-	(109,932)	(75,000)	-
Loan Proceeds	-	-	-	-	-
Total Other Financing Sources (Uses)	-	235,000	(109,932)	(75,000)	-
NET CHANGE IN FUND BALANCES	(2,467)	34,817	143,075	(33,929)	(86,755)
FUND BALANCES (DEFICIT), JANUARY 1	16,518	36,563	212,987	195,302	74,399
FUND BALANCES (DEFICIT), DECEMBER 31	\$ 14,051	\$ 71,380	\$ 356,062	\$ 161,373	\$ (12,356)

(This statement is continued on the following page.)

Social Security	Lighthouse Pointe TIF	Special Revenue			Downtown TIF	Capital Projects		
		Foreign Fire Insurance	Overweight Truck Permits	Capital Improvement		Ambulance Replacement	Stormwater	
\$ 145,725	\$ 594,507	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	41,770	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	450
58	1,082	62	92	-	607	146	280	-
-	-	24,851	-	39,814	-	-	-	-
145,783	595,589	24,913	41,862	39,814	607	146	730	-
24,625	149,776	-	-	5,985	750	-	-	-
117,800	-	6,267	-	-	-	-	-	-
65,888	-	-	16,355	-	-	-	-	3,735
3,993	-	-	-	-	-	-	-	-
9,539	-	-	-	-	-	-	-	-
-	-	29,037	-	-	765,925	-	-	6,021
-	130,000	-	-	-	170,000	-	-	-
-	82,880	-	-	-	56,800	-	-	-
221,845	362,656	35,304	16,355	5,985	993,475	-	9,756	-
(76,062)	232,933	(10,391)	25,507	33,829	(992,868)	146	(9,026)	-
-	-	-	-	-	1,128,326	20,000	-	-
-	-	-	(12,000)	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	(12,000)	-	1,128,326	20,000	-	-
(76,062)	232,933	(10,391)	13,507	33,829	135,458	20,146	(9,026)	-
78,615	140,428	42,731	26,446	(247,256)	(535,591)	40,565	117,286	-
\$ 2,553	\$ 373,361	\$ 32,340	\$ 39,953	\$ (213,427)	\$ (400,133)	\$ 60,711	\$ 108,260	-

(This statement is continued on the following page.)

CITY OF ROCHELLE, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (Continued)
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2017

	Capital Projects				Total
	Utility Tax	Sales Tax	Railroad	Golf Course	
REVENUES					
Taxes	\$ 385,033	\$ 948,510	\$ -	\$ -	\$ 2,675,873
Licenses and Permits	-	-	-	-	41,770
Intergovernmental	-	-	-	78,022	327,828
Charges For Services	-	-	2,184,991	201,029	2,386,470
Investment Income	2,430	5,818	4,365	-	18,708
Miscellaneous	-	-	8,083	5,574	108,276
Total Revenues	387,463	954,328	2,197,439	284,625	5,558,925
EXPENDITURES					
Current					
General Government	-	-	-	-	297,875
Public Safety	-	-	-	-	393,609
Public Works	-	-	159,925	-	491,572
Public Service Enterprises	-	-	-	-	16,905
Conservation and Development	-	-	-	314,153	559,036
Capital Outlay	-	-	367,676	60,295	1,229,701
Debt Service					
Principal	-	-	-	-	300,000
Interest and Fiscal Charges	-	-	-	-	139,680
Total Expenditures	-	-	527,601	374,448	3,428,378
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	387,463	954,328	1,669,838	(89,823)	2,130,547
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	75,000	1,458,326
Transfers (Out)	(290,431)	(491,979)	(453,341)	-	(1,432,683)
Loan Proceeds	-	-	-	27,461	27,461
Total Other Financing Sources (Uses)	(290,431)	(491,979)	(453,341)	102,461	53,104
NET CHANGE IN FUND BALANCES	97,032	462,349	1,216,497	12,638	2,183,651
FUND BALANCES (DEFICIT), JANUARY 1	615,669	1,248,809	656,813	22,483	2,742,767
FUND BALANCES (DEFICIT), DECEMBER 31	\$ 712,701	\$ 1,711,158	\$ 1,873,310	\$ 35,121	\$ 4,926,418

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
AUDIT FUND**

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Taxes			
Property Taxes	\$ 24,128	\$ 24,017	\$ (111)
Investment Income	-	36	36
Total Revenues	<u>24,128</u>	<u>24,053</u>	<u>(75)</u>
EXPENDITURES			
Current			
General Government			
Contractual Services	<u>37,500</u>	<u>26,520</u>	<u>(10,980)</u>
Total Expenditures	<u>37,500</u>	<u>26,520</u>	<u>(10,980)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (13,372)</u>	<u>(2,467)</u>	<u>\$ 10,905</u>
FUND BALANCE, JANUARY 1		<u>16,518</u>	
FUND BALANCE, DECEMBER 31		<u>\$ 14,051</u>	

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
INSURANCE FUND**

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Taxes			
Property Taxes	\$ 163,750	\$ 162,969	\$ (781)
Investment Income	-	105	105
	<hr/>	<hr/>	<hr/>
Total Revenues	163,750	163,074	(676)
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current			
General Government			
Contractual Services	62,538	50,565	(11,973)
Public Safety			
Contractual Services	269,202	217,664	(51,538)
Public Works			
Contractual Services	112,003	90,560	(21,443)
Public Service Enterprises			
Contractual Services	5,526	4,468	(1,058)
	<hr/>	<hr/>	<hr/>
Total Expenditures	449,269	363,257	(86,012)
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(285,519)	(200,183)	85,336
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers In	235,000	235,000	-
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	235,000	235,000	-
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	<u>\$ (50,519)</u>	34,817	<u>\$ 85,336</u>
FUND BALANCE, JANUARY 1		<hr/>	
FUND BALANCE, DECEMBER 31		<u>\$ 71,380</u>	

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MOTOR FUEL TAX FUND**

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Intergovernmental			
State Motor Fuel Tax	\$ 246,000	\$ 244,200	\$ (1,800)
Other Intergovernmental	1,250,000	5,606	(1,244,394)
Investment Income	600	3,201	2,601
	<hr/>	<hr/>	<hr/>
Total Revenues	1,496,600	253,007	(1,243,593)
EXPENDITURES			
None	-	-	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<hr/>	<hr/>	<hr/>
	1,496,600	253,007	(1,243,593)
OTHER FINANCING SOURCES (USES)			
Transfers (Out)	(1,600,000)	(109,932)	1,490,068
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(1,600,000)	(109,932)	1,490,068
NET CHANGE IN FUND BALANCE			
	<hr/>	<hr/>	<hr/>
	\$ (103,400)	143,075	\$ 246,475
FUND BALANCE, JANUARY 1			
		<hr/>	
		212,987	
FUND BALANCE, DECEMBER 31			
		<hr/>	
		\$ 356,062	

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HOTEL/MOTEL TAX FUND**

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Taxes			
Hotel/Motel Tax	\$ 305,296	\$ 225,959	\$ (79,337)
Investment Income	168	387	219
Miscellaneous	41,352	29,954	(11,398)
	<hr/>		
Total Revenues	346,816	256,300	(90,516)
	<hr/>		
EXPENDITURES			
Current			
Conservation and Development			
Personal Services	108,158	86,913	(21,245)
Commodities	9,050	8,073	(977)
Contractual Services	106,900	83,434	(23,466)
Miscellaneous	60,750	36,062	(24,688)
Capital Outlay	10,000	747	(9,253)
	<hr/>		
Total Expenditures	294,858	215,229	(79,629)
	<hr/>		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	51,958	41,071	(10,887)
	<hr/>		
OTHER FINANCING SOURCES (USES)			
Transfers (Out)	(75,000)	(75,000)	-
	<hr/>		
Total Other Financing Sources (Uses)	(75,000)	(75,000)	-
	<hr/>		
NET CHANGE IN FUND BALANCE	<u>\$ (23,042)</u>	(33,929)	<u>\$ (10,887)</u>
FUND BALANCE, JANUARY 1		<hr/>	195,302
FUND BALANCE, DECEMBER 31		<u>\$ 161,373</u>	

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
IMRF FUND**

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Taxes			
Property Taxes	\$ 155,591	\$ 154,853	\$ (738)
Replacement Taxes	34,300	34,300	-
Investment Income	50	39	(11)
	<hr/>	<hr/>	<hr/>
Total Revenues	189,941	189,192	(749)
EXPENDITURES			
Current			
General Government			
Pension Contributions	38,131	39,654	1,523
Public Safety			
Pension Contributions	49,887	51,878	1,991
Public Works			
Pension Contributions	149,157	155,109	5,952
Public Service Enterprises			
Pension Contributions	8,120	8,444	324
Conservation and Development			
Pension Contributions	20,061	20,862	801
	<hr/>	<hr/>	<hr/>
Total Expenditures	265,356	275,947	10,591
NET CHANGE IN FUND BALANCE	<u>\$ (75,415)</u>	(86,755)	<u>\$ (11,340)</u>
FUND BALANCE, JANUARY 1		<hr/>	74,399
FUND BALANCE (DEFICIT), DECEMBER 31		<hr/>	<u>\$ (12,356)</u>

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SOCIAL SECURITY FUND**

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Taxes			
Property Taxes	\$ 146,429	\$ 145,725	\$ (704)
Investment Income	(50)	58	108
	<hr/>	<hr/>	<hr/>
Total Revenues	146,379	145,783	(596)
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current			
General Government			
Payroll Taxes	24,087	24,625	538
Public Safety			
Payroll Taxes	115,227	117,800	2,573
Public Works			
Payroll Taxes	64,449	65,888	1,439
Public Service Enterprises			
Payroll Taxes	3,906	3,993	87
Conservation and Development			
Payroll Taxes	9,331	9,539	208
	<hr/>	<hr/>	<hr/>
Total Expenditures	217,000	221,845	4,845
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	<u>\$ (70,621)</u>	(76,062)	<u>\$ (5,441)</u>
FUND BALANCE, JANUARY 1		<u>78,615</u>	
FUND BALANCE, DECEMBER 31		<u><u>\$ 2,553</u></u>	

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LIGHTHOUSE POINTE TIF FUND**

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Taxes			
Property Taxes	\$ 610,304	\$ 594,507	\$ (15,797)
Investment Income	200	1,082	882
	<hr/>	<hr/>	<hr/>
Total Revenues	610,504	595,589	(14,915)
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
Current			
General Government			
Contractual Services	150,823	149,776	(1,047)
Debt Service			
Principal	130,000	130,000	-
Interest and Fiscal Charges	82,880	82,880	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	363,703	362,656	(1,047)
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	<u>\$ 246,801</u>	232,933	<u>\$ (13,868)</u>
FUND BALANCE, JANUARY 1		<u>140,428</u>	
FUND BALANCE, DECEMBER 31		<u><u>\$ 373,361</u></u>	

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOREIGN FIRE INSURANCE FUND**

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Investment Income	\$ -	\$ 62	\$ 62
Miscellaneous	20,000	24,851	4,851
Total Revenues	20,000	24,913	4,913
EXPENDITURES			
Current			
Public Safety			
Contractual Services	28,500	6,267	(22,233)
Capital Outlay	21,025	29,037	8,012
Total Expenditures	49,525	35,304	(14,221)
NET CHANGE IN FUND BALANCE	<u>\$ (29,525)</u>	(10,391)	<u>\$ 19,134</u>
FUND BALANCE, JANUARY 1		<u>42,731</u>	
FUND BALANCE, DECEMBER 31		<u>\$ 32,340</u>	

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
OVERWEIGHT TRUCK PERMITS FUND**

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Licenses and Permits	\$ 76,000	\$ 41,770	\$ (34,230)
Investment Income	300	92	(208)
Total Revenues	<u>76,300</u>	<u>41,862</u>	<u>(34,438)</u>
EXPENDITURES			
Current			
Public Works			
Contractual Services	<u>5,500</u>	<u>16,355</u>	<u>10,855</u>
Total Expenditures	<u>5,500</u>	<u>16,355</u>	<u>10,855</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>70,800</u>	<u>25,507</u>	<u>(45,293)</u>
OTHER FINANCING SOURCES (USES)			
Transfers (Out)	<u>(102,000)</u>	<u>(12,000)</u>	<u>90,000</u>
Total Other Financing Sources (Uses)	<u>(102,000)</u>	<u>(12,000)</u>	<u>90,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ (31,200)</u>	<u>13,507</u>	<u>\$ 44,707</u>
FUND BALANCE, JANUARY 1		<u>26,446</u>	
FUND BALANCE, DECEMBER 31		<u>\$ 39,953</u>	

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
AMBULANCE REPLACEMENT FUND**

For the Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
REVENUES			
Investment Income	\$ -	\$ 146	\$ 146
Total Revenues	<u>-</u>	<u>146</u>	<u>146</u>
EXPENDITURES			
None	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>146</u>	<u>146</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>20,000</u>	<u>20,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 20,000</u>	<u>20,146</u>	<u>\$ 146</u>
FUND BALANCE, JANUARY 1		<u>40,565</u>	
FUND BALANCE, DECEMBER 31		<u>\$ 60,711</u>	

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
STORMWATER FUND**

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Charges for Services	\$ 6,500	\$ 450	\$ (6,050)
Investment Income	100	280	180
Total Revenues	<u>6,600</u>	<u>730</u>	<u>(5,870)</u>
EXPENDITURES			
Current			
Public Works			
Contractual Services	2,500	3,735	1,235
Capital Outlay	66,000	6,021	(59,979)
Total Expenditures	<u>68,500</u>	<u>9,756</u>	<u>(58,744)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (61,900)</u>	<u>(9,026)</u>	<u>\$ 52,874</u>
FUND BALANCE, JANUARY 1		<u>117,286</u>	
FUND BALANCE, DECEMBER 31		<u>\$ 108,260</u>	

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
UTILITY TAX FUND**

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Taxes			
Utility Taxes	\$ 370,000	\$ 385,033	\$ 15,033
Investment Income	-	2,430	2,430
Total Revenues	<u>370,000</u>	<u>387,463</u>	<u>17,463</u>
EXPENDITURES			
None	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>370,000</u>	<u>387,463</u>	<u>17,463</u>
OTHER FINANCING SOURCES (USES)			
Transfers (Out)	<u>(845,000)</u>	<u>(290,431)</u>	<u>554,569</u>
Total Other Financing Sources (Uses)	<u>(845,000)</u>	<u>(290,431)</u>	<u>554,569</u>
NET CHANGE IN FUND BALANCE	<u>\$ (475,000)</u>	97,032	<u>\$ 572,032</u>
FUND BALANCE, JANUARY 1		<u>615,669</u>	
FUND BALANCE, DECEMBER 31		<u>\$ 712,701</u>	

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SALES TAX FUND**

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Taxes			
Sales Tax	\$ 998,400	\$ 948,510	\$ (49,890)
Investment Income	600	5,818	5,218
	<hr/>	<hr/>	<hr/>
Total Revenues	999,000	954,328	(44,672)
	<hr/>	<hr/>	<hr/>
EXPENDITURES			
None	-	-	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	-	-	-
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	999,000	954,328	(44,672)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Transfers (Out)	(1,964,000)	(491,979)	1,472,021
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(1,964,000)	(491,979)	1,472,021
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCE	<u>\$ (965,000)</u>	462,349	<u>\$ 1,427,349</u>
FUND BALANCE, JANUARY 1		<u>1,248,809</u>	
FUND BALANCE, DECEMBER 31		<u><u>\$ 1,711,158</u></u>	

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DOWNTOWN TIF FUND**

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Taxes			
Property Taxes	\$ -	\$ 39,814	\$ 39,814
Total Revenues	<u>-</u>	<u>39,814</u>	<u>39,814</u>
EXPENDITURES			
Current			
General Government			
Commodities	2,250	-	(2,250)
Other Services	95,424	5,985	(89,439)
Capital Outlay	<u>85,000</u>	<u>-</u>	<u>(85,000)</u>
Total Expenditures	<u>182,674</u>	<u>5,985</u>	<u>(176,689)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (182,674)</u></u>	33,829	<u><u>\$ 216,503</u></u>
FUND BALANCE (DEFICIT), JANUARY 1		<u>(247,256)</u>	
FUND BALANCE (DEFICIT), DECEMBER 31		<u><u>\$ (213,427)</u></u>	

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND**

For the Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
REVENUES			
Investment Income	\$ 499	\$ 607	\$ 108
Total Revenues	<u>499</u>	<u>607</u>	<u>108</u>
EXPENDITURES			
General Government			
Contractual Services	-	750	750
Capital Outlay	3,976,400	765,925	(3,210,475)
Debt Service			
Principal	170,000	170,000	-
Interest and Fiscal Charges	56,800	56,800	-
Total Expenditures	<u>4,203,200</u>	<u>993,475</u>	<u>(3,209,725)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(4,202,701)</u>	<u>(992,868)</u>	<u>3,209,833</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	4,430,800	1,128,326	(3,302,474)
Total Other Financing Sources (Uses)	<u>4,430,800</u>	<u>1,128,326</u>	<u>(3,302,474)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 228,099</u>	135,458	<u>\$ (92,641)</u>
FUND BALANCE (DEFICIT), JANUARY 1		<u>(535,591)</u>	
FUND BALANCE (DEFICIT), DECEMBER 31		<u>\$ (400,133)</u>	

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
RAILROAD FUND**

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Charges for Services	\$ 1,120,000	\$ 2,184,991	\$ 1,064,991
Investment Income	300	4,365	4,065
Miscellaneous	8,083	8,083	-
Intergovernmental	3,420,000	-	(3,420,000)
	<hr/>		
Total Revenues	4,548,383	2,197,439	(2,350,944)
	<hr/>		
EXPENDITURES			
Current			
Public Works			
Personal Services	37,946	37,276	(670)
Commodities	7,700	123	(7,577)
Other Services	28,000	25,600	(2,400)
Contractual Services	521,000	96,926	(424,074)
Capital Outlay	7,000,000	367,676	(6,632,324)
	<hr/>		
Total Expenditures	7,594,646	527,601	(7,067,045)
	<hr/>		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,046,263)	1,669,838	4,716,101
	<hr/>		
OTHER FINANCING SOURCES (USES)			
Transfers (Out)	(444,158)	(453,341)	(9,183)
Proceeds from Bond Issuance	3,500,000	-	(3,500,000)
	<hr/>		
Total Other Financing Sources (Uses)	3,055,842	(453,341)	(3,509,183)
	<hr/>		
NET CHANGE IN FUND BALANCE	<u>\$ 9,579</u>	1,216,497	<u>\$ 1,206,918</u>
		<hr/>	
FUND BALANCE, JANUARY 1		656,813	
		<hr/>	
FUND BALANCE, DECEMBER 31		<u>\$ 1,873,310</u>	

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GOLF COURSE FUND**

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Over (Under)
REVENUES			
Intergovernmental	\$ -	\$ 78,022	\$ 78,022
Charges For Services	224,000	201,029	(22,971)
Miscellaneous	78,500	5,574	(72,926)
Total Revenues	302,500	284,625	(17,875)
EXPENDITURES			
Current			
Conservation and Development			
Personal Services	185,317	180,712	(4,605)
Commodities	61,600	51,021	(10,579)
Contractual Services	82,600	77,000	(5,600)
Miscellaneous	5,500	5,420	(80)
Capital Outlay	40,000	60,295	20,295
Total Expenditures	375,017	374,448	(569)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(72,517)	(89,823)	(17,306)
OTHER FINANCING SOURCES (USES)			
Transfers In	75,000	75,000	-
Loan Proceeds	-	27,461	27,461
Total Other Financing Sources (Uses)	75,000	102,461	27,461
NET CHANGE IN FUND BALANCE	\$ 2,483	12,638	\$ 10,155
FUND BALANCE, JANUARY 1		22,483	
FUND BALANCE, DECEMBER 31		\$ 35,121	

(See independent auditor's report.)

NONMAJOR ENTERPRISE FUNDS

CITY OF ROCHELLE, ILLINOIS

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS**

December 31, 2017

	Landfill	Airport	Total Nonmajor Enterprise
CURRENT ASSETS			
Cash and Investments	\$ 2,887,297	\$ 32,079	\$ 2,919,376
Receivables			
Property Taxes	-	19,340	19,340
Accounts	102,191	3,026	105,217
Prepaid Expenses	-	513	513
Inventory	-	40,105	40,105
Restricted Assets			
Cash Held at Paying Agent	-	48,151	48,151
Total Current Assets	2,989,488	143,214	3,132,702
NONCURRENT ASSETS			
None	-	-	-
Subtotal Noncurrent Assets	-	-	-
CAPITAL ASSETS			
Nondepreciable	708,563	1,209,902	1,918,465
Depreciable	453,186	4,914,200	5,367,386
Accumulated Depreciation	(324,576)	(2,644,040)	(2,968,616)
Total Capital Assets	837,173	3,480,062	4,317,235
Total Noncurrent Assets	837,173	3,480,062	4,317,235
Total Assets	3,826,661	3,623,276	7,449,937
DEFERRED OUTFLOWS OF RESOURCES			
Pension Items - IMRF	-	35,314	35,314
Unamortized loss on refunding	-	25,560	25,560
Total Deferred Outflows of Resources	-	60,874	60,874
Total Assets and Deferred Outflows of Resources	3,826,661	3,684,150	7,510,811

(This schedule is continued on the following page.)

CITY OF ROCHELLE, ILLINOIS

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS (Continued)

December 31, 2017

	Landfill	Airport	Total Nonmajor Enterprise
CURRENT LIABILITIES			
Accounts Payable	\$ 23,147	\$ 30,663	\$ 53,810
Accrued Payroll	23	-	23
Accrued Interest Payable	-	3,151	3,151
General Obligation Bonds Payable	-	45,000	45,000
Compensated Absences Payable	-	4,749	4,749
Total Current Liabilities	23,170	83,563	106,733
LONG-TERM LIABILITIES			
Net Pension Liability	-	60,267	60,267
General Obligation Bonds Payable	-	550,000	550,000
Total Long-Term Liabilities	-	610,267	610,267
Total Liabilities	23,170	693,830	717,000
DEFERRED INFLOWS OF RESOURCES			
Pension Items - IMRF	-	1,263	1,263
Deferred Property Taxes	-	19,340	19,340
Total Deferred Inflows of Resources	-	20,603	20,603
Total Liabilities and Deferred Inflows of Resources	23,170	714,433	737,603
NET POSITION			
Net Investment in Capital Assets	837,173	2,885,062	3,722,235
Unrestricted	2,966,318	84,655	3,050,973
TOTAL NET POSITION	\$ 3,803,491	\$ 2,969,717	\$ 6,773,208

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS

For the Year Ended December 31, 2017

	<u>Landfill</u>	<u>Airport</u>	<u>Total Nonmajor Enterprise</u>
OPERATING REVENUES			
Charges for Services	\$ 807,633	\$ 308,849	\$ 1,116,482
Total Operating Revenues	<u>807,633</u>	<u>308,849</u>	<u>1,116,482</u>
OPERATING EXPENSES			
Personal Services	9,082	112,892	121,974
Commodities	-	191,699	191,699
Contractual Services	540,822	99,671	640,493
Depreciation/Amortization	17,546	161,350	178,896
Total Operating Expenses	<u>567,450</u>	<u>565,612</u>	<u>1,133,062</u>
OPERATING INCOME (LOSS)	<u>240,183</u>	<u>(256,763)</u>	<u>(16,580)</u>
OTHER INCOME (EXPENSE)			
Taxes	-	61,739	61,739
Investment Income	8,553	139	8,692
Interest Expense	-	(17,492)	(17,492)
Total Other Income (Expense)	<u>8,553</u>	<u>44,386</u>	<u>52,939</u>
NET INCOME (LOSS) BEFORE TRANSFERS, CAPITAL GRANTS AND CONTRIBUTIONS	<u>248,736</u>	<u>(212,377)</u>	<u>36,359</u>
TRANSFERS			
Transfers In	-	80,000	80,000
Transfers (Out)	(163,800)	-	(163,800)
Total Transfers In	<u>(163,800)</u>	<u>80,000</u>	<u>(83,800)</u>
CAPITAL GRANTS AND CONTRIBUTIONS	<u>-</u>	<u>1,881</u>	<u>1,881</u>
CHANGE IN NET POSITION	84,936	(130,496)	(45,560)
NET POSITION, JANUARY 1	<u>3,718,555</u>	<u>3,111,921</u>	<u>6,830,476</u>
Prior period adjustment	-	(11,708)	(11,708)
NET POSITION, JANUARY 1, AS RESTATED	<u>3,718,555</u>	<u>3,100,213</u>	<u>6,818,768</u>
NET POSITION, DECEMBER 31	<u>\$ 3,803,491</u>	<u>\$ 2,969,717</u>	<u>\$ 6,773,208</u>

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS**

For the Year Ended December 31, 2017

	Landfill	Airport	Total Nonmajor Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 941,513	\$ 305,575	\$ 1,247,088
Payments to Suppliers	(467,788)	(270,717)	(738,505)
Payments to Employees	(12,911)	(132,277)	(145,188)
Payments to Other Funds	(85,500)	(20,233)	(105,733)
Net Cash from Operating Activities	<u>375,314</u>	<u>(117,652)</u>	<u>257,662</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts from Property Taxes	-	61,739	61,739
Transfers (to) from Other Funds	(163,800)	80,000	(83,800)
Net Cash from Noncapital Financing Activities	<u>(163,800)</u>	<u>141,739</u>	<u>(22,061)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Payments on Long-Term Debt	-	(35,000)	(35,000)
Interest Payments on Long-Term Debt	-	(15,989)	(15,989)
Grant Receipts	-	1,881	1,881
Net Cash from Capital and Related Financing Activities	<u>-</u>	<u>(49,108)</u>	<u>(49,108)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	<u>8,553</u>	<u>139</u>	<u>8,692</u>
Net Cash from Investing Activities	<u>8,553</u>	<u>139</u>	<u>8,692</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	220,067	(24,882)	195,185
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>2,667,230</u>	<u>56,961</u>	<u>2,724,191</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 2,887,297</u></u>	<u><u>\$ 32,079</u></u>	<u><u>\$ 2,919,376</u></u>

(This schedule is continued on the following page.)

CITY OF ROCHELLE, ILLINOIS

COMBINING STATEMENT OF CASH FLOWS (Continued)
NONMAJOR ENTERPRISE FUNDS

For the Year Ended December 31, 2017

	<u>Landfill</u>	<u>Airport</u>	<u>Total Nonmajor Enterprise</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 240,183	\$ (256,763)	\$ (16,580)
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities			
Depreciation and amortization	17,546	161,350	178,896
Changes in Assets and Liabilities			
Accounts Receivables	133,880	(3,274)	130,606
Prepaid Expenses	-	6,683	6,683
Inventory	-	(27,624)	(27,624)
Pension Items - IMRF	-	(13,654)	(13,654)
Accounts Payable	(12,466)	21,361	8,895
Accrued Payroll	(3,829)	(4,581)	(8,410)
Compensated Absences	-	(1,150)	(1,150)
NET CASH FROM OPERATING ACTIVITIES	\$ 375,314	\$ (117,652)	\$ 257,662
CASH AND INVESTMENTS			
Cash and Cash Equivalents	\$ 2,887,297	\$ 32,079	\$ 2,919,376
TOTAL CASH AND INVESTMENTS	\$ 2,887,297	\$ 32,079	\$ 2,919,376
NONCASH TRANSACTIONS			
Issuance of Refunding Bonds	\$ -	\$ 485,000	\$ 485,000
Payment to Escrow Agent	-	(465,560)	(465,560)
Costs of Issuance	-	(19,440)	(19,440)
TOTAL NONCASH TRANSACTIONS	\$ -	\$ -	\$ -

(See independent auditor's report.)

INTERNAL SERVICE FUNDS

CITY OF ROCHELLE, ILLINOIS

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS**

December 31, 2017

	Administrative Services	Network Administration	Total Internal Service Funds
CURRENT ASSETS			
Cash and Investments	\$ -	\$ 14,460	\$ 14,460
Receivables			
Accounts	-	68,133	68,133
Other	82,620	-	82,620
Prepaid Expenses	1,927	22,659	24,586
Total Current Assets	84,547	105,252	189,799
NONCURRENT ASSETS			
None	-	-	-
Subtotal Noncurrent Assets	-	-	-
CAPITAL ASSETS			
Depreciable	116,880	-	116,880
Accumulated Depreciation	(116,880)	-	(116,880)
Total Capital Assets	-	-	-
Total Noncurrent Assets	-	-	-
Total Assets	84,547	105,252	189,799
DEFERRED OUTFLOWS OF RESOURCES			
None	-	-	-
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	84,547	105,252	189,799

(This statement is continued on the following page.)

CITY OF ROCHELLE, ILLINOIS

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS (Continued)

December 31, 2017

	Administrative Services	Network Administration	Total Internal Service Funds
CURRENT LIABILITIES			
Accounts Payable	\$ 81,940	\$ 17,350	\$ 99,290
Due to Other Funds	35,201	-	35,201
Compensated Absences Payable	23,887	2,970	26,857
Total Current Liabilities	141,028	20,320	161,348
LONG-TERM LIABILITIES			
None	-	-	-
Total Long-Term Liabilities	-	-	-
Total Liabilities	141,028	20,320	161,348
DEFERRED INFLOWS OF RESOURCES			
None	-	-	-
Total Deferred Inflows of Resources	-	-	-
Total Liabilities and Deferred Inflows of Resources	141,028	20,320	161,348
NET POSITION			
Unrestricted	(56,481)	84,932	28,451
TOTAL NET POSITION	\$ (56,481)	\$ 84,932	\$ 28,451

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS**

For the Year Ended December 31, 2017

	Administrative Services	Network Administration	Total Internal Service Funds
OPERATING REVENUES			
Charges for Services	\$ 642,252	\$ 457,766	\$ 1,100,018
Miscellaneous	17,758	-	17,758
	<hr/>	<hr/>	<hr/>
Total Operating Revenues	660,010	457,766	1,117,776
	<hr/>	<hr/>	<hr/>
OPERATING EXPENSES			
Administration	560,684	116,046	676,730
Commodities	-	7,819	7,819
Contractual Services	-	248,969	248,969
Depreciation/Amortization	-	-	-
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	560,684	372,834	933,518
	<hr/>	<hr/>	<hr/>
OPERATING INCOME	99,326	84,932	184,258
	<hr/>	<hr/>	<hr/>
CHANGE IN NET POSITION	99,326	84,932	184,258
	<hr/>	<hr/>	<hr/>
NET POSITION, JANUARY 1	(155,807)	-	(155,807)
	<hr/>	<hr/>	<hr/>
NET POSITION, DECEMBER 31	\$ (56,481)	\$ 84,932	\$ 28,451
	<hr/>	<hr/>	<hr/>

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2017

	Administrative Services	Network Administration	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Interfund Service Transactions	\$ 653,270	\$ 389,633	\$ 1,042,903
Payments to Suppliers	(223,277)	(262,097)	(485,374)
Payments to Employees	(481,886)	(113,076)	(594,962)
Net Cash from Operating Activities	(51,893)	14,460	(37,433)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipts of Loans from Other Funds	35,201	-	35,201
Net Cash from Noncapital Financing Activities	35,201	-	35,201
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
None	-	-	-
Net Cash from Capital and Related Financing Activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
None	-	-	-
Net Cash from Investing Activities	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,692)	14,460	(2,232)
CASH AND CASH EQUIVALENTS, JANUARY 1	16,692	-	16,692
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ -	\$ 14,460	\$ 14,460

(This statement is continued on the following page.)

CITY OF ROCHELLE, ILLINOIS

COMBINING STATEMENT OF CASH FLOWS (Continued)
INTERNAL SERVICE FUNDS

For the Year Ended December 31, 2017

	<u>Administrative</u>	<u>Network</u>	<u>Total</u>
	<u>Services</u>	<u>Administration</u>	<u>Internal</u>
			<u>Service Funds</u>
RECONCILIATION OF OPERATING INCOME			
TO NET CASH FLOWS FROM			
OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 99,326	\$ 84,932	\$ 184,258
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities			
Changes in Assets and Liabilities			
Accounts Receivables	(6,740)	(68,133)	(74,873)
Prepaid Expenses	9,152	(22,659)	(13,507)
Accounts Payable	(136,452)	17,350	(119,102)
Accrued Payroll	(17,201)	-	(17,201)
Compensated Absences	22	2,970	2,992
NET CASH FROM OPERATING ACTIVITIES	<u>\$ (51,893)</u>	<u>\$ 14,460</u>	<u>\$ (37,433)</u>
CASH AND INVESTMENTS			
Cash and Cash Equivalents	\$ -	\$ 14,460	\$ 14,460
TOTAL CASH AND INVESTMENTS	<u>\$ -</u>	<u>\$ 14,460</u>	<u>\$ 14,460</u>

(See independent auditor's report.)

FIDUCIARY FUNDS

CITY OF ROCHELLE, ILLINOIS

**COMBINING STATEMENT OF PLAN NET POSITION
PENSION TRUST FUNDS**

December 31, 2017

	Pension Trust		Total
	Police Pension	Firefighters' Pension	
ASSETS			
Cash and Short-Term Investments	\$ 547,345	\$ 741,475	\$ 1,288,820
Investments, at Fair Value			
U.S. Treasury Securities	1,431,783	608,570	2,040,353
U.S. Agency Securities	483,163	2,816,759	3,299,922
Equity Mutual Funds	5,714,740	3,468,626	9,183,366
Fixed Income Mutual Funds	326,451	-	326,451
Corporate Bonds	1,456,960	379,541	1,836,501
Municipal Bonds	-	713,169	713,169
Equities	1,295,391	-	1,295,391
Annuity Contracts	-	182,268	182,268
Receivables			
Accrued Interest	22,518	28,052	50,570
Total Assets	11,278,351	8,938,460	20,216,811
LIABILITIES			
None	-	-	-
Total Liabilities	-	-	-
NET POSITION RESTRICTED FOR PENSIONS	\$ 11,278,351	\$ 8,938,460	\$ 20,216,811

(See independent auditor's report.)

CITY OF ROCHELLE, ILLINOIS

**COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
PENSION TRUST FUNDS**

For the Year Ended December 31, 2017

	Pension Trust		Total
	Police Pension	Firefighters' Pension	
ADDITIONS			
Contributions			
Employer Contributions	\$ 497,804	\$ 443,122	\$ 940,926
Employee Contributions	140,386	98,666	239,052
Total Contributions	638,190	541,788	1,179,978
Investment Income			
Net Appreciation in Fair Value of Investments	927,777	595,938	1,523,715
Interest	333,803	292,581	626,384
Total Investment Income	1,261,580	888,519	2,150,099
Less Investment Expense	(60,905)	(17,424)	(78,329)
Net Investment Income	1,200,675	871,095	2,071,770
Total Additions	1,838,865	1,412,883	3,251,748
DEDUCTIONS			
Benefits and Refunds	924,236	611,828	1,536,064
Administrative Expenses	20,897	16,019	36,916
Total Deductions	945,133	627,847	1,572,980
NET INCREASE	893,732	785,036	1,678,768
NET POSITION RESTRICTED FOR PENSIONS			
January 1	10,384,619	8,153,424	18,538,043
December 31	\$ 11,278,351	\$ 8,938,460	\$ 20,216,811

(See independent auditor's report.)

STATISTICAL SECTION

This part of the City of Rochelle, Illinois' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	132-141
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, the sales tax and property tax.	142-145
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	146-150
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	151-152
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	153-157

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF ROCHELLE, ILLINOIS

NET POSITION BY COMPONENT

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012
GOVERNMENTAL ACTIVITIES				
Net Investment in Capital Assets	\$ 28,030,635	\$ 31,233,702	\$ 32,486,431	\$ 35,209,156
Restricted	2,411,932	3,346,501	3,136,885	2,714,044
Unrestricted	8,122,109	3,454,217	904,527	(397,013)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 38,564,676	\$ 38,034,420	\$ 36,527,843	\$ 37,526,187
BUSINESS-TYPE ACTIVITIES				
Net Investment in Capital Assets	\$ 43,441,197	\$ 45,629,528	\$ 47,880,962	\$ 51,245,063
Restricted	12,148,422	10,420,612	11,479,611	11,056,287
Unrestricted	10,280,867	14,096,522	16,805,412	19,458,333
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 65,870,486	\$ 70,146,662	\$ 76,165,985	\$ 81,759,683
PRIMARY GOVERNMENT				
Net Investment in Capital Assets	\$ 71,471,832	\$ 76,863,230	\$ 80,367,393	\$ 86,454,219
Restricted	14,560,354	13,767,113	14,616,496	13,770,331
Unrestricted	18,402,976	17,550,739	17,709,939	19,061,320
TOTAL PRIMARY GOVERNMENT	\$ 104,435,162	\$ 108,181,082	\$ 112,693,828	\$ 119,285,870

*The City changed its fiscal year end to December 31, effective December 31, 2016.

Data Source

Audited Financial Statements

	2013	2014	2015	2016	2016*	2017
\$	45,652,694	\$ 46,244,092	\$ 48,124,038	\$ 49,182,739	\$ 50,119,377	\$ 49,454,386
	2,153,415	2,601,692	2,173,047	1,880,549	2,793,415	3,603,895
	(1,720,909)	(955,731)	(1,516,370)	(10,770,965)	(11,717,240)	(10,156,454)
\$	46,085,200	\$ 47,890,053	\$ 48,780,715	\$ 40,292,323	\$ 41,195,552	\$ 42,901,827
\$	54,389,403	\$ 57,684,867	\$ 57,302,570	\$ 63,145,375	\$ 66,767,303	\$ 66,624,091
	10,475,599	12,873,509	10,930,174	8,406,663	6,791,996	7,581,483
	19,281,545	16,046,361	19,307,149	16,529,457	18,127,812	19,287,555
\$	84,146,547	\$ 86,604,737	\$ 87,539,893	\$ 88,081,495	\$ 91,687,111	\$ 93,493,129
\$	100,042,097	\$ 103,928,959	\$ 105,426,608	\$ 112,328,114	\$ 116,886,680	\$ 116,078,477
	12,629,014	15,475,201	13,103,221	10,287,212	9,585,411	11,185,378
	17,560,636	15,090,630	17,790,779	5,758,492	6,410,572	9,131,101
\$	130,231,747	\$ 134,494,790	\$ 136,320,608	\$ 128,373,818	\$ 132,882,663	\$ 136,394,956

CITY OF ROCHELLE, ILLINOIS

CHANGE IN NET POSITION

Last Ten Fiscal Years

Fiscal Year	2009	2010**	2011	2012
EXPENSES				
Governmental Activities				
General Government	\$ 2,100,584	\$ 1,950,767	\$ 2,196,004	\$ 1,984,007
Public Safety	3,432,012	4,237,541	4,312,468	4,715,710
Public Works	4,471,342	3,245,912	3,418,490	4,219,449
Public Service Enterprises	112,396	114,165	123,050	136,065
Conservation and Development	319,690	373,212	2,009,540	2,148,272
Interest	-	-	124,897	167,859
Total Governmental Activities Expenses	<u>10,436,024</u>	<u>9,921,597</u>	<u>12,184,449</u>	<u>13,371,362</u>
BUSINESS-TYPE ACTIVITIES				
Electric	21,711,141	23,805,717	20,856,403	23,599,387
Water and Water Reclamation	3,859,428	3,841,246	3,792,934	3,906,034
Communications	1,300,613	1,385,080	995,213	847,598
Technology Center	-	-	419,894	431,483
Landfill	368,709	392,533	450,491	397,471
Airport	322,260	327,708	416,249	766,300
Total Business-Type Activities Expenses	<u>27,562,151</u>	<u>29,752,284</u>	<u>26,931,184</u>	<u>29,948,273</u>
TOTAL PRIMARY GOVERNMENT EXPENSES	<u>\$ 37,998,175</u>	<u>\$ 39,673,881</u>	<u>\$ 39,115,633</u>	<u>\$ 43,319,635</u>
PROGRAM REVENUES				
Governmental Activities				
Charges for Services				
General Government	\$ 398,599	\$ 559,303	\$ 784,120	\$ 726,043
Public Safety	614,804	518,090	571,893	652,764
Public Works	772,105	288,333	277,489	310,538
Public Service Enterprises	32,324	50,957	43,761	37,253
Operating Grants and Contributions	272,880	243,436	428,029	316,878
Capital Grants and Contributions	3,116,176	1,621,522	41,255	3,855,271
Total Governmental Activities Program Revenues	<u>5,206,888</u>	<u>3,281,641</u>	<u>2,146,547</u>	<u>5,898,747</u>
Business-Type Activities				
Charges for Services				
Electric	25,145,569	27,710,497	24,929,112	27,399,527
Water and Water Reclamation	4,259,594	4,698,794	4,740,039	4,710,716
Communications	868,496	1,176,630	951,319	947,423
Technology Center	-	-	486,759	565,308
Landfill	1,377,573	772,976	654,873	662,243
Airport	166,446	130,168	192,519	462,822
Operating Grants and Contributions	-	20,534	-	-
Capital Grants and Contributions	520,718	724,986	2,754,075	2,601,474
Total Business-Type Activities Program Revenues	<u>32,338,396</u>	<u>35,234,585</u>	<u>34,708,696</u>	<u>37,349,513</u>
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	<u>\$ 37,545,284</u>	<u>\$ 38,516,226</u>	<u>\$ 36,855,243</u>	<u>\$ 43,248,260</u>

2013	2014	2015	2016	2016*	2017
\$ 2,061,279	\$ 1,991,208	\$ 2,024,267	\$ 2,413,156	\$ 2,371,762	\$ 2,223,886
5,034,276	5,240,013	5,506,420	6,846,217	4,865,637	6,178,925
4,841,587	3,643,889	3,975,074	3,746,863	2,545,336	3,476,945
138,179	277,549	162,196	198,816	115,159	119,565
514,955	374,558	534,560	792,489	629,061	726,054
180,611	172,584	84,999	130,792	91,162	134,347
12,770,887	11,699,801	12,287,516	14,128,333	10,618,117	12,859,722
27,290,007	30,900,842	34,790,641	35,706,844	23,889,662	36,247,916
3,989,355	4,198,382	4,235,635	4,284,257	3,086,559	4,682,269
1,104,006	834,028	815,032	724,692	476,654	-
564,706	815,123	875,591	930,401	646,669	1,184,320
452,664	502,936	577,716	827,404	471,220	567,450
611,097	739,131	536,528	592,585	491,928	583,104
34,011,835	37,990,442	41,831,143	43,066,183	29,062,692	43,265,059
\$ 46,782,722	\$ 49,690,243	\$ 54,118,659	\$ 57,194,516	\$ 39,680,809	\$ 56,124,781
\$ 562,912	\$ 715,864	\$ 1,063,522	\$ 1,823,521	\$ 1,162,738	\$ 2,505,643
654,474	489,758	695,058	492,360	394,864	546,731
277,273	338,940	335,859	243,586	238,358	324,057
45,047	45,374	40,478	50,895	223,469	234,906
311,353	292,235	252,066	271,822	253,482	354,304
10,852,788	1,131,988	774,261	633,615	308,156	5,606
12,703,847	3,014,159	3,161,244	3,515,799	2,581,067	3,971,247
28,677,373	31,727,508	33,991,035	37,475,729	26,749,579	38,988,537
4,895,848	5,020,871	5,640,153	5,050,143	3,870,287	6,175,344
962,487	831,694	680,050	628,911	343,615	-
626,084	1,127,944	1,359,234	1,185,971	761,308	1,287,994
981,632	1,178,675	1,396,251	1,233,518	840,940	807,633
384,818	462,817	415,736	361,269	443,835	308,849
-	-	-	-	-	-
1,516,037	1,655,641	803,867	25,511	1,294,396	1,881
38,044,279	42,005,150	44,286,326	45,961,052	34,303,960	47,570,238
\$ 50,748,126	\$ 45,019,309	\$ 47,447,570	\$ 49,476,851	\$ 36,885,027	\$ 51,541,485

CITY OF ROCHELLE, ILLINOIS

CHANGE IN NET POSITION (Continued)

Last Ten Fiscal Years

Fiscal Year	2009	2010**	2011	2012
NET (EXPENSE) REVENUE				
Governmental Activities	\$ (5,229,136)	\$ (6,639,956)	\$ (10,037,902)	\$ (7,472,615)
Business-Type Activities	4,776,245	5,482,301	7,777,512	7,401,240
TOTAL PRIMARY GOVERNMENT NET REVENUES (EXPENSES)	\$ (452,891)	\$ (1,157,655)	\$ (2,260,390)	\$ (71,375)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental Activities				
Taxes				
Property and Replacement	\$ 1,403,627	\$ 1,889,327	\$ 1,974,363	\$ 1,968,013
Sales and Use	2,855,679	2,403,416	2,632,904	2,769,309
Telecommunications	297,346	348,392	427,963	350,589
Hotel/Motel	147,275	159,410	182,649	202,782
Utility	344,422	343,304	366,631	362,786
Other	326,528	-	58,759	17,040
Shared Income Tax	829,930	748,490	734,758	778,540
Intergovernmental - Unrestricted	-	-	-	-
Investment Income	167,615	53,718	35,049	15,762
Miscellaneous	1,582,260	49,611	70,095	43,903
Gain on sale of capital assets	-	-	-	-
Transfers In	1,457,550	1,709,418	2,048,154	1,962,235
Total Governmental Activities	9,412,232	7,705,086	8,531,325	8,470,959
Business-Type Activities				
Property and Replacement	-	-	-	-
Investment Income	634,594	290,761	195,532	45,097
Miscellaneous	14,506	65,419	94,433	109,596
Transfers	(1,457,550)	(1,709,418)	(2,048,154)	(1,962,235)
Total Business-Type Activities	(808,450)	(1,353,238)	(1,758,189)	(1,807,542)
TOTAL PRIMARY GOVERNMENT	\$ 8,603,782	\$ 6,351,848	\$ 6,773,136	\$ 6,663,417
CHANGE IN NET POSITION				
Governmental Activities	\$ 4,183,096	\$ 1,065,130	\$ (1,506,577)	\$ 998,344
Business-Type Activities	3,967,795	4,129,063	6,019,323	5,593,698
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	\$ 8,150,891	\$ 5,194,193	\$ 4,512,746	\$ 6,592,042

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

**The City began recording the property tax levies for the police and fire pension funds as both a revenue and an expenditure in the General Fund in fiscal year 2010.

Data Source

Audited Financial Statements

2013	2014	2015	2016	2016*	2017
\$ (67,040)	\$ (8,685,642)	\$ (9,126,272)	\$ (10,612,534)	\$ (8,037,050)	\$ (8,888,475)
4,032,444	4,014,708	2,455,183	2,894,869	5,241,268	4,305,179
\$ 3,965,404	\$ (4,670,934)	\$ (6,671,089)	\$ (7,717,665)	\$ (2,795,782)	\$ (4,583,296)
\$ 2,160,763	\$ 2,605,811	\$ 2,826,331	\$ 3,069,810	\$ 3,120,172	\$ 3,376,985
2,874,151	3,161,390	3,081,073	3,023,254	2,092,098	3,103,976
419,475	394,192	409,595	365,031	241,024	298,393
214,837	199,768	212,328	240,367	176,766	225,959
350,293	378,945	373,430	358,799	243,024	385,033
40,440	99,417	128,027	144,399	109,493	158,963
862,814	932,950	937,626	1,020,325	581,502	879,364
-	-	-	-	78,747	78,022
8,689	3,483	3,581	5,962	7,884	33,906
27,949	99,939	81,894	43,588	423,491	67,454
-	-	-	10,400	-	10,249
1,666,642	1,949,164	1,963,096	2,161,975	1,866,078	2,353,969
8,626,053	9,825,059	10,016,981	10,443,910	8,940,279	10,972,273
-	58,912	57,837	58,563	63,084	61,739
37,417	35,054	31,851	43,871	28,917	95,728
127,225	96,902	353,381	642,203	138,425	354,412
(1,666,642)	(1,949,164)	(1,963,096)	(2,161,975)	(1,866,078)	(2,353,969)
(1,502,000)	(1,758,296)	(1,520,027)	(1,417,338)	(1,635,652)	(1,842,090)
\$ 7,124,053	\$ 8,066,763	\$ 8,496,954	\$ 9,026,572	\$ 7,304,627	\$ 9,130,183
\$ 8,559,013	\$ 1,139,417	\$ 890,709	\$ (168,624)	\$ 903,229	\$ 2,083,798
2,530,444	2,256,412	935,156	1,477,531	3,605,616	2,463,089
\$ 11,089,457	\$ 3,395,829	\$ 1,825,865	\$ 1,308,907	\$ 4,508,845	\$ 4,546,887

CITY OF ROCHELLE, ILLINOIS

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012**
GENERAL FUND				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted				
Cemetery	-	-	-	114,786
Community Development	-	-	-	-
Unassigned	-	-	-	1,666,585
Reserved				
Cemetery	115,644	150,587	150,587	-
Noncurrent Interfunds	71,514	-	-	-
Unreserved				
Designated	-	-	-	-
Undesignated	1,464,610	1,553,850	1,658,810	-
TOTAL GENERAL FUND	\$ 1,651,768	\$ 1,704,437	\$ 1,809,397	\$ 1,781,371
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable Prepaid Items	\$ -	\$ -	\$ -	\$ 231,445
Restricted				
Maintenance of Roadways	-	-	-	572,821
Tourism	-	-	-	80,970
Employee Retirement	-	-	-	-
Insurance	-	-	-	-
Capital Improvements	-	-	-	1,831,206
Economic Development	-	-	-	49,480
Specific Purposes	-	-	-	1,099
Public Safety	-	-	-	-
Unrestricted				
Committed - Ambulance Replacement	-	-	-	139,702
Assigned - Ambulance Replacement	-	-	-	521,931
Assigned - Stormwater	-	-	-	332,081
Assigned - Railroad	-	-	-	231,580
Assigned - Capital Purposes	-	-	-	45,430
Unassigned	-	-	-	(761,279)
Reserved				
Prepaid Items	115,357	174,436	160,533	-
Encumbrances	3,873,358	-	-	-
Maintenance of Roadways	-	318,896	231,058	-
Economic Development	-	-	1,285,461	-
Tourism	-	42,744	74,632	-
Stormwater	-	471,570	303,906	-
Railroad	-	375,094	478,785	-
Capital Improvements	-	1,957,497	1,572,045	-
Employee Retirement	-	16,785	1,416	-
Public Safety	-	-	57,508	-
Unreserved				
Designated - Special Revenue Funds	3,261,871	-	-	-
Designated - Capital Projects Funds	-	-	-	-
Undesignated - Special Revenue Funds	(237,854)	662,414	394,871	-
Undesignated - Capital Projects Funds	(676,351)	531,410	92,660	-
TOTAL ALL OTHER GOVERNMENTAL FUNDS	\$ 6,336,381	\$ 4,550,846	\$ 4,652,875	\$ 3,276,466

*The City changed its fiscal year end to December 31, effective December 31, 2016.

**The City implemented GASB Statement No. 54 for the fiscal year ended April 30, 2012.

Data Source

Audited Financial Statements

CITY OF ROCHELLE, ILLINOIS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Fiscal Year	2009	2010	2011	2012
REVENUES				
Taxes	\$ 6,456,562	\$ 5,902,149	\$ 6,378,028	\$ 5,653,479
Licenses and Permits	544,061	242,025	409,189	337,529
Intergovernmental	2,937,116	1,648,868	313,884	4,324,922
Charges for Services	620,360	980,909	1,062,705	1,164,543
Fines and Forfeitures	163,509	136,744	126,109	118,596
Investment Income	155,229	53,718	35,049	15,762
Miscellaneous	939,856	91,144	299,288	792,640
TOTAL REVENUES	11,816,693	9,055,557	8,624,252	12,407,471
EXPENDITURES				
Current				
General Government	2,421,142	1,844,546	1,978,377	1,878,005
Public Safety	3,359,306	3,821,495	4,285,461	4,340,991
Public Works	1,809,495	1,676,185	1,890,401	1,976,169
Public Service Enterprises	103,959	111,924	121,799	126,227
Conservation and Development	317,624	373,495	2,005,648	463,174
Capital Outlay	4,455,289	4,817,498	3,070,397	6,821,716
Debt Service				
Principal	-	-	-	-
Interest and Fiscal Charges	125,000	-	58,800	167,859
TOTAL EXPENDITURES	12,591,815	12,645,143	13,410,883	15,774,141
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(775,122)	(3,589,586)	(4,786,631)	(3,366,670)
OTHER FINANCING SOURCES (USES)				
Transfers In	3,320,497	5,178,633	4,331,074	3,857,182
Transfers (Out)	(1,862,947)	(3,469,215)	(2,282,920)	(1,894,947)
Bonds Issued	-	-	2,940,000	-
Premium on Bonds Issued	-	-	-	-
Sale of Capital Assets	1,607,414	5,637	5,466	-
Loan Proceeds	-	-	-	-
Total Other Financing Sources (Uses)	3,064,964	1,715,055	4,993,620	1,962,235
NET CHANGE IN FUND BALANCES	\$ 2,289,842	\$ (1,874,531)	\$ 206,989	\$ (1,404,435)
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	1.54%	0.00%	0.54%	1.44%

Note: The increase in the 2014 debt service as a percentage of noncapital expenditures was due to the current refunding of the Tax Increment Financing Bonds in 2014.

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

Data Source

Audited Financial Statements

	2013	2014	2015	2016	2016*	2017
\$	6,038,257	\$ 6,817,791	\$ 7,007,823	\$ 7,182,863	\$ 5,958,206	\$ 7,484,642
	214,563	346,245	262,205	287,451	184,556	258,990
	5,771,389	1,399,886	1,963,953	1,925,762	1,221,887	1,317,296
	1,120,525	1,051,482	1,726,395	2,154,558	1,776,011	3,180,816
	140,596	132,548	99,198	102,461	50,823	103,713
	8,689	3,483	3,581	5,962	7,884	33,906
	110,898	201,432	151,974	128,277	455,901	199,939
	13,404,917	9,952,867	11,215,129	11,787,334	9,655,268	12,579,302
	1,975,333	2,099,082	1,978,273	2,264,576	1,773,811	2,315,674
	4,893,561	5,115,991	5,343,694	5,719,994	4,169,903	5,946,478
	2,208,093	1,815,695	1,998,301	2,049,433	1,372,779	1,969,887
	123,943	296,959	138,957	174,413	91,864	125,360
	507,463	371,996	530,128	758,724	564,957	743,017
	7,194,270	1,798,044	3,964,145	4,840,071	2,690,199	1,229,701
	-	3,000,000	90,000	285,000	125,000	300,000
	174,148	212,008	89,480	138,232	119,788	139,680
	17,076,811	14,709,775	14,132,978	16,230,443	10,908,301	12,769,797
	(3,671,894)	(4,756,908)	(2,917,849)	(4,443,109)	(1,253,033)	(190,495)
	4,083,047	4,155,467	5,611,857	5,435,967	3,514,282	4,041,652
	(2,416,405)	(2,025,908)	(2,698,761)	(2,903,950)	(1,648,204)	(1,687,683)
	-	2,955,000	-	2,000,000	-	-
	-	66,933	-	36,644	-	-
	2,775	-	-	10,400	-	10,249
	-	-	-	-	-	27,461
	1,669,417	5,151,492	2,913,096	4,579,061	1,866,078	2,391,679
\$	(2,002,477)	\$ 394,584	\$ (4,753)	\$ 135,952	\$ 613,045	\$ 2,201,184
	1.55%	23.95%	1.70%	3.72%	2.82%	3.79%

CITY OF ROCHELLE, ILLINOIS

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Levy Years

Levy Year	Farm Property	Residential Property	Commercial Property	Industrial Property	State Railroad	Local Railroad	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Estimated Actual Taxable Value
2008	\$ 833,836	\$ 106,462,882	\$ 38,612,621	\$ 41,563,018	\$ 14,776,635	\$ 7,520	\$ 202,256,512	0.78730	\$ 606,830,219	33.33%
2009	2,230,164	104,635,888	38,614,776	47,980,162	15,112,210	7,520	208,580,720	0.83491	625,804,740	33.33%
2010	2,767,461	100,367,572	39,119,561	47,657,566	15,509,994	7,520	205,429,674	0.86035	616,350,657	33.33%
2011	3,046,220	96,694,673	38,846,206	64,981,630	15,597,849	7,520	219,174,098	0.87663	657,588,053	33.33%
2012	3,073,447	91,492,076	40,876,648	67,372,730	15,949,007	7,520	218,771,428	0.94226	656,379,922	33.33%
2013	3,114,773	84,613,120	42,499,156	78,233,664	16,786,145	7,520	225,254,378	1.00483	675,830,717	33.33%
2014	3,131,074	80,191,232	43,456,382	78,870,652	16,761,683	7,520	222,418,543	1.05366	667,322,361	33.33%
2015	3,255,060	80,299,631	46,016,248	87,823,817	17,667,970	7,520	235,070,246	1.01410	705,281,266	33.33%
2016	4,885,200	81,882,208	46,606,561	88,391,613	17,648,663	7,520	239,421,765	1.05306	718,337,129	33.33%
2017	7,928,518	84,527,440	47,852,965	99,109,865	17,644,897	7,520	257,071,205	1.00775	771,290,744	33.33%

Note: Property in the City is reassessed each year. Property is assessed at 33% of actual value.

Data Source

Office of the County Treasurer

CITY OF ROCHELLE, ILLINOIS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Levy Years

Levy Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
DIRECT CITY RATE										
City of Rochelle	0.64129	0.67901	0.68140	0.70545	0.74480	0.67390	0.71125	0.65046	0.64053	0.58893
City of Rochelle Pension	0.14601	0.15590	0.17895	0.17118	0.19750	0.33090	0.34241	0.36364	0.41253	0.41882
Total Direct City Rate	0.78730	0.83491	0.86035	0.87663	0.94230	1.00480	1.05366	1.01410	1.05306	1.00775
OVERLAPPING RATES										
Ogle County	0.55172	0.55352	0.55378	0.54556	0.55358	0.55690	0.56104	0.56200	0.56131	0.56148
Ogle County Mental Health	0.05160	0.05324	0.05303	0.05301	0.05321	0.05377	0.05561	0.05073	0.05298	0.05209
Ogle County Extension	0.01001	0.00989	0.00985	0.00982	0.00985	0.00929	0.00955	0.00941	0.00920	0.00878
Ogle County Veterans Assistance	0.00500	0.00445	0.00631	0.00628	0.00631	0.00498	0.00512	0.00504	0.00514	0.00492
Ogle County Senior Services	0.01488	0.01493	0.01507	0.01473	0.01478	0.01407	0.01447	0.01529	0.01421	0.01418
Ogle County Pension	0.09339	0.09661	0.09623	0.09588	0.09920	0.12282	0.12931	0.15287	0.14436	0.13716
Rochelle High School 212	2.48689	2.50209	2.49890	2.46049	2.53074	2.54466	2.49790	2.51481	2.52178	2.47856
Rochelle High School 212 Pension	0.04550	0.05335	0.04072	0.04900	0.05085	0.04555	0.04618	0.04541	0.04555	0.04513
Rochelle Grade School 231	2.92436	2.96004	3.00536	3.00860	3.01011	3.00422	3.05081	3.22491	3.21174	3.13806
Rochelle Grade School 231 Pension	0.05021	0.07090	0.04611	0.06052	0.06343	0.06671	0.07571	0.07223	0.07129	0.04655
Kishwaukee College 523	0.54521	0.56208	0.55874	0.57423	0.64306	0.72368	0.71134	0.69299	0.66779	0.66490
Flagg Rochelle Library	0.16893	0.16574	0.16934	0.16809	0.17032	0.17025	0.17934	0.17706	0.17386	0.17460
Flagg Rochelle Library Pension	0.00939	0.01050	0.01145	0.01131	0.00977	0.00993	0.01231	0.01212	0.00789	0.01153
Flagg Rochelle Parks	0.68912	0.69766	0.69445	0.54898	0.56849	0.59249	0.60141	0.59049	0.58425	0.58925
Flagg Rochelle Park Pension	0.00893	0.00906	0.02145	0.01620	0.01781	0.01691	0.02084	0.01230	0.00400	0.00039
Flagg Road	0.29100	0.29684	0.30609	0.31393	0.32745	0.33521	0.35007	0.35250	0.35260	0.35438
Flagg Township	0.14734	0.13975	0.14081	0.14863	0.15385	0.15735	0.16995	0.17566	0.17840	0.17859
Flagg Township Pension	0.01010	0.02204	0.01930	0.02016	0.02344	0.02415	0.02778	0.02604	0.02420	0.02145

Data Source

Office of the County Clerk

CITY OF ROCHELLE, ILLINOIS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Taxpayer	Type of Business	2017			2008		
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Valuation
Illinois River Energy LLC	Ethanol Plant	\$ 21,848,574	1	8.50%	\$ 5,426,154	2	2.68%
Nippon Sharyo	Manufacturing	12,234,370	2	4.76%			
Meeting House Business Center	Distribution Center	10,326,690	3	4.02%			
Sara Lee Corporation	Distribution Center	9,063,424	4	3.53%	2,567,406	5	1.27%
Americold Logistics LLC	Distribution & Warehouse	7,168,000	5	2.79%	5,912,056	1	2.92%
ICON Pac Owner	Land Development	6,374,687	6	2.48%			
Total Logistic Control LLC	Cold Storage	5,502,195	7	2.14%	3,160,092	4	1.56%
Americold Real Estate LP	Distribution & Warehouse	5,153,132	8	2.00%	2,448,963	6	1.21%
Rochelle Development LLC	Land Development	3,464,891	9	1.35%	3,556,579	3	1.76%
Seldal Properties LLC	Land Development	3,334,002	10	1.30%			
Erie Foods International	Distribution				1,904,678	7	0.94%
Rochelle Travel Plaza	Truck Stop				1,628,513	8	0.81%
Rochelle Hotel, LLC	Hotel				1,621,058	9	0.80%
Jacobson Rochelle LLC	Appraisal Service				1,446,548	10	0.72%
TOTAL		<u>\$ 84,469,965</u>		<u>32.87%</u>	<u>\$ 29,672,047</u>		<u>14.67%</u>

Data Source

Office of the County Treasurer

CITY OF ROCHELLE, ILLINOIS

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Levy Years

Levy Year	Tax Levied	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years		Total Collections to Date	
		Amount	Percentage of Levy	Amount	Amount	Amount	Percentage of Levy
2008	\$ 1,593,367	\$ 1,548,945	97.21%	\$ -	\$ 1,548,945	97.21%	
2009	1,741,490	1,673,492	96.10%	-	1,673,492	96.10%	
2010	1,736,927	1,675,106	96.44%	-	1,675,106	96.44%	
2011	1,921,386	1,796,512	93.50%	-	1,796,512	93.50%	
2012	2,017,884	1,919,824	95.14%	-	1,919,824	95.14%	
2013	2,167,126	2,062,815	95.19%	-	2,062,815	95.19%	
2014	2,227,858	2,189,648	98.28%	-	2,189,648	98.28%	
2015	2,277,251	2,265,091	99.47%	-	2,265,091	99.47%	
2016	2,372,996	2,361,297	99.51%	-	2,361,297	99.51%	
2017*	2,445,391	N/A	N/A	N/A	N/A	N/A	

N/A - Information not available

*2017 property taxes will not be received until the fiscal year 2018.

Data Source

Office of the Ogle County Treasurer

CITY OF ROCHELLE, ILLINOIS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

Fiscal Year Ended	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Actual Taxable Value (1) of Property	Per Capita (2)	Debt Outstanding as a Percentage of Personal Income
	General Obligation Bonds	General Obligation TIF Bonds	General Obligation Debt Certificates	Installment Contract	Revenue Bonds	General Obligation Debt Certificates	General Obligation Bonds	IEPA Revolving Loans				
2009	\$ -	\$ -	\$ -	\$ -	\$ 18,875,000	\$ 5,000,000	\$ -	\$ 2,399,788	\$ 26,274,788	12.99%	\$ 2,746.68	13.06%
2010	-	-	-	-	17,380,000	4,835,000	750,000	2,206,107	25,171,107	12.07%	2,622.26	12.46%
2011	-	-	-	-	15,885,000	4,665,000	735,000	1,969,163	23,254,163	11.32%	2,439.33	11.59%
2012	-	2,940,000	-	-	14,330,000	4,490,000	705,000	1,738,116	24,203,116	11.04%	2,528.00	12.02%
2013	-	2,940,000	-	-	13,165,000	4,305,000	675,000	1,500,446	22,585,446	10.32%	2,359.04	10.28%
2014	-	2,895,000	-	-	11,950,000	4,115,000	645,000	1,255,964	20,860,964	9.26%	2,186.91	9.23%
2015	-	2,805,000	-	-	16,370,000	3,915,000	615,000	1,004,474	24,709,474	11.11%	2,603.46	10.99%
2016	-	2,690,000	1,830,000	-	15,755,000	3,705,000	585,000	3,811,656	28,376,656	12.07%	2,989.85	12.62%
2016*	-	2,617,493	1,861,891	-	16,169,536	3,485,000	585,000	3,608,792	28,257,892	11.80%	2,977.34	12.56%
2017	-	2,484,869	1,689,682	27,461	15,497,305	3,470,715	595,000	5,054,195	28,819,227	11.21%	3,146.55	14.29%

Note: Details of the City's outstanding debt can be found in the notes to financial statements.

*The City changed its fiscal year end to December 31, effective December 31, 2016.

(1) Assessed value and actual value of taxable property

(2) See the schedule of Demographic and Economic Information for personal income and population data.

Data Source

City Records

CITY OF ROCHELLE, ILLINOIS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

December 31, 2017

Governmental Unit	Gross Debt	Percentage Debt Applicable to the City	City's Share of Debt
City of Rochelle	\$ 4,202,012	100.00%	\$ 4,202,012
Flagg-Rochelle Park District	800,000	74.34%	594,693
School District Number 161	35,000	27.60%	9,661
District 231	10,590,000	76.31%	8,081,261
District 212	11,930,000	56.40%	6,728,375
Kishwaukee Community College	47,261,583	10.16%	4,800,845
Subtotal	<u>70,616,583</u>		<u>20,214,835</u>
TOTAL	<u><u>\$ 74,818,595</u></u>		<u><u>\$ 24,416,847</u></u>

Note: Overlapping information presented as of October 17, 2017 (most recent available).

Data Sources

Official Statement

CITY OF ROCHELLE, ILLINOIS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Fiscal Year	Governmental Activities	Business-Type Activities	Less Amounts Available In Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property*	Per Capita
2009	\$ -	\$ 5,585,000	\$ -	\$ 5,585,000	2.76%	\$ 583.84
2010	-	5,400,000	-	5,400,000	2.59%	562.56
2011	2,940,000	5,195,000	-	8,135,000	3.96%	853.35
2012	2,940,000	4,980,000	-	7,920,000	3.61%	827.24
2013	2,895,000	4,760,000	-	7,655,000	3.50%	799.56
2014	2,895,000	4,760,000	-	7,655,000	3.40%	802.50
2015	2,805,000	4,530,000	-	7,335,000	3.30%	772.84
2016	4,520,000	4,290,000	-	8,810,000	3.75%	928.25
2016**	4,479,384	4,070,000	-	8,549,384	3.57%	900.79
2017	4,174,551	4,065,715	-	8,240,266	3.21%	899.69

*See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 142 for property value data.

**The City changed its fiscal year end to December 31, effective December 31, 2016.

Note: Details of the City's outstanding debt can be found in the notes to the financial statements.

Data Source

City Records

CITY OF ROCHELLE, ILLINOIS

SCHEDULE OF LEGAL DEBT MARGIN

December 31, 2017

ASSESSED VALUATION - 2017 TAX YEAR	<u><u>\$ 257,071,205</u></u>
Legal debt limit - 8.625% of assessed valuation	\$ 22,172,391
Amount of debt applicable to debt limit	<u>5,755,397</u>
LEGAL DEBT MARGIN	<u><u>\$ 16,416,994</u></u>

Data Source

City records

CITY OF ROCHELLE, ILLINOIS

LEGAL DEBT MARGIN INFORMATION

Last Ten Levy Years

Levy Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Legal debt limit	\$ 17,990,087	\$ 17,718,309	\$ 18,903,766	\$ 18,869,036	\$ 19,428,190	\$ 19,428,190	\$ 19,183,599	\$ 20,274,809	\$ 20,650,127	\$ 22,172,391
Total net debt applicable to limit	5,585,000	5,400,000	5,195,000	4,980,000	4,760,000	4,760,000	4,530,000	6,120,000	5,931,891	5,755,397
LEGAL DEBT MARGIN	\$ 12,405,087	\$ 12,318,309	\$ 13,708,766	\$ 13,889,036	\$ 14,668,190	\$ 14,668,190	\$ 14,653,599	\$ 14,154,809	\$ 14,718,236	\$ 16,416,994
TOTAL NET DEBT APPLICABLE TO THE LIMIT AS A PERCENTAGE OF DEBT LIMIT	31.04%	30.48%	27.48%	26.39%	24.50%	24.50%	23.61%	30.19%	28.73%	25.96%

Data Source

City records

CITY OF ROCHELLE, ILLINOIS

DEMOGRAPHIC AND ECONOMIC INFORMATION

Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2009	9,858	\$ 226,211,526	\$ 22,947	35.0	2,735	16.8%
2010	9,566	201,249,508	21,038	35.0	2,654	18.5%
2011	9,599	201,943,762	21,038	35.0	2,540	16.7%
2012	9,533	200,555,254	21,038	35.0	2,529	15.0%
2013	9,574	201,417,812	21,038	36.0	2,480	12.9%
2014	9,574	219,694,578	22,947	36.0	2,415	7.3%
2015	9,539	226,045,683	23,697	36.6	2,027	5.4%
2016	9,491	224,908,227	23,697	36.5	2,531	6.3%
2016*	9,491	224,908,227	23,697	36.5	2,531	6.3%
2017	9,159	201,690,339	22,021	35.4	2,623	4.5%

*The City changed its fiscal year end to December 31, effective December 31, 2016.

Unemployment rate is the twelve month average.

Data Sources

City Records
U.S. Census Bureau
Office of the County Clerk
IL Board of Education

CITY OF ROCHELLE, ILLINOIS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2017			2008		
	Number of Employees	Rank	% of Total City Population	Number of Employees	Rank	% of Total City Population
Rochelle Foods	811	1	8.54%	760	1	7.71%
Rochelle Community Hospital	261	8	2.73%	168	5	1.70%
WalMart	260	2	2.72%			
Americold	232	3	2.42%	100	9	1.01%
Elementary School District #231	230	4	2.40%			
Tyson, Hillshire Brands	215	5	2.25%	215	2	2.18%
Silgan Containers	210	6	2.19%			
Swift Transportation	191	7	1.99%			
High School District 212	155	9	1.62%	152	6	1.54%
Delmonte	140	10	1.46%			
Ryder				140	7	1.42%
Eaton Corporation				200	3	2.03%
J.W. Peters				200	3	2.03%
City of Rochelle				116	8	1.18%
Erie Foods				65	10	0.66%
TOTAL	2,705		28.32%	2,116		21.46%

Data Source

Economic Development

CITY OF ROCHELLE, ILLINOIS
FULL-TIME EQUIVALENT EMPLOYEES

Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2016*	2017
GENERAL FUND										
Mayor and City Council	7	7	7	7	7	7	7	7	7	7
City Manager	2	2	2	2	2	2	2	2	2	2
Municipal Building	1	1.5	1.5	1.5	1.5	1.5	1	1	1	1
City Clerk	2	2	2	2	2	2	1	2	2	2
Cemetery	2	1	1	1	1	1	1	1	1	1
Community Development	5	5	4	4	4	3	4	5	5	5
Economic Development	2	3	3	3	3	3	2	1	1	2
Engineering	2	2	2	2	2	2	2	2	2	2
Fire	13	13	13	13	12	13	13	13	13	13
Police	25	25	24	26	26	26	26	25	25	26
Street	9	9	10	10	10	10	10	10	10	10
ENTERPRISE FUND										
Airport	1	1.5	1.5	1.5	1.5	1.5	1.5	2.0	2.0	1.5
Utilities - Administration	2	2	2	2	1	1.5	0.5	0.5	0.5	1
Utilities - Technology Center	-	-	-	-	1	0.5	2	2	2	2
Utilities - Communications/ Network Administration	7	7	6	6	5	6	3	3	3	3
Utilities - Electric	28	30	31	31	31	31	28	28	28	28
Utilities - Water	4	4	4	4	4	4	5	5	5	5
Utilities - Water Reclamation	8	8	9	9	8	8	8	9	9	8
INTERNAL FUND										
Administrative Services	5	5	6	6	6	6	6	6	6	6

*The City changed its fiscal year end to December 31, effective December 31, 2016.

Data Source

City Budget File

CITY OF ROCHELLE, ILLINOIS

OPERATING INDICATORS

Last Ten Calendar Years

Function/Program	2009	2010	2011	2012
COMMUNITY DEVELOPMENT				
New Construction Single Family Permits	-	11	-	-
Number of Permits Issued	440	483	454	467
Building and Engineering Inspections	1,320	1,449	1,362	1,401
POLICE				
DUI Arrests	64	61	79	55
Criminal Arrests	583	449	434	434
Accidents	364	332	314	333
Ordinance Enforcement	57	55	37	25
Total Tickets	1,698	1,332	1,376	1,373
Total Calls	9,735	10,925	10,990	**15,515
FIRE				
Number of Fire Calls Answered	560	279	241	235
Number of EMS Calls Answered	1,589	1,476	1,554	1,649
PUBLIC WORKS				
Trees Planted	9	12	12	15
Trees Removed	21	25	27	32
Street Sweeping (Tons)	512	799	494	323
Street Sweeping (Hours)	1,200	1,200	1,200	1,200
Snow Removal (Hours)	1,312	1,755	739	1,217
Catch Basins/Inlets Cleaned	1,200	1,200	600	800
Sidewalk Replacement (Square Feet)	57,220	49,279	49,009	50,816
WATER AND SEWER				
Water MGD Pumped (Millions/Gallons)	N/A	N/A	N/A	N/A
Water MGD Billed (Millions/Gallons)	N/A	N/A	N/A	N/A
Sewer MGD Treated (Millions/Gallons)	N/A	N/A	N/A	N/A
Water Meter Installations (New)	16	9	11	7
Water Meter Exchanges	248	173	199	260
Hydrants Flushed	630	630	640	640
ELECTRIC				
Pole Replacements	N/A	N/A	N/A	N/A
Electric Meter Installations	N/A	N/A	N/A	N/A

N/A - Not Available

*The City changed its fiscal year end to December 31, effective December 31, 2016.

**Increase to total calls are due to officer initiated business checks.

Data Source

City Records

2013	2014	2015	2016	2016*	2017
-	3	3	3	4	3
364	393	359	393	329	276
1,092	1,179	1,077	1,179	987	828
55	38	22	38	50	39
310	321	268	321	265	452
374	437	433	437	432	369
21	29	14	29	6	N/A
1,244	846	795	846	789	1,792
**22,371	6,023	17,264	6,023	15,649	15,000
276	208	274	208	259	272
1,741	1,749	1,470	1,749	1,564	1,564
24	109	70	109	30	2
47	122	133	122	45	24
340	359	350	359	330	360
1,200	1,200	1,200	1,200	900	1,200
1,929	1,764	641	1,764	512	993
1,200	500	900	500	1,200	2,024
47,996	47,500	18,430	47,500	10,600	640
N/A	2.95	2.74	2.95	2.95	2.81
N/A	2.57	2.37	2.57	2.47	2.33
N/A	2.36	2.76	2.36	2.58	2.82
17	6	5	6	4	2
290	176	250	176	184	188
640	285	-	285	760	762
44	27	34	27	77	15
532	1,461	1,081	1,461	1,026	632

CITY OF ROCHELLE, ILLINOIS

CAPITAL ASSETS STATISTICS BY FUNCTION

Last Ten Fiscal Years

Function/Program	2009	2010	2011	2012
GENERAL GOVERNMENT				
General Government Buildings	N/A	48	48	49
PUBLIC SAFETY				
Police				
Number of Squad Cars	N/A	15	15	14
Fire				
Number of Vehicles	9	10	11	12
PUBLIC WORKS				
Number of Vehicles and Equipment	N/A	25	25	23
Streets (Lane Miles)	N/A	160	160	160
Alleys (Miles)	N/A	7	7	7
Bridges and Structures	N/A	20	20	20
WATER AND SEWER				
Number of Vehicles and Equipment	N/A	14	14	14
Water Mains (Miles)	N/A	63	63	63
Water Towers	N/A	4	4	4
Wells and Wellhouses	N/A	4	4	4
Sanitary Sewers (Miles)	N/A	74	74	74
Lift Stations	N/A	9	9	11
Number of Manholes	N/A	294	294	294
Number of Fire Hydrants	N/A	707	707	707
ELECTRIC				
Number of Vehicles	N/A	16	16	18
Overhead Line (Miles)	N/A	150	150	150
Underground Line (Miles)	N/A	58	58	58
COMMUNICATIONS				
Fiber (Miles)	N/A	35	35	35

*The City changed its fiscal year end to December 31, effective December 31, 2016.

N/A - Information not available

Data Source

City Records

2013	2014	2015	2016	2016*	2017
46	48	48	48	48	48
14	17	17	17	17	14
12	12	12	12	12	11
23	24	24	24	24	24
160	160	160	160	160	160
7	7	7	7	7	13
20	20	20	20	20	17
14	15	15	15	16	16
63	63	63	63	78	78
4	4	5	5	4	4
4	4	5	5	5	5
74	74	74	74	74	74
11	12	12	12	13	14
294	294	294	294	294	1,470
707	707	707	707	762	762
19	19	19	19	18	14
150	150	150	150	160	151
58	58	58	58	60	56
45	45	45	45	46	46