

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

ANNUAL FINANCIAL REPORT

For the Year Ended
April 30, 2013



ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Rochelle Municipal Utilities (enterprise funds of the City of Rochelle, Illinois) as of and for the year ended April 30, 2013, as listed in the table of contents, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rochelle Municipal Utilities, as of April 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

The Rochelle Municipal Utilities adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the year ended April 30, 2013. Statement No. 63 added new classifications on the statements of position and changed net assets to net position. GASB Statement No. 65 changed the classifications of certain items on the statement of position to the new classifications contained in GASB Statement No 63. Our opinion is not modified with respect to these matters.

Other Matters

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


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

The prior year comparative information has been derived from the Rochelle Municipal Utilities (enterprise funds of the City of Rochelle, Illinois) 2012 financial statements and, in our prior year report dated September 13, 2012 we expressed unqualified opinions on the respective financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 11, 2013 on our consideration of the City of Rochelle, Illinois' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the City of Rochelle, Illinois' internal control over financial reporting and compliance.

Naperville, Illinois
September 11, 2013

A handwritten signature in black ink, appearing to read "Bill 2013", is located to the right of the date.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

ROCHELLE MUNICIPAL UTILITIES

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

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

FINANCIAL HIGHLIGHTS

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

ROCHELLE MUNICIPAL UTILITIES

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

STATEMENTS

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

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

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

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

ROCHELLE MUNICIPAL UTILITIES

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

FINANCIAL ANALYSIS OF RMU

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

Table 1
Condensed Statements of Net Assets

Electric Utility

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

ROCHELLE MUNICIPAL UTILITIES

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

FINANCIAL ANALYSIS OF RMU (cont.)

Table 2
Condensed Statements of Net Assets

Water and Water Reclamation Utility

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

ROCHELLE MUNICIPAL UTILITIES

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

FINANCIAL ANALYSIS OF RMU (cont.)

Table 3
Condensed Statements of Net Assets

Communications Utility

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

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

ROCHELLE MUNICIPAL UTILITIES

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

FINANCIAL ANALYSIS OF RMU (cont.)

Table 4
Condensed Statements of Net Assets

Technology Center Utility

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

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

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

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

ROCHELLE MUNICIPAL UTILITIES

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

FINANCIAL ANALYSIS OF RMU (cont.)

ELECTRIC OPERATIONS

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

- General system upgrades

WATER/WATER RECLAMATION OPERATIONS

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

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

COMMUNICATION OPERATIONS

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

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

TECHNOLOGY CENTER

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

- General system upgrades

ROCHELLE MUNICIPAL UTILITIES

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

FINANCIAL ANALYSIS OF RMU (cont.)

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

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

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

ROCHELLE MUNICIPAL UTILITIES

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

FINANCIAL ANALYSIS OF RMU (cont.)

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

Water and Water Reclamation Utility

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

ROCHELLE MUNICIPAL UTILITIES

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

FINANCIAL ANALYSIS OF RMU (cont.)

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

Communications Utility

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

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

ROCHELLE MUNICIPAL UTILITIES

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

FINANCIAL ANALYSIS OF RMU (cont.)

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

Technology Center Utility

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

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

ROCHELLE MUNICIPAL UTILITIES

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

RMU BUDGETARY HIGHLIGHTS

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

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

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

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

LONG-TERM DEBT

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

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

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

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

ROCHELLE MUNICIPAL UTILITIES

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

LONG-TERM DEBT (cont.)

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

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

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

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

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET POSITION

April 30, 2013

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
CAPITAL ASSETS					
Depreciable - Plant in Service	\$ 69,524,494	\$ 54,632,323	\$ 3,344,746	\$ 5,119,136	\$ 132,620,699
Accumulated Depreciation	(37,585,712)	(24,209,490)	(2,640,415)	(690,517)	(65,126,134)
Nondepreciable	697,664	1,204,408	-	519,453	2,421,525
Net Capital Assets	32,636,446	31,627,241	704,331	4,948,072	69,916,090
CURRENT ASSETS					
Cash and Investments	7,067,709	3,697,764	3,342	97,109	10,865,924
Receivables					
Accounts	3,603,481	680,227	24,979	8,708	4,317,395
Accrued Interest	-	1,089	-	-	1,089
Other	233,884	19,533	-	-	253,417
Prepaid Expenses	153,928	18,519	12,831	-	185,278
Inventory	1,699,916	3,480	-	-	1,703,396
Deposits	871,040	-	-	-	871,040
Due from Other Governments	-	221,612	-	-	221,612
Due from Other Funds	2,688,110	-	-	-	2,688,110
Restricted Assets					
Cash and Investments	8,123,114	1,041,697	-	-	9,164,811
Cash Held at Paying Agent	622,500	688,288	-	-	1,310,788
Total Current Assets	25,063,682	6,372,209	41,152	105,817	31,582,860
NONCURRENT ASSETS					
Advances to Other Funds	1,628,392	-	-	-	1,628,392
Special Assessments	-	372,508	-	-	372,508
Total Noncurrent Assets	1,628,392	372,508	-	-	2,000,900
Total Assets	59,328,520	38,371,958	745,483	5,053,889	103,499,850
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized Loss on Refunding	58,723	29,144	-	-	87,867
Total Deferred Outflows of Resources	58,723	29,144	-	-	87,867
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 59,387,243	\$ 38,401,102	\$ 745,483	\$ 5,053,889	\$ 103,587,717

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET POSITION (Continued)

April 30, 2013

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
NET POSITION					
Net Investment in Capital Assets	\$ 20,842,309	\$ 28,839,744	\$ 704,331	\$ 643,072	\$ 51,029,456
Restricted for Debt Service	8,745,614	1,729,985	-	-	10,475,599
Unrestricted (Deficit)	14,341,318	4,252,620	(707,099)	(895,334)	16,991,505
Total Net Position	43,929,241	34,822,349	(2,768)	(252,262)	78,496,560
LONG-TERM LIABILITIES					
General Obligation Bonds Payable	-	-	-	4,115,000	4,115,000
Revenue Bonds Payable	11,285,000	665,000	-	-	11,950,000
IEPA Loans Payable	-	1,255,964	-	-	1,255,964
Unamortized Bond Premium/Discount	(2,140)	6,195	-	-	4,055
Net Pension Obligation	95,155	38,281	11,846	5,053	150,335
Advance from Other Funds	-	-	387,345	852,380	1,239,725
Total Long-Term Liabilities	11,378,015	1,965,440	399,191	4,972,433	18,715,079
CURRENT LIABILITIES					
Accounts Payable	2,503,978	601,008	25,342	6,962	3,137,290
Customer Advances	488,785	-	-	-	488,785
Accrued Payroll	12,570	5,352	2,426	-	20,348
Accrued Interest Payable	254,049	38,576	-	136,756	429,381
Other Payables	139,651	37,138	2,763	-	179,552
Due to Other Funds	-	-	302,253	-	302,253
General Obligation Debt Payable	-	-	-	190,000	190,000
Revenue Bonds Payable	570,000	645,000	-	-	1,215,000
IEPA Loans Payable	-	244,482	-	-	244,482
Compensated Absences Payable	110,954	41,757	16,276	-	168,987
Total Current Liabilities	4,079,987	1,613,313	349,060	333,718	6,376,078
Total Liabilities	15,458,002	3,578,753	748,251	5,306,151	25,091,157
TOTAL NET POSITION AND LIABILITIES	\$ 59,387,243	\$ 38,401,102	\$ 745,483	\$ 5,053,889	\$ 103,587,717

See accompanying notes to financial statements.

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended April 30, 2013

	Electric	Water and Reclamation	Communications	Technology Center	Total
OPERATING REVENUES					
Charges for Services	\$ 28,677,373	\$ 4,895,849	\$ 962,487	\$ 626,084	\$ 35,161,793
Miscellaneous	51,170	16,594	-	-	67,764
Total Operating Revenues	28,728,543	4,912,443	962,487	626,084	35,229,557
OPERATING EXPENSES					
Operations	24,607,324	2,524,040	909,866	234,124	28,275,354
Depreciation and Amortization	2,164,888	1,350,329	192,811	143,380	3,851,408
Total Operating Expenses	26,772,212	3,874,369	1,102,677	377,504	32,126,762
OPERATING INCOME (LOSS)	1,956,331	1,038,074	(140,190)	248,580	3,102,795
NONOPERATING REVENUES (EXPENSES)					
Investment Income	19,507	13,193	-	382	33,082
Interest Expense	(517,795)	(114,986)	(1,329)	(187,202)	(821,312)
Total Nonoperating Revenues (Expenses)	(498,288)	(101,793)	(1,329)	(186,820)	(788,230)
NET INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	1,458,043	936,281	(141,519)	61,760	2,314,565
TRANSFERS					
Transfers to the City	(1,371,520)	(214,122)	-	-	(1,585,642)
Total Transfers	(1,371,520)	(214,122)	-	-	(1,585,642)
CONTRIBUTIONS	-	802,496	-	-	802,496
CHANGE IN NET POSITION	86,523	1,524,655	(141,519)	61,760	1,531,419
NET POSITION (DEFICIT), MAY 1	43,842,718	33,297,694	138,751	(314,022)	76,965,141
NET POSITION (DEFICIT), APRIL 30	\$ 43,929,241	\$ 34,822,349	\$ (2,768)	\$ (252,262)	\$ 78,496,560

See accompanying notes to financial statements.

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF CASH FLOWS

For the Year Ended April 30, 2013

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 28,545,549	\$ 4,906,447	\$ 435,162	\$ 485,697	\$ 34,372,855
Receipts from Interfund Service Transactions	-	-	550,450	131,679	682,129
Payments to Suppliers	(22,156,503)	(607,235)	(272,078)	(140,736)	(23,176,552)
Payments to Employees	(1,270,517)	(1,098,216)	(416,358)	-	(2,785,091)
Payments to Other Funds	(733,653)	(809,289)	(206,467)	(82,641)	(1,832,050)
Net Cash from Operating Activities	4,384,876	2,391,707	90,709	393,999	7,261,291
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipts of Loans from Other Funds	-	-	302,254	27,653	329,907
Repayments from Loans to Other Funds	-	-	-	-	-
Repayment of Loans from Other Funds	-	-	(215,133)	(48,801)	(263,934)
Interest Paid on Interfund Loans	-	-	(1,329)	(2,703)	(4,032)
Loans Provided to Other Funds	(2,973,331)	-	-	-	(2,973,331)
Transfers to the City	(1,371,520)	(214,122)	-	-	(1,585,642)
Net Cash from Noncapital Financing Activities	(4,344,851)	(214,122)	85,792	(23,851)	(4,497,032)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Assets Purchased	(1,625,181)	(605,172)	(173,159)	(75,044)	(2,478,556)
Principal Payments on Long-Term Debt	(545,000)	(857,669)	-	(185,000)	(1,587,669)
Interest Payments on Long-Term Debt	(533,394)	(119,200)	-	(191,851)	(844,445)
Grant Receipts	-	-	-	-	-
Net Cash from Capital and Related Financing Activities	(2,703,575)	(1,582,041)	(173,159)	(451,895)	(4,910,670)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received on Investments	19,507	13,442	-	382	33,331
Net Cash from Investing Activities	19,507	13,442	-	382	33,331
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,644,043)	608,986	3,342	(81,365)	(2,113,080)
CASH AND CASH EQUIVALENTS, MAY 1	17,834,866	4,130,475	-	178,474	22,143,815
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 15,190,823	\$ 4,739,461	\$ 3,342	\$ 97,109	\$ 20,030,735

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF CASH FLOWS (Continued)

For the Year Ended April 30, 2013

	Electric	Water and Water Reclamation	Communications	Technology Center	Total
RECONCILIATION OF OPERATING INCOME					
(LOSS) TO NET CASH FLOWS FROM					
OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 1,956,331	\$ 1,038,074	\$ (140,190)	\$ 248,580	\$ 3,102,795
Adjustments to Reconcile Operating Income					
(Loss) to Net Cash from Operating Activities					
Depreciation and Amortization	2,164,888	1,350,329	192,811	143,380	3,851,408
Changes in Assets and Liabilities					
Accounts Receivable	(96,564)	5,842	23,061	(8,708)	(76,369)
Other Receivables	(68,506)	(18,734)	65	-	(87,175)
Prepaid Expenses	63,304	18,439	(10,419)	-	71,324
Inventory	260,301	-	20,223	-	280,524
Deposits	-	6,896	100	-	6,996
Accounts Payable	108,883	(12,581)	5,299	5,694	107,295
Customer Advances	(17,924)	-	-	-	(17,924)
Accrued Payroll	(1,668)	(3,939)	(68)	-	(5,675)
Other Payables	(8,108)	-	-	-	(8,108)
Compensated Absences	13,829	6,703	1,604	-	22,136
Net Pension Obligation	10,110	678	(1,777)	5,053	14,064
NET CASH FROM OPERATING ACTIVITIES	\$ 4,384,876	\$ 2,391,707	\$ 90,709	\$ 393,999	\$ 7,261,291
CASH AND INVESTMENTS					
Cash and Cash Investments	\$ 7,067,709	\$ 3,697,764	\$ 3,342	\$ 97,109	\$ 10,865,924
Restricted Assets					
Cash and Investments	8,123,114	1,041,697	-	-	9,164,811
TOTAL CASH AND INVESTMENTS	\$ 15,190,823	\$ 4,739,461	\$ 3,342	\$ 97,109	\$ 20,030,735
NONCASH TRANSACTIONS					
Contributions	\$ -	\$ 802,496	\$ -	\$ -	\$ 802,496
TOTAL NONCASH TRANSACTIONS	\$ -	\$ 802,496	\$ -	\$ -	\$ 802,496

See accompanying notes to financial statements.

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

The Electric Utility Fund accounts for the activities of the electric system. The Electric Fund's present generation capacity consists of ten diesel generating units (with an aggregate a nameplate rating of 23,318 KW), and one solar gas turbine generator unit (with a nameplate rating of 4,200 KW).

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

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

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

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

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

D. Cash and Investments

Cash and Cash Equivalents

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments (Continued)

Investments

Investments with a maturity less than one year when purchased are stated at cost or amortized cost. Investments with a maturity of one year or greater when purchased are reported at fair value. Fair value has been based on quoted market prices at April 30, 2013 for debt and equity securities and contract values for mutual funds.

E. Materials and Supplies Inventory

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

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

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

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

F. Restricted Assets

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

G. Prepaid Items/Expenses

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

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

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

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

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

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

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

I. Vacation, Sick Pay and Other Employee Benefits

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Interfund Transactions

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

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

K. Interfund Receivables/Payables

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

L. Long-Term Obligations

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

M. Net Position

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N Deferred Outflows/Inflows of Resources

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

O. Use of Estimates

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

2. CASH AND INVESTMENTS

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

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

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

2. CASH AND INVESTMENTS (Continued)

Deposits with Financial Institutions

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

Investments

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

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

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

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

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

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

3. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
ELECTRIC				
Capital Assets not Being Depreciated				
Land	\$ 697,664	\$ -	\$ -	\$ 697,664
Construction in Progress	-	1,078,072	1,078,072	-
Total Capital Assets not Being Depreciated	697,664	1,078,072	1,078,072	697,664
Capital Assets Being Depreciated				
Generation	7,437,835	936,584	-	8,374,419
Transmission	10,379,271	-	-	10,379,271
Distribution	45,703,272	1,438,212	-	47,141,484
General	3,618,713	10,607	-	3,629,320
Total Capital Assets Being Depreciated	67,139,091	2,385,403	-	69,524,494
Less Accumulated Depreciation for				
Generation	6,487,787	97,572	-	6,585,359
Transmission	6,708,062	377,576	-	7,085,638
Distribution	21,576,675	1,617,366	-	23,194,041
General	648,300	72,374	-	720,674
Total Accumulated Depreciation	35,420,824	2,164,888	-	37,585,712
Total Capital Assets Being Depreciated, Net	31,718,267	220,515	-	31,938,782
TOTAL ELECTRIC CAPITAL ASSETS, NET	\$ 32,415,931	\$ 1,298,587	\$ 1,078,072	\$ 32,636,446
WATER AND WATER RECLAMATION				
Capital Assets not Being Depreciated				
Land	\$ 262,358	\$ -	\$ -	\$ 262,358
Construction in Progress	1,430,831	1,621,553	2,110,334	942,050
Total Capital Assets not Being Depreciated	1,693,189	1,621,553	2,110,334	1,204,408
Capital Assets Being Depreciated				
Infrastructure	42,129,713	2,255,299	-	44,385,012
Equipment	10,224,621	22,690	-	10,247,311
Total Capital Assets Being Depreciated	52,354,334	2,277,989	-	54,632,323
Less Accumulated Depreciation for				
Infrastructure	17,645,829	1,096,439	-	18,742,268
Equipment	5,213,332	253,890	-	5,467,222
Total Accumulated Depreciation	22,859,161	1,350,329	-	24,209,490
Total Capital Assets Being Depreciated, Net	29,495,173	927,660	-	30,422,833
TOTAL WATER AND WATER RECLAMATION CAPITAL ASSETS, NET	\$ 31,188,362	\$ 2,549,213	\$ 2,110,334	\$ 31,627,241

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

3. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
COMMUNICATIONS				
Capital Assets not Being Depreciated				
Land rights	\$ -	\$ -	\$ -	\$ -
Total Capital Assets not Being Depreciated	-	-	-	-
Capital Assets Being Depreciated				
Building	-	-	-	-
General	3,160,867	183,879	-	3,344,746
Total Capital Assets Being Depreciated	3,160,867	183,879	-	3,344,746
Less Accumulated Depreciation for				
Building	-	-	-	-
General	2,447,604	192,811	-	2,640,415
Total Accumulated Depreciation	2,447,604	192,811	-	2,640,415
Total Capital Assets Being Depreciated, Net	713,263	(8,932)	-	704,331
TOTAL COMMUNICATION CAPITAL ASSETS, NET	\$ 713,263	\$ (8,932)	\$ -	\$ 704,331
TECHNOLOGY CENTER				
Capital Assets not Being Depreciated				
Land rights	\$ 519,453	\$ -	\$ -	\$ 519,453
Total Capital Assets not Being Depreciated	519,453	-	-	519,453
Capital Assets Being Depreciated				
Building	4,249,817	-	-	4,249,817
General	794,276	75,043	-	869,319
Total Capital Assets Being Depreciated	5,044,093	75,043	-	5,119,136
Less Accumulated Depreciation for				
Building	417,910	106,442	-	524,352
General	129,227	36,938	-	166,165
Total Accumulated Depreciation	547,137	143,380	-	690,517
Total Capital Assets Being Depreciated, Net	4,496,956	(68,337)	-	4,428,619
TOTAL TECHNOLOGY CENTER CAPITAL ASSETS, NET	\$ 5,016,409	\$ (68,337)	\$ -	\$ 4,948,072

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

4. LONG-TERM DEBT

	May 1	Additions	Reductions	April 30	Current Portion
BUSINESS-TYPE ACTIVITIES					
Revenue Bonds					
2005 Electric System bonds	\$ 9,435,000	\$ -	\$ -	\$ 9,435,000	\$ -
2008 Refunding Bonds	2,965,000	-	545,000	2,420,000	570,000
2008 Refunding Bonds	1,930,000	-	620,000	1,310,000	645,000
Total Revenue Bonds	14,330,000	-	1,165,000	13,165,000	1,215,000
General Obligation Debt Certificates	4,490,000	-	185,000	4,305,000	190,000
IEPA Revolving Loans	1,738,116	-	237,670	1,500,446	244,482
Unamortized Discount	(42,047)	-	(2,347)	(39,700)	-
Unamortized Premium	62,469	-	18,714	43,755	-
Compensated Absences	146,851	168,987	146,851	168,987	168,987
Net Pension Obligation	136,271	16,020	1,956	150,335	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 20,861,660	\$ 185,007	\$ 1,752,844	\$ 19,293,823	\$ 1,818,469

Bonds payable at April 30, 2013 are comprised of the following, excluding the refunded bonds that are defeased in-substance.

General Obligation Debt

	Total	Current Portion
\$5,000,000 2008 Limited Tax Debt Certificates, due in annual installments of \$165,000 to \$350,000 from June 30, 2009 to June 30, 2028, interest at 4.27%, retired by the Communications Fund	\$ 4,305,000	\$ 190,000
TOTAL	\$ 4,305,000	\$ 190,000

Revenue and Alternate Revenue Source Bonds

	Total	Current Portion
\$9,435,000 Series 2005 Electric System Revenue Bonds, due in annual installments of \$505,000 to \$880,000, through May 1, 2030, interest from 4.00% to 4.75%.	\$ 9,435,000	\$ -
\$5,755,000 Series 2008 Electric System Revenue Refunding Revenue Bonds, due in annual installments of \$565,000 to \$665,000, through May 1, 2016, interest from 3.50% to 4.50%.	2,420,000	570,000
TOTAL ELECTRIC SYSTEM REVENUE BONDS	\$ 11,855,000	\$ 570,000

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

4. LONG-TERM DEBT (Continued)

Revenue and Alternate Revenue Source Bonds (Continued)

	<u>Total</u>	<u>Current Portion</u>
\$3,685,000 Series 2008 Waterworks and Sewerage Refunding Revenue Bonds, due in annual installments of \$15,000 to \$645,000, through May 1, 2014, interest from 3.00% to 3.75%.	\$ 1,310,000	\$ 645,000
TOTAL WATER AND WATER RECLAMATION FUND REVENUE BONDS	\$ 1,310,000	\$ 645,000

Illinois EPA Loans

	<u>Total</u>	<u>Current Portion</u>
\$3,191,177 Illinois EPA low interest loan related to the Northwest Interceptor Sewer project, due in semiannual installments of \$122,605, through August 2017, interest at 2.89%.	\$ 1,027,767	\$ 217,064
\$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%.	472,679	27,418
TOTAL WATER AND WATER RECLAMATION IEPA LOANS	\$ 1,500,446	\$ 244,482

Debt Service to Maturity

The annual requirements to amortize all debt outstanding (except compensated absences) as of April 30, 2013, are as follows (in thousands of dollars):

April 30,	GO Debt Certificates		Revenue Bonds		Illinois EPA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 190,000	\$ 183,824	\$ 1,215,000	\$ 532,461	\$ 244,482	\$ 39,432
2015	200,000	175,711	1,255,000	484,304	251,490	32,424
2016	210,000	167,171	615,000	445,711	258,700	25,214
2017	220,000	158,204	645,000	417,611	266,118	17,797
2018	230,000	148,810	505,000	403,098	151,140	10,169
2019-2023	1,300,000	620,805	2,865,000	1,694,290	163,230	30,290
2024-2028	1,605,000	307,089	3,540,000	1,060,181	165,286	9,061
2029-2031	350,000	16,030	2,525,000	241,425	-	-
TOTAL	\$ 4,305,000	\$ 1,777,644	\$ 13,165,000	\$ 5,279,081	\$ 1,500,446	\$ 164,387

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

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

4. LONG-TERM DEBT (Continued)

Revenue Source Bonds

The City issued the Series 2008 Refunding Water and Water Reclamation Alternate Revenue Source Bonds to provide funds for water and water reclamation capital improvements. These bonds are payable from a pledge of the City's water and water reclamation revenues and are being repaid by the Water and Water Reclamation Fund. The bonds are payable solely from water and water reclamation revenues and are payable through 2015. The total principal and interest remaining to be paid on the bonds as of April 30, 2013 is \$1,358,694. Principal and interest paid for the current year was \$678,363 or 28.37% of total customer net revenues of \$2,391,026.

The City issued the Series 2005 Electric Revenue Alternate Revenue Source Bonds and the Series 2008 Refunding Electric Alternate Revenue Source Bonds to provide funds for electric capital improvements. These bonds are payable from a pledge of the City's electric revenues and are being repaid by the Electric Fund. The bonds are payable solely from electric revenues and are payable through 2031. The total principal and interest remaining to be paid on the bonds as of April 30, 2013 is \$17,085,386. Principal and interest paid for the current year was \$1,063,998 or 25.45% of total customer net revenues of \$4,181,540.

Advanced Refunding

Electric

On July 22, 2008, revenue bonds in the amount of \$5,755,000 were issued with an average interest rate of 4.14% to advance refund \$5,660,000 of outstanding bonds with an average interest rate of 4.75%. The net proceeds of \$5,749,424 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. As a result, the old bonds are considered to be defeased and the liability for the old bonds has been removed from the statement of net position. At April 30, 2013, \$2,980,000 of bonds outstanding are considered defeased.

5. REVENUE BONDS

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

Account	Amount	Nature of Authorized Expenditures
Operation and Maintenance	Sufficient amount to pay reasonable expenses for one month's operations	Expenses of operating, maintaining and repairing the system

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

5. REVENUE BONDS (Continued)

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

The City has complied with all significant limitations, restrictions and bond covenants during the year ended April 30, 2013. The restricted assets and restricted net position for purposes other than bond proceeds and the expenses of operating, maintaining and repairing the system, is as follows:

RESTRICTED BOND ORDINANCE ACCOUNTS	
Bond and Interest Account	\$ 1,529,295
Bond Reserve Account	1,630,400
Depreciation, Improvement and Extension Account	<u>7,315,904</u>
TOTAL	<u><u>\$ 10,475,599</u></u>

6. PENSION PLAN

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

7. RISK MANAGEMENT

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

8. CONTRACTS, COMMITMENTS AND CONTIGENCIES

A. Litigation

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

B. Grants

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

C. Northern Illinois Municipal Power Agency

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

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

8. CONTRACTS, COMMITMENTS AND CONTINGENCIES (Continued)

C. Northern Illinois Municipal Power Agency (Continued)

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

NIMPA's outstanding debt service obligation is to be paid by its members through their wholesale power charges through the remainder of the long-term contract, which is \$518 million as of January 1, 2013 (most recent information available).

9. INTERFUND ACCOUNTS

A. Due from/to other RMU funds at April 30, 2013 consisted of the following:

	Due From	Due To
Communications	\$ -	\$ 302,253
Electric	302,253	-
TOTAL	<u>\$ 302,253</u>	<u>\$ 302,253</u>

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

- \$302,253 due from the Communications Fund to the Electric Fund to cover temporary cash deficits. Repayment is expected within one year.

B. Advances from/to other RMU funds at April 30, 2013 consisted of the following:

	Advance To	Advance From
Electric	\$ 1,239,725	\$ -
Communications	-	387,345
Technology Center	-	852,380
TOTAL	<u>\$ 1,239,725</u>	<u>\$ 1,239,725</u>

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

9. INTERFUND ACCOUNTS (Continued)

B. (Continued)

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

- \$1,239,725 advanced from the Electric Fund to the Communications Fund and Technology Center Fund is for funding of capital projects. Repayment is not expected within one year.

C. Interfund transfers during the year ended April 30, 2013 consisted of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
City - General Fund	\$ 1,585,642	\$ -
Electric Utility	-	1,371,520
Water and Water Reclamation	-	214,122
TOTAL	<u>\$ 1,585,642</u>	<u>\$ 1,585,642</u>

The purposes of significant interfund transfers are as follows:

- \$1,585,642 transferred to the City - General Fund was made up of \$1,371,520 from the Electric Fund and \$214,122 from the Water and Water Reclamation Fund for annual transfers as permitted under bond ordinances. The transfers will not be repaid.

10. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

11. RESTATEMENT

Net positions of business-type activities have been restated by \$(130,105) due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. With the implementation of GASB Statement No. 65, the City is required to write off previous bond issuance costs which were being amortized over the life of the bonds and to expense these amounts in the year of issuance.

SUPPLEMENTAL INFORMATION

ELECTRIC FUND

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET POSITION
ELECTRIC FUND

April 30, 2013
(with comparative totals)

	2013	2012
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 69,524,494	\$ 67,139,091
Accumulated Depreciation	(37,585,712)	(35,420,824)
Nondepreciable	697,664	697,664
Net Capital Assets	32,636,446	32,415,931
CURRENT ASSETS		
Cash and Investments	7,067,709	9,068,483
Receivables		
Accounts	3,603,481	3,506,917
Other	233,884	165,378
Prepaid Expenses	153,928	217,232
Inventory	1,699,916	1,960,217
Deposits	871,040	871,040
Due from Other Funds	2,688,110	-
Restricted Assets		
Cash and Investments	8,123,114	8,766,383
Cash Held at Paying Agent	622,500	608,400
Total Current Assets	25,063,682	25,164,050
NONCURRENT ASSETS		
Advance to Other Funds	1,628,392	1,343,170
Total Noncurrent Assets	1,628,392	1,343,170
Total Assets	59,328,520	58,923,151
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Loss on Refunding	58,723	78,298
Total Deferred Outflows of Resources	58,723	78,298
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 59,387,243	\$ 59,001,449

(This page is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET POSITION (Continued)
ELECTRIC FUND

April 30, 2013
(with comparative totals)

	2013	2012
NET POSITION		
Net Investment in Capital Assets	\$ 20,842,309	\$ 20,086,195
Restricted for Debt Service	8,745,614	9,374,783
Unrestricted	14,341,318	14,381,740
Total Net Position	43,929,241	43,842,718
LONG-TERM LIABILITIES		
Revenue Bonds Payable	11,285,000	11,855,000
Unamortized Bond Premium/Discount	(2,140)	8,034
Net Pension Obligation	95,155	85,045
Total Long-Term Liabilities	11,378,015	11,948,079
CURRENT LIABILITIES		
Accounts Payable	2,503,978	1,634,872
Customer Advances	488,785	506,709
Accrued Payroll	12,570	14,238
Accrued Interest Payable	254,049	264,949
Other Payables	139,651	147,759
Revenue Bonds Payable	570,000	545,000
Compensated Absences Payable	110,954	97,125
Total Current Liabilities	4,079,987	3,210,652
Total Liabilities	15,458,002	15,158,731
TOTAL NET POSITION AND LIABILITIES	\$ 59,387,243	\$ 59,001,449

(See independent auditor's report.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

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

For the Year Ended April 30, 2013
(with comparative totals)

	2013	2012
OPERATING REVENUES		
Charges for Services		
Residential	\$ 5,933,125	\$ 5,316,764
Commercial	5,065,784	4,734,425
Industrial	16,887,720	16,649,124
Public Street Lighting	153,515	140,363
Interdepartmental	402,839	401,927
Other Operating Revenue	234,390	156,924
Miscellaneous	51,170	31,621
	28,728,543	27,431,148
Total Operating Revenues		
OPERATING EXPENSES		
Operations		
Purchased Power	19,591,054	16,309,142
Generation	1,191,342	1,232,513
Transmission and Distribution	2,441,874	1,978,228
Customer Accounts	340,413	285,519
Administration and General	1,042,641	1,125,037
Depreciation	2,164,888	2,110,823
	26,772,212	23,041,262
Total Operating Expenses		
OPERATING INCOME	1,956,331	4,389,886
NONOPERATING REVENUES (EXPENSES)		
Investment Income	19,507	22,917
Interest Expense	(517,795)	(558,125)
	(498,288)	(535,208)
Total Nonoperating Revenues (Expenses)		
NET INCOME BEFORE TRANSFERS	1,458,043	3,854,678
TRANSFERS		
Transfers to the City	(1,371,520)	(1,499,381)
	(1,371,520)	(1,499,381)
Total Transfers		
CHANGE IN NET POSITION	86,523	2,355,297
NET POSITION, MAY 1 AS ORIGINALLY STATED	43,842,718	41,580,647
Prior Period Adjustment	-	(93,226)
NET POSITION, MAY 1, RESTATED	43,842,718	41,487,421
NET POSITION, APRIL 30	\$ 43,929,241	\$ 43,842,718

(See independent auditor's report.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF CASH FLOWS
ELECTRIC FUND

For the Year Ended April 30, 2013
(with comparative totals)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 28,545,549	\$ 26,444,509
Payments to Suppliers	(22,156,503)	(19,295,759)
Payments to Employees	(1,270,517)	(840,513)
Payments to Other Funds	(733,653)	(281,805)
Net Cash from Operating Activities	4,384,876	6,026,432
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Loans provided to Other Funds	(2,973,331)	-
Repayment from Loans to Other Funds	-	103,137
Transfers to the City	(1,371,520)	(1,499,381)
Net Cash from Noncapital Financing Activities	(4,344,851)	(1,396,244)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(1,625,181)	(696,168)
Principal Payments on Long-Term Debt	(545,000)	(976,271)
Interest Payments on Long-Term Debt	(533,394)	(552,097)
Net Cash from Capital and Related Financing Activities	(2,703,575)	(2,224,536)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	19,507	22,917
Net Cash from Investing Activities	19,507	22,917
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,644,043)	2,428,569
CASH AND CASH EQUIVALENTS, MAY 1	17,834,866	15,406,297
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 15,190,823	\$ 17,834,866

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF CASH FLOWS (Continued)
ELECTRIC FUND

For the Year Ended April 30, 2013
(with comparative totals)

	2013	2012
RECONCILIATION OF OPERATING INCOME		
TO NET CASH FLOWS FROM		
OPERATING ACTIVITIES		
Operating Income	\$ 1,956,331	\$ 4,389,886
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	2,164,888	2,110,823
Changes in Assets and Liabilities		
Accounts Receivable	(96,564)	(988,418)
Other Receivables	(68,506)	(22,997)
Prepaid Expenses	63,304	588
Inventory	260,301	37,886
Deposits	-	29,309
Accounts Payable	108,883	476,373
Customer Advances	(17,924)	(4,534)
Accrued Payroll	(1,668)	(55,788)
Other Payables	(8,108)	30,104
Compensated Absences	13,829	(6,634)
Net Pension Obligation	10,110	29,834
NET CASH FROM OPERATING ACTIVITIES	\$ 4,384,876	\$ 6,026,432
CASH AND INVESTMENTS		
Cash and Investments	\$ 7,067,709	\$ 9,068,483
Restricted Assets		
Cash and Investments	8,123,114	8,766,383
TOTAL CASH AND INVESTMENTS	\$ 15,190,823	\$ 17,834,866

(See independent auditor's report.)

WATER AND WATER RECLAMATION FUND

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET POSITION
WATER AND WATER RECLAMATION FUND

April 30, 2013
(with comparative totals)

	2013	2012
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 54,632,323	\$ 52,354,334
Accumulated Depreciation	(24,209,490)	(22,859,161)
Nondepreciable	1,204,408	1,693,189
Net Capital Assets	31,627,241	31,188,362
CURRENT ASSETS		
Cash and Investments	3,697,764	3,111,157
Receivables		
Accounts	680,227	686,069
Accrued Interest	1,089	1,338
Other	19,533	799
Prepaid Expenses	18,519	36,958
Inventory	3,480	3,480
Due from Other Governments	221,612	54,931
Restricted Assets		
Cash and Investments	1,041,697	1,019,318
Cash Held at Paying Agent	688,288	674,138
Total Current Assets	6,372,209	5,588,188
NONCURRENT ASSETS		
Special Assessments	372,508	401,636
Total Noncurrent Assets	372,508	401,636
Total Assets	38,371,958	37,178,186
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Loss on Refunding	29,144	58,288
Total Deferred Outflows of Resources	29,144	58,288
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 38,401,102	\$ 37,236,474

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

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

April 30, 2013
(with comparative totals)

	2013	2012
NET POSITION		
Net Investment in Capital Assets	\$ 28,839,744	\$ 27,566,146
Restricted for Debt Service	1,729,985	1,693,456
Unrestricted	4,252,620	4,038,092
	34,822,349	33,297,694
LONG-TERM LIABILITIES		
Revenue Bonds Payable	665,000	1,310,000
IEPA Loans Payable	1,255,964	1,500,448
Unamortized Bond Premium/Discount	6,195	12,388
Net Pension Obligation	38,281	37,603
	1,965,440	2,860,439
CURRENT LIABILITIES		
Accounts Payable	601,008	94,497
Accrued Payroll	5,352	9,291
Accrued Interest Payable	38,576	51,589
Deposits Payable	37,138	30,242
Revenue Bonds Payable	645,000	620,000
IEPA Loans Payable	244,482	237,668
Compensated Absences Payable	41,757	35,054
	1,613,313	1,078,341
Total Current Liabilities	1,613,313	1,078,341
Total Liabilities	3,578,753	3,938,780
TOTAL NET POSITION AND LIABILITIES	\$ 38,401,102	\$ 37,236,474

(See independent auditor's report.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

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

For the Year Ended April 30, 2013
(with comparative totals)

	2013	2012
OPERATING REVENUES		
Water		
Charges for Services		
Residential	\$ 778,547	\$ 743,873
Commercial	562,224	515,412
Industrial	554,547	519,643
Interdepartmental	15,721	14,176
Rental	48,218	72,926
Other Operating Revenue	33,038	29,473
Miscellaneous	3,582	-
	1,995,877	1,895,503
Water Reclamation		
Charges for Services		
Residential	985,315	964,613
Commercial	979,224	890,122
Industrial	896,945	923,315
Interdepartmental	3,921	3,832
Other Operating Revenue	38,149	32,801
Miscellaneous	13,012	16,520
	2,916,566	2,831,203
	4,912,443	4,726,706
OPERATING EXPENSES		
Operations		
Water Source of Supply	238,973	200,053
Water Treatment	158,095	148,889
Transmission, Distribution and Collection	552,413	591,769
Water Reclamation Operations	1,015,658	968,244
Administration and General	513,505	488,055
Taxes	45,396	66,182
Depreciation	1,350,329	1,289,253
	3,874,369	3,752,445
	1,038,074	974,261

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

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

For the Year Ended April 30, 2013
(with comparative totals)

	2013	2012
NONOPERATING REVENUES (EXPENSES)		
Investment Income	\$ 13,193	\$ 14,186
Interest Expense	(114,986)	(153,589)
Total Nonoperating Revenues (Expenses)	(101,793)	(139,403)
NET INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	936,281	834,858
TRANSFERS		
Transfers (Out)	(214,122)	(212,854)
Total Transfers	(214,122)	(212,854)
CONTRIBUTIONS	802,496	2,466,453
CHANGE IN NET POSITION	1,524,655	3,088,457
NET POSITION, MAY 1 AS ORIGINALLY STATED	33,297,694	30,227,677
Prior Period Adjustment	-	(18,440)
NET POSITION, MAY 1, RESTATED	33,297,694	30,209,237
NET POSITION, APRIL 30	\$ 34,822,349	\$ 33,297,694

(See independent auditor's report.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF CASH FLOWS
WATER AND WATER RECLAMATION FUND

For the Year Ended April 30, 2013
(with comparative totals)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 4,906,447	\$ 4,741,166
Payments to Suppliers	(607,235)	(733,369)
Payments to Employees	(1,098,216)	(939,757)
Payments to Other Funds	(809,289)	(747,371)
Net Cash from Operating Activities	2,391,707	2,320,669
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to the City	(214,122)	(212,854)
Net Cash from Noncapital Financing Activities	(214,122)	(212,854)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(605,172)	(1,027,808)
Principal Payments on Long-Term Debt	(857,669)	(836,047)
Interest Payments on Long-Term Debt	(119,200)	(142,249)
Grant Receipts	-	13,159
Net Cash from Capital and Related Financing Activities	(1,582,041)	(1,992,945)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	13,442	14,413
Net Cash from Investing Activities	13,442	14,413
NET INCREASE IN CASH AND CASH EQUIVALENTS	608,986	129,283
CASH AND CASH EQUIVALENTS, MAY 1	4,130,475	4,001,192
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 4,739,461	\$ 4,130,475

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

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

For the Year Ended April 30, 2013
(with comparative totals)

	2013	2012
RECONCILIATION OF OPERATING INCOME		
TO NET CASH FLOWS FROM		
OPERATING ACTIVITIES		
Operating Income	\$ 1,038,074	\$ 974,261
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	1,350,329	1,289,253
Changes in Assets and Liabilities		
Accounts Receivable	5,842	1,985
Other Receivables	(18,734)	7,358
Prepaid Expenses	18,439	(3,332)
Deposits	6,896	5,116
Accounts Payable	(12,581)	56,757
Accrued Payroll	(3,939)	(19,860)
Compensated Absences	6,703	(7,236)
Net Pension Obligation	678	16,367
NET CASH FROM OPERATING ACTIVITIES	\$ 2,391,707	\$ 2,320,669
CASH AND INVESTMENTS		
Cash and Investments	\$ 3,697,764	\$ 3,111,157
Restricted Assets		
Cash and Investments	1,041,697	1,019,318
TOTAL CASH AND INVESTMENTS	\$ 4,739,461	\$ 4,130,475
NONCASH TRANSACTIONS		
Contributions	\$ 802,496	\$ 2,466,453
TOTAL NONCASH TRANSACTIONS	\$ 802,496	\$ 2,466,453

(See independent auditor's report.)

COMMUNICATIONS FUND

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET POSITION
COMMUNICATIONS FUND

April 30, 2013
(with comparative totals)

	<u>2013</u>	<u>2012</u>
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 3,344,746	\$ 3,160,867
Accumulated Depreciation	(2,640,415)	(2,447,604)
Nondepreciable	<u>-</u>	<u>-</u>
Net Capital Assets	<u>704,331</u>	<u>713,263</u>
CURRENT ASSETS		
Cash and Investments	3,342	-
Receivables		
Accounts	24,979	48,040
Other	-	65
Prepaid Expenses	12,831	-
Inventory	<u>-</u>	<u>20,224</u>
Total Current Assets	<u>41,152</u>	<u>68,329</u>
TOTAL ASSETS	<u><u>\$ 745,483</u></u>	<u><u>\$ 781,592</u></u>

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET POSITION (Continued)
COMMUNICATIONS FUND

April 30, 2013
(with comparative totals)

	2013	2012
NET POSITION		
Net Investment in Capital Assets	\$ 704,331	\$ 713,263
Unrestricted (Deficit)	(707,099)	(574,512)
TOTAL NET POSITION	(2,768)	138,751
LONG-TERM LIABILITIES		
Advance from Other Funds	387,345	441,990
Net Pension Obligation	11,846	13,623
Total Long-Term Liabilities	399,191	455,613
CURRENT LIABILITIES		
Accounts Payable	25,342	9,323
Accrued Payroll	2,426	2,494
Deposits Payable	2,763	251
Due to Other Funds	302,253	160,488
Compensated Absences Payable	16,276	14,672
Total Current Liabilities	349,060	187,228
Total Liabilities	748,251	642,841
TOTAL NET POSITION AND LIABILITIES	\$ 745,483	\$ 781,592

(See independent auditor's report.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

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

For the Year Ended April 30, 2013
(with comparative totals)

	2013	2012
OPERATING REVENUES		
Charges for Services		
Dial-Up Internet Access	\$ 19,051	\$ 23,929
Activation Fee	-	50
Wireless Internet Access	54,890	97,585
Network Internet Access	20,396	20,396
Fiber Internet Access	185,074	201,955
Wi-Fi	13,039	-
Web Site Host	10,110	9,386
Web Site Development	-	-
Data Services	5,748	5,748
VOIP Services	55,124	45,006
Network Administration Fees	550,450	536,978
Wireless Installation	-	-
Mailboxes	2,822	2,849
Network and Hardware Support	3,264	1,190
Revenues from Merchandising	4,635	-
Other Operating Revenues	37,884	2,351
	962,487	947,423
OPERATING EXPENSES		
Operations		
Personnel	344,806	298,112
Insurance Benefits	87,828	63,466
Pension Benefits	70,067	68,562
Contractual Services	388,225	371,057
Commodities	18,940	14,610
Depreciation and Amortization	192,811	30,197
	1,102,677	846,004
OPERATING INCOME (LOSS)	(140,190)	101,419

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

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

For the Year Ended April 30, 2013
(with comparative totals)

	<u>2013</u>	<u>2012</u>
NONOPERATING REVENUES (EXPENSES)		
Interest Expense	\$ (1,329)	\$ (1,594)
Total Nonoperating Revenues (Expenses)	<u>(1,329)</u>	<u>(1,594)</u>
CHANGE IN NET POSITION	(141,519)	99,825
NET POSITION, MAY 1	<u>138,751</u>	<u>38,926</u>
NET POSITION (DEFICIT), APRIL 30	<u>\$ (2,768)</u>	<u>\$ 138,751</u>

(See independent auditor's report.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF CASH FLOWS
COMMUNICATIONS FUND

For the Year Ended April 30, 2013
(with comparative totals)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 435,162	\$ 411,244
Receipts from Interfund Service Transactions	550,450	536,978
Payments to Suppliers	(272,078)	(201,816)
Payments to Employees	(416,358)	(433,715)
Payments to Other Funds	(206,467)	(148,790)
Net Cash from Operating Activities	90,709	163,901
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt of Loans from Other Funds	302,254	31,498
Repayments of Loans from Other Funds	(215,133)	(54,481)
Interest Paid on Interfund Loans	(1,329)	(1,594)
Net Cash from Noncapital Financing Activities	85,792	(24,577)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(173,159)	(139,523)
Net Cash from Capital and Related Financing Activities	(173,159)	(139,523)
CASH FLOWS FROM INVESTING ACTIVITIES		
None	-	-
Net Cash from Investing Activities	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	3,342	(199)
CASH AND CASH EQUIVALENTS, MAY 1		
	-	199
CASH AND CASH EQUIVALENTS, APRIL 30		
	\$ 3,342	\$ -

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF CASH FLOWS (Continued)
COMMUNICATIONS FUND

For the Year Ended April 30, 2013
(with comparative totals)

	2013	2012
RECONCILIATION OF OPERATING INCOME		
(LOSS) TO NET CASH FLOWS FROM		
OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (140,190)	\$ 101,419
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities		
Depreciation and Amortization	192,811	30,197
Changes in Assets and Liabilities		
Accounts Receivable	23,061	2,413
Other Receivables	65	385
Prepaid Expenses	(10,419)	11,855
Inventory	20,223	38,871
Deposits	100	(1,999)
Accounts Payable	5,299	(15,665)
Accrued Payroll	(68)	(8,920)
Compensated Absences	1,604	216
Net Pension Obligation	(1,777)	5,129
	\$ 90,709	\$ 163,901
NET CASH FROM OPERATING ACTIVITIES	\$ 90,709	\$ 163,901
CASH AND INVESTMENTS		
Cash and Investments	\$ 3,342	\$ -

(See independent auditor's report.)

TECHNOLOGY CENTER FUND

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET POSITION
TECHNOLOGY CENTER FUND

April 30, 2013
(with comparative totals)

	2013	2012
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 5,119,136	\$ 5,044,093
Accumulated Depreciation	(690,517)	(547,137)
Nondepreciable	519,453	519,453
	<hr/>	<hr/>
Net Capital Assets	4,948,072	5,016,409
	<hr/>	<hr/>
CURRENT ASSETS		
Cash and Investments	97,109	178,474
Receivables		
Accounts	8,708	-
Due from Other Funds	-	27,653
	<hr/>	<hr/>
Total Current Assets	105,817	206,127
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 5,053,889</u>	<u>\$ 5,222,536</u>

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET POSITION (Continued)
TECHNOLOGY CENTER FUND

April 30, 2013
(with comparative totals)

	2013	2012
NET POSITION		
Net Investment in Capital Assets	\$ 643,072	\$ 526,409
Unrestricted (Deficit)	(895,334)	(840,431)
	(252,262)	(314,022)
TOTAL NET POSITION		
LONG-TERM LIABILITIES		
Advance from Other Funds	852,380	901,180
Net Pension Obligation	5,053	-
Long-Term Debt, Net of Current Maturities		
General Obligation Debt Payable	4,115,000	4,305,000
	4,972,433	5,206,180
TOTAL Long-Term Liabilities		
CURRENT LIABILITIES		
Accounts Payable	6,962	1,586
Accrued Interest Payable	136,756	143,792
General Obligation Debt Payable	190,000	185,000
	333,718	330,378
Total Current Liabilities		
	5,306,151	5,536,558
Total Liabilities		
	\$ 5,053,889	\$ 5,222,536
TOTAL NET POSITION AND LIABILITIES		

(See independent auditor's report.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

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

For the Year Ended April 30, 2013
(with comparative totals)

	2013	2012
OPERATING REVENUES		
Charges for Services		
Telecommunications Leases	\$ 77,760	\$ 77,760
Commercial Fiber Leases	407,987	355,869
Commercial Colocation Leases	8,360	-
Internal Colocation Leases	131,679	131,679
Penalties	298	-
	626,084	565,308
OPERATING EXPENSES		
Operations		
Personnel	5,053	-
Contractual Services	143,304	39,550
Commodities	85,767	66,542
Depreciation and Amortization	143,380	143,215
	377,504	249,307
OPERATING INCOME	248,580	316,001
NONOPERATING REVENUES (EXPENSES)		
Investment Income	382	360
Interest Expense	(187,202)	(182,176)
	(186,820)	(181,816)
CHANGE IN NET POSITION	61,760	134,185
NET POSITION (DEFICIT), MAY 1, AS ORIGINALLY STATED	(314,022)	(429,768)
Prior Period Adjustment	-	(18,439)
NET POSITION (DEFICIT), MAY 1, RESTATED	(314,022)	(448,207)
NET POSITION (DEFICIT), APRIL 30	\$ (252,262)	\$ (314,022)

(See independent auditor's report.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF CASH FLOWS
TECHNOLOGY CENTER FUND

For the Year Ended April 30, 2013
(with comparative totals)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 485,697	\$ 440,699
Receipts from Interfund Service Transactions	131,679	131,679
Payments to Suppliers	(140,736)	(45,695)
Payments to Other Funds	(82,641)	(65,001)
	393,999	461,682
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts of Loans from Other Funds	27,653	-
Repayment from Loans to Other Funds	-	101,337
Repayment of Loans from Other Funds	(48,801)	(48,655)
Interest Paid on Interfund Loans	(2,703)	(2,850)
Transfers In	-	-
	(23,851)	49,832
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(75,044)	(3,140)
Principal Payments on Long-Term Debt	(185,000)	(175,000)
Interest Payments on Long-Term Debt	(191,851)	(199,195)
	(451,895)	(377,335)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	382	360
	382	360
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	(81,365)	134,539
CASH AND CASH EQUIVALENTS, MAY 1	178,474	43,935
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 97,109	\$ 178,474

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF CASH FLOWS (Continued)
TECHNOLOGY CENTER FUND

For the Year Ended April 30, 2013
(with comparative totals)

	<u>2013</u>	<u>2012</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 248,580	\$ 316,001
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	143,380	143,215
Changes in Assets and Liabilities		
Accounts Receivable	(8,708)	7,069
Accounts Payable	5,694	(4,603)
Net Pension Obligation	5,053	-
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 393,999</u>	<u>\$ 461,682</u>
CASH AND INVESTMENTS		
Cash and Investments	<u>\$ 97,109</u>	<u>\$ 178,474</u>

(See independent auditor's report.)