



**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2023

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ROCHELLE, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the Rochelle Municipal Utilities (enterprise funds of the City of Rochelle, Illinois (the City)) (RMU) as of and for the year ended December 31, 2023, and the related notes to financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rochelle Municipal Utilities (enterprise funds of the City of Rochelle, Illinois), as of December 31, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the funds comprising RMU and do not purport to, and do not present fairly the financial position of the City of Rochelle, Illinois as of December 31, 2023, the respective changes in financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the RMU and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the RMU's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 RMU's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the RMU's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise RMU's basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sikich CPA LLC

Naperville, Illinois
June 28, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and December 31, 2022

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 year ending December 31, 2023. You are invited to read this narrative in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Electric Utility exceeded its liabilities and deferred inflows of resources by \$66,456,248 (net position). Of this amount, \$30,603,757 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, \$35,852,491 is the net investment in capital assets.
- The assets and deferred outflows of resources of the Water Utility exceeded its liabilities and deferred inflows of resources by \$20,343,690 (net position). Of this amount, \$2,270,030 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors and \$18,073,660 is the net investment in capital assets.
- The assets and deferred outflows of resources of the Water Reclamation Utility exceeded its liabilities and deferred inflows of resources by \$22,851,853 (net position). Of this amount, \$5,715,177 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, and \$17,136,676 is the net investment in capital assets.
- The assets and deferred outflows of resources of the Technology Center Utility exceeded its liabilities and deferred inflows of resources by \$2,788,883. Of this amount \$365,769 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors and \$2,423,114 is the net investment in capital assets.
- Operating revenues for the Electric Utility increased 12% while expenses were up 2%. The increase in revenues is from a new industrial customer and a slight increase in the customer charge.
- Operating revenues for the Water Utility increased 21%, while operating expenses were down 9%. The increase is due to a rate increase and a large industrial user.
- Operating revenues for the Water Reclamation Utility increased 4%, while operating expenses were up 6%. The increase in expenses is due to salary and benefits.
- Operating revenues for the Technology Center Utility increased 11% while operating expenses increased 4%. The increase in operating revenue is due to additional customers and the renewal of fiber contracts.

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and December 31, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

STATEMENTS

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

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

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

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

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and December 31, 2022

FINANCIAL ANALYSIS OF RMU

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

Table 1
Condensed Statements of Net Position

	Electric Utility	
	<u>12/31/23</u>	<u>12/31/22</u>
Current/Noncurrent Assets/Deferred Outflows of Resources	\$ 44,031,271	\$ 32,970,385
Capital Assets	<u>49,031,181</u>	<u>51,053,148</u>
Total Assets and Deferred Outflows	<u>93,062,452</u>	<u>84,023,533</u>
Long-Term Liabilities	22,143,265	17,261,833
Current Liabilities/Deferred Inflows of Resources	<u>4,462,939</u>	<u>7,358,588</u>
Total Liabilities and Deferred Inflows	<u>26,606,204</u>	<u>24,620,421</u>
Net Investment in Capital Assets	35,852,491	37,478,390
Unrestricted	<u>30,603,757</u>	<u>21,924,722</u>
Total Net Position	<u>\$ 66,456,248</u>	<u>\$ 59,403,112</u>

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and December 31, 2022

FINANCIAL ANALYSIS OF RMU (cont.)

Table 2
Condensed Statements of Net Position

	Water Utility	
	<u>12/31/23</u>	<u>12/31/22</u>
Current/Noncurrent Assets/Deferred Outflows of Resources	\$ 4,508,597	\$ 4,314,758
Capital Assets	<u>24,202,000</u>	<u>24,937,569</u>
Total Assets and Deferred Outflows	<u>28,710,597</u>	<u>29,252,327</u>
Long-Term Liabilities	6,379,609	6,627,406
Other Liabilities/Deferred Inflows of Resources	<u>1,987,298</u>	<u>2,381,435</u>
Total Liabilities and Deferred Inflows	<u>8,366,907</u>	<u>9,008,841</u>
Net Investment in Capital Assets	18,073,660	18,406,558
Restricted	-	96,991
Unrestricted	<u>2,270,030</u>	<u>1,739,937</u>
Total Net Position	<u>\$ 20,343,690</u>	<u>\$ 20,243,486</u>

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and December 31, 2022

FINANCIAL ANALYSIS OF RMU (cont.)

Table 3
Condensed Statements of Net Position

Water Reclamation Utility

	<u>12/31/23</u>	<u>12/31/22</u>
Current/Noncurrent Assets/Deferred Outflows of Resources	\$ 6,437,158	\$ 6,469,644
Capital Assets	<u>21,704,472</u>	<u>23,139,513</u>
Total Assets and Deferred Outflows	<u>28,141,630</u>	<u>29,609,157</u>
Long-Term Liabilities	4,811,520	4,610,954
Other Liabilities/Deferred Inflows of Resources	<u>478,257</u>	<u>1,793,585</u>
Total Liabilities and Deferred Inflows	<u>5,289,777</u>	<u>6,404,539</u>
Net Investment in Capital Assets	17,136,676	17,745,248
Unrestricted	<u>5,715,177</u>	<u>5,459,370</u>
Total Net Position	<u>\$ 22,851,853</u>	<u>\$ 23,204,618</u>

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and December 31, 2022

FINANCIAL ANALYSIS OF RMU (cont.)

Table 4
Condensed Statements of Net Position

Technology Center Utility

	<u>12/31/23</u>	<u>12/31/22</u>
Current/Noncurrent Assets/Deferred Outflows of Resources	\$ 2,379,514	\$ 3,061,560
Capital Assets	<u>4,078,540</u>	<u>4,394,132</u>
Total Assets and Deferred Outflows	<u>6,458,054</u>	<u>7,455,692</u>
Long-Term Liabilities	2,062,347	2,165,664
Other Liabilities/Deferred Inflows of Resources	<u>1,606,824</u>	<u>2,758,593</u>
Total Liabilities and Deferred Inflows	<u>3,669,171</u>	<u>4,924,257</u>
Net Investment in Capital Assets	2,423,114	2,426,107
Unrestricted (Deficit)	<u>365,769</u>	<u>105,328</u>
Total Net Position	<u>\$ 2,788,883</u>	<u>\$ 2,531,435</u>

The largest portion of RMU's net position (65%) reflects its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and infrastructure), less any outstanding debt used to acquire those assets that is still outstanding. RMU employs these capital assets to provide electric, water, water reclamation, and communication services to our service area. Consequently, these assets are restricted for future spending. Although the utility's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the associated debt must be provided from other cash generating sources since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position (35%) may be used to meet the utilities' ongoing obligations to rate payers and creditors.

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and December 31, 2022

FINANCIAL ANALYSIS OF RMU (cont.)

ELECTRIC OPERATIONS

Electric operations increased the 2023 utility's net position by \$8,493,289. This increase is primarily a result of the following items:

- Addition of a large industrial customer.
- Debt issuance to build a substation.
- Remodeling of a shared RMU facility.

WATER OPERATIONS

Water operations increased the 2023 utility's net position by \$238,117. This increase is primarily a result of the following items:

- Rate increase.
- Decrease in supply and chemical costs.

WATER RECLAMATION OPERATIONS

Water Reclamation operations decreased the 2023 utility's net position by \$804,696. This decrease is primarily a result of the following items:

- Increase in personnel cost.
- Remodeling of shared RMU facility.

TECHNOLOGY CENTER

Technology Center and Advanced Communication operations increased the 2023 utility's net position by \$307,040. This increase is the result of the following items:

- Increase in fiber customers.
- New or renewed colocation contracts.

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and December 31, 2022

FINANCIAL ANALYSIS OF RMU (cont.)

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

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

	Electric Utility	
	<u>12/31/23</u>	<u>12/31/22</u>
Operating Revenues	\$ 44,974,336	\$ 39,893,952
Non-Operating Revenues	<u>625,830</u>	<u>90,535</u>
Total Revenues	<u>45,600,166</u>	<u>39,984,487</u>
Depreciation and Amortization Expense	2,718,262	2,838,997
Other Operating Expenses	33,762,785	33,048,577
Non-Operating Expenses	<u>611,432</u>	<u>530,111</u>
Total Expenses	<u>37,092,479</u>	<u>36,417,685</u>
Income Before Transfers	8,507,687	3,566,802
Transfers	<u>(1,454,551)</u>	<u>(2,056,819)</u>
Changes in Net Position	<u>\$ 7,053,136</u>	<u>\$ 1,509,983</u>

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and December 31, 2022

FINANCIAL ANALYSIS OF RMU (cont.)

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

	Water Utility	
	<u>12/31/23</u>	<u>12/31/22</u>
Operating Revenues	\$ 4,098,758	\$ 3,347,084
Non-Operating Revenues	<u>25,114</u>	<u>12,829</u>
Total Revenues	<u>4,123,872</u>	<u>3,359,913</u>
Depreciation and Amortization Expense	1,005,239	1,010,496
Other Operating Expenses	2,855,402	3,214,532
Non-Operating Expenses	<u>101,828</u>	<u>88,508</u>
Total Expenses	<u>3,962,469</u>	<u>4,313,536</u>
Income Before Transfers	161,403	(953,623)
Transfers	<u>(61,199)</u>	<u>99,019</u>
Changes in Net Position	<u>\$ 100,204</u>	<u>\$ (854,604)</u>

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and December 31, 2022

FINANCIAL ANALYSIS OF RMU (cont.)

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

Water Reclamation Utility

	<u>12/31/23</u>	<u>12/31/22</u>
Operating Revenues	\$ 4,298,815	\$ 4,130,672
Non-Operating Revenues	<u>718,365</u>	<u>206,717</u>
Total Revenues	<u>5,017,180</u>	<u>4,337,389</u>
Depreciation and Amortization Expense	1,632,868	1,634,695
Other Operating Expenses	3,470,643	3,157,613
Non-Operating Expenses	<u>56,426</u>	<u>21,841</u>
Total Expenses	<u>5,159,937</u>	<u>4,814,149</u>
Income Before Transfers	(142,757)	(476,760)
Transfers	<u>(210,008)</u>	<u>(392,564)</u>
Changes in Net Position	<u>\$ (352,765)</u>	<u>\$ (869,324)</u>

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and December 31, 2022

FINANCIAL ANALYSIS OF RMU (cont.)

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

Technology Center Utility

	<u>12/31/23</u>	<u>12/31/22</u>
Operating Revenues	\$ 1,566,361	\$ 1,410,075
Non-Operating Revenues	<u>7,563</u>	<u>2,812</u>
Total Revenues	<u>1,573,924</u>	<u>1,412,887</u>
Depreciation and Amortization Expense	315,592	325,248
Other Operating Expenses	943,729	783,415
Non-Operating Expenses	<u>57,155</u>	<u>72,257</u>
Total Expenses	<u>1,316,476</u>	<u>1,180,920</u>
Income Before Transfers	257,448	231,967
Transfers	<u>-</u>	<u>200,000</u>
Changes in Net Position	<u>\$ 257,448</u>	<u>\$ 431,967</u>

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and December 31, 2022

RMU BUDGETARY HIGHLIGHTS

The final Electric Fund revenue budget, including other non-operating income, totaled \$41,253,423. Actual revenues, including non-operating income were \$45,600,166. Total budgeted expenses were \$45,971,491. The Electric Fund's actual expenses totaled \$37,092,479 including non-operating expenses. This provided income before contributions and transfers of \$8,507,687.

The final Water Fund revenue budget totaled \$7,739,712 with actual revenues of \$4,123,872. The Water Fund's budgeted expenses were \$7,606,759, while actual expenses totaled \$3,962,469. This provided income before contributions and transfers of \$161,403.

The final Water Reclamation Fund revenue budget totaled \$7,866,733 with actual revenues of \$5,017,180. The Water Reclamation Fund's budgeted expenses were \$7,901,706, while actual expenses totaled \$5,157,937. This provided income before contributions and transfers of \$(142,757).

The final Technology Center Fund expenditure budget totaled \$1,638,631 while the revenue budget was \$1,416,500. The actual expenses totaled \$1,316,476 while total revenues were \$1,573,924. This provided income before contributions of \$257,448.

LONG-TERM DEBT

On December 31, 2023, the Electric fund had \$19,515,000 in alternate revenue long-term bonds and \$663,176 of direct placement loans outstanding.

On December 31, 2023, the Water and Water Reclamation funds had \$10,596,797 of long-term IEPA loans outstanding.

The repayment of debt is covered by operating revenues.

On May 2, 2023, the electric utility issued \$4,795,000 in alternate revenue bonds to finance construction of a substation. The debt is payable over 15 years and bears an interest rate from 4% to 5%.

On January 5, 2022, the electric utility issued \$8,895,000 in alternate revenue bonds to finance the second phase of construction of a substation. The debt is payable over 15 years and bears an interest rate from 2% to 4%.

On October 5, 2021, the electric utility issued \$7,775,00 in alternate revenue bonds to finance a construction of a substation. The debt is payable over 15 years and bears an interest rate from 2% to 4%.

On August 18, 2021, the electric utility borrowed \$1,300,000 from a local financial institution to finance a building to house the utility departments. The debt is payable over 4 years and bears an interest rate of 2.1%.

On June 24, 2019, the water utility borrowed \$3,049,830 from the IEPA to finance a radium removal plant at Well #12. The debt is payable over 20 years and bears an interest rate of 1.38%.

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2023 and December 31, 2022

LONG-TERM DEBT (cont.)

On June 24, 2019, the water utility borrowed \$3,049,830 from the IEPA to finance a radium removal plant at Well #12. The debt is payable over 20 years and bears an interest rate of 1.38%.

On June 11, 2019, the water reclamation utility borrowed \$7,000,000 from the IEPA to finance the Water Reclamation Plant Improvements. The debt is payable over 20 years and bears an interest rate of 1.18%.

On August 30, 2017, the water utility borrowed \$3,270,006 from the IEPA to finance the Well #11 project. The debt is payable over 20 years and bears an interest rate of 1.32%.

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

On March 1, 2007, the water reclamation utility borrowed \$600,000 from the IEPA to finance the Askvig Sewer project. The debt is payable over 20 years and bears an interest rate of 2.50%.

The repayment of debt certificates is covered from operating revenues.

On December 31, 2023, the Technology Center fund had \$1,655,000 of long-term debt certificates outstanding.

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

All currently known facts and economic conditions were considered in preparing the 2024 utility budget. None of these conditions are anticipated to significantly change the overall financial position of the utility. The City Council approved the 2024 Budget on November 27, 2023.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION

December 31, 2023

	Electric	Water	Water Reclamation	Technology Center	Total
CAPITAL ASSETS					
Depreciable - Plant in Service	\$ 98,184,145	\$ 36,240,546	\$ 52,488,255	\$ 9,407,125	\$ 196,320,071
Intangible	208,062	92,570	76,447	18,368	395,447
Accumulated Depreciation/Amortization	(55,644,894)	(12,868,419)	(31,167,370)	(5,866,406)	(105,547,089)
Nondepreciable	6,283,868	737,303	307,140	519,453	7,847,764
Net Capital Assets	49,031,181	24,202,000	21,704,472	4,078,540	99,016,193
CURRENT ASSETS					
Cash and Investments	34,316,394	1,881,573	5,111,977	553,738	41,863,682
Receivables					
Accounts	4,570,328	398,102	604,743	166,350	5,739,523
Accrued Interest	16,698	-	13,814	-	30,512
Other	274,655	233	3,727	-	278,615
Prepaid Expenses	588,433	37,808	49,683	2,467	678,391
Deposits	622,533	-	-	-	622,533
Materials and Supplies Inventory	1,509,405	-	-	-	1,509,405
Leases Receivable	-	77,566	-	165,799	243,365
Total Current Assets	41,898,446	2,395,282	5,783,944	888,354	50,966,026
NONCURRENT ASSETS					
Advances to Other Funds	409,044	-	-	-	409,044
Leases Receivable	-	1,450,640	-	1,145,428	2,596,068
Special Assessments	-	-	70,347	-	70,347
Total Noncurrent Assets	409,044	1,450,640	70,347	1,145,428	3,075,459
Total Assets	91,338,671	28,047,922	27,558,763	6,112,322	153,057,678
DEFERRED OUTFLOWS OF RESOURCES					
Pension/OPEB Items	1,723,781	218,429	582,867	298,442	2,823,519
Asset Retirement Obligation	-	444,246	-	-	444,246
Unamortized Loss on Refunding	-	-	-	47,290	47,290
Total Deferred Outflows of Resources	1,723,781	662,675	582,867	345,732	3,315,055
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
	\$ 93,062,452	\$ 28,710,597	\$ 28,141,630	\$ 6,458,054	\$ 156,372,733

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)

December 31, 2023

	Electric	Water	Water Reclamation	Technology Center	Total
NET POSITION					
Net Investment in Capital Assets	\$ 35,852,491	\$ 18,073,660	\$ 17,136,676	\$ 2,423,114	\$ 73,485,941
Restricted for Debt Service	-	-	-	-	-
Unrestricted	30,603,757	2,270,030	5,715,177	365,769	38,954,733
Total Net Position	66,456,248	20,343,690	22,851,853	2,788,883	112,440,674
DEFERRED INFLOWS OF RESOURCES					
Pension/OPEB Items	83,341	10,540	28,159	14,393	136,433
Leases	-	1,454,990	-	1,268,572	2,723,562
Total Deferred Inflows of Resources	83,341	1,465,530	28,159	1,282,965	2,859,995
LONG-TERM LIABILITIES					
Revenue Bonds Payable	20,163,304	-	-	-	20,163,304
General Obligation Bonds Payable	-	-	-	1,386,234	1,386,234
IEPA Loans Payable	-	5,707,289	4,250,991	-	9,958,280
Loan Payable	334,611	-	-	-	334,611
OPEB Liability	277,511	34,889	93,570	47,578	453,548
Net Pension Liability	1,247,620	159,863	423,742	218,991	2,050,216
Asset Retirement Obligation	-	465,300	-	-	465,300
Advance from Other Funds	-	-	-	409,044	409,044
Lease Liability	120,219	12,268	43,217	500	176,204
Total Long-Term Liabilities	22,143,265	6,379,609	4,811,520	2,062,347	35,396,741
CURRENT LIABILITIES					
Accounts Payable	2,297,391	18,212	82,681	336	2,398,620
Accrued Payroll	55,117	17,332	20,020	1,121	93,590
Accrued Interest Payable	120,825	19,859	21,794	-	162,478
Other Payables	137,690	-	-	-	137,690
Revenue Bonds Payable	1,220,000	-	-	-	1,220,000
General Obligation Debt Payable	-	-	-	310,000	310,000
IEPA Loans Payable	-	381,892	256,625	-	638,517
Loan Payable	328,565	-	-	-	328,565
OPEB Liability	31,305	3,933	10,547	5,363	51,148
Compensated Absences Payable	143,736	53,649	41,468	1,057	239,910
Lease Liability	44,969	26,891	16,963	5,982	94,805
Total Current Liabilities	4,379,598	521,768	450,098	323,859	5,675,323
Total Liabilities	26,522,863	6,901,377	5,261,618	2,386,206	41,072,064
TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES					
	\$ 93,062,452	\$ 28,710,597	\$ 28,141,630	\$ 6,458,054	\$ 156,372,733

See accompanying notes to financial statements.

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended December 31, 2023

	Electric	Water	Water Reclamation	Technology Center	Total
OPERATING REVENUES					
Charges for Services	\$ 44,907,203	\$ 4,097,823	\$ 4,292,436	\$ 1,566,361	\$ 54,863,823
Miscellaneous	67,133	935	6,379	-	74,447
Total Operating Revenues	44,974,336	4,098,758	4,298,815	1,566,361	54,938,270
OPERATING EXPENSES					
Operations	33,762,785	2,855,402	3,470,643	943,729	41,032,559
Depreciation and Amortization	2,718,262	1,005,239	1,632,868	315,592	5,671,961
Total Operating Expenses	36,481,047	3,860,641	5,103,511	1,259,321	46,704,520
OPERATING INCOME (LOSS)	8,493,289	238,117	(804,696)	307,040	8,233,750
NON-OPERATING REVENUES (EXPENSES)					
Investment Income	625,830	25,114	168,365	7,563	826,872
Grant Revenue	-	-	550,000	-	550,000
Interest Expense	(611,432)	(101,828)	(56,426)	(57,155)	(826,841)
Total Non-Operating Revenues (Expenses)	14,398	(76,714)	661,939	(49,592)	550,031
NET INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	8,507,687	161,403	(142,757)	257,448	8,783,781
TRANSFERS					
Transfers In	342,491	125,000	-	-	467,491
Transfers (Out)	(1,797,042)	(186,199)	(210,008)	-	(2,193,249)
Total Transfers	(1,454,551)	(61,199)	(210,008)	-	(1,725,758)
CHANGE IN NET POSITION	7,053,136	100,204	(352,765)	257,448	7,058,023
NET POSITION, JANUARY 1	59,403,112	20,243,486	23,204,618	2,531,435	105,382,651
NET POSITION, DECEMBER 31	\$ 66,456,248	\$ 20,343,690	\$ 22,851,853	\$ 2,788,883	\$ 112,440,674

See accompanying notes to financial statements.

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023

	Electric	Water	Water Reclamation	Technology Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 46,012,506	\$ 4,036,134	\$ 4,400,294	\$ 1,467,741	\$ 55,916,675
Payments to Suppliers	(31,859,069)	(1,176,587)	(2,255,854)	(255,250)	(35,546,760)
Payments to Employees	(2,951,354)	(1,059,869)	(1,255,536)	(161,591)	(5,428,350)
Payments to Other Funds	(311,204)	(613,208)	(459,786)	(494,969)	(1,879,167)
Net Cash from Operating Activities	10,890,879	1,186,470	429,118	555,931	13,062,398
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	-	125,000	-	-	125,000
Receipt of Grant Revenue	342,491	-	550,000	-	892,491
Transfers to the City	(1,797,042)	(186,199)	(210,008)	-	(2,193,249)
Net Cash from Noncapital Financing Activities	(1,454,551)	(61,199)	339,992	-	(1,175,758)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Assets Purchased	(529,659)	(269,670)	(139,844)	-	(939,173)
Issuance of Long-Term Debt	4,795,000	-	-	-	4,795,000
Principal Payments on Long-Term Debt	(1,321,120)	(402,672)	(269,567)	(305,955)	(2,299,314)
Interest Payments on Long-Term Debt	(305,719)	(99,650)	(57,841)	(63,800)	(527,010)
Net Cash from Capital and Related Financing Activities	2,638,502	(771,992)	(467,252)	(369,755)	1,029,503
CASH FLOWS FROM INVESTING ACTIVITIES					
Sales of Investments	4,818,809	-	-	-	4,818,809
Purchases of Investments	(26,646,069)	-	-	-	(26,646,069)
Interest Received on Investments	563,509	27,912	163,292	6,599	761,312
Net Cash from Investing Activities	(21,263,751)	27,912	163,292	6,599	(21,065,948)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,188,921)	381,191	465,150	192,775	(8,149,805)
CASH AND CASH EQUIVALENTS, JANUARY 1	16,581,646	1,500,382	4,646,827	360,963	23,089,818
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 7,392,725	\$ 1,881,573	\$ 5,111,977	\$ 553,738	\$ 14,940,013

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS (Continued)

For the Year Ended December 31, 2023

	Electric	Water	Water Reclamation	Technology Center	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 8,493,289	\$ 238,117	\$ (804,696)	\$ 307,040	\$ 8,233,750
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities					
Depreciation and Amortization	2,718,262	1,005,239	1,632,868	315,592	5,671,961
Changes in Assets and Liabilities					
Accounts Receivable	982,050	(27,507)	34,439	(55,965)	933,017
Other Receivables	84,511	(73)	37,652	-	122,090
Prepaid Expenses	(510,302)	(19,136)	(21,775)	2,278	(548,935)
Materials and Supplies Inventory	(151,656)	-	-	-	(151,656)
Deposits	(28,391)	-	-	-	(28,391)
Special Assessments	-	-	29,388	-	29,388
Pension Items - IMRF	187,382	23,556	63,174	32,122	306,234
Lease Revenue Items		(35,044)	-	(42,655)	(77,699)
OPEB Items	8,123	1,021	2,739	1,393	13,276
Accounts Payable	(903,657)	(5,906)	(568,704)	(685)	(1,478,952)
Accrued Payroll	12,589	4,066	5,283	(80)	21,858
Other Payables	(12,622)	-	-	-	(12,622)
Compensated Absences	11,301	2,137	18,750	(3,109)	29,079
NET CASH FROM OPERATING ACTIVITIES	\$ 10,890,879	\$ 1,186,470	\$ 429,118	\$ 555,931	\$ 13,062,398
CASH AND INVESTMENTS					
Cash and Cash Equivalents	\$ 7,392,725	\$ 1,881,573	\$ 5,111,977	\$ 553,738	\$ 14,940,013
Investments	26,923,669	-	-	-	26,923,669
TOTAL CASH AND INVESTMENTS	\$ 34,316,394	\$ 1,881,573	\$ 5,111,977	\$ 553,738	\$ 41,863,682
NONCASH TRANSACTIONS					
None	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL NONCASH TRANSACTIONS	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

RMU is comprised of certain proprietary funds of the City of Rochelle, Illinois (the City). RMU is accounted for as a distinct and separate departmental entity of the City and includes the City's Electric Fund, the Water Fund, the Water Reclamation 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 nameplate rating of 22,700 KW) and one solar gas turbine generator unit (with a nameplate rating of 4,200 KW).

The Water Fund accounts for the activities of the water system. The water system provides water supply to residents and businesses in the City. 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.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

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

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

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

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

D. Cash and Investments

Cash and Cash Equivalents

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments (Continued)

Investments

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

E. 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.

F. 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.

G. Capital Assets

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets (Continued)

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

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

Intangible assets represent the RMU's right-to-use a leased asset. These intangible assets, as defined by GASB Statement No. 87, *Leases* are for leased contracts of nonfinancial assets including equipment.

H. 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.

I. 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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.”

K. 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.

L. 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.

M. 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Use of Estimates

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

2. CASH AND INVESTMENTS

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

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

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

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

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

Deposits with Financial Institutions

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

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

2. CASH AND INVESTMENTS (Continued)

Investments

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

The City limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by primarily investing in The Illinois Funds and Illinois Metropolitan Investment Fund (IMET), even though the investment policy allows other investments. The Illinois Funds are rated AAA.

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 Illinois Public Treasurers' Investment Pool, known as The Illinois Funds, operates as a qualified external investment pool in accordance with the criteria established in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and thus, reports all investments at amortized cost rather than fair value. The investment in The Illinois Funds by participants is also reported at amortized cost. The Illinois Funds does not have any limitations or restrictions on participant withdrawals. The Illinois Treasurer's Office issues a separate financial report for The Illinois Funds which may be obtained by contacting the Administrative Office at Illinois Business Center, 400 West Monroe Street, Suite 401, Springfield, Illinois 62704. The Illinois Funds and the money market mutual funds are not subject to custodial credit risk.

Concentration of the credit risk is the risk that the City has a high percentage of their investments invested in one investment. The City's investment policy is silent on concentration of credit risk.

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

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

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

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
ELECTRIC				
Capital Assets not Being Depreciated				
Land	\$ 939,044	\$ -	\$ -	\$ 939,044
Construction in Progress	4,929,759	529,659	114,594	5,344,824
Total Capital Assets not Being Depreciated	5,868,803	529,659	114,594	6,283,868
Capital Assets Being Depreciated				
Generation	14,506,554	114,594	-	14,621,148
Transmission	2,684,406	-	-	2,684,406
Distribution	77,199,610	-	-	77,199,610
General	3,678,981	-	-	3,678,981
Total Capital Assets Being Depreciated	98,069,551	114,594	-	98,184,145
Intangible Assets Being Amortized				
Equipment	41,426	166,636	-	208,062
Total Intangible Assets Being Amortized	41,426	166,636	-	208,062
Less Accumulated Depreciation for				
Generation	8,664,339	301,606	-	8,965,945
Transmission	2,684,406	-	-	2,684,406
Distribution	40,136,825	2,313,464	-	42,450,289
General	1,427,621	73,596	-	1,501,217
Total Accumulated Depreciation	52,913,191	2,688,666	-	55,601,857
Less Accumulated Amortization for				
Equipment	13,441	29,596	-	43,037
Total Accumulated Amortization	13,441	29,596	-	43,037
Total Capital and intangible Assets Being Depreciated and Amortized, Net	45,184,345	(2,437,032)	-	42,747,313
TOTAL ELECTRIC CAPITAL ASSETS, NET	\$ 51,053,148	\$ (1,907,373)	\$ 114,594	\$ 49,031,181

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

3. CAPITAL ASSETS (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
WATER				
Capital Assets not Being Depreciated				
Land	\$ 272,525	\$ -	\$ -	\$ 272,525
Construction in Progress	195,108	271,383	1,713	464,778
Total Capital Assets not Being Depreciated	467,633	271,383	1,713	737,303
Capital Assets Being Depreciated				
Infrastructure	33,361,535	-	-	33,361,535
Equipment	2,879,011	-	-	2,879,011
Total Capital Assets Being Depreciated	36,240,546	-	-	36,240,546
Intangible Assets Being Amortized				
Equipment	92,570	-	-	92,570
Total Intangible Assets Being Amortized	92,570	-	-	92,570
Less Accumulated Depreciation for				
Infrastructure	9,684,224	894,767	-	10,578,991
Equipment	2,152,156	83,672	-	2,235,828
Total Accumulated Depreciation	11,836,380	978,439	-	12,814,819
Less Accumulated Amortization for				
Equipment	26,800	26,800	-	53,600
Total Accumulated Amortization	26,800	26,800	-	53,600
Total Capital and Intangible Assets Being Depreciated and Amortized, Net	24,469,936	(1,005,239)	-	23,464,697
TOTAL WATER CAPITAL ASSETS, NET	\$ 24,937,569	\$ (733,856)	\$ 1,713	\$ 24,202,000

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

3. CAPITAL ASSETS (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
WATER RECLAMATION				
Capital Assets not Being Depreciated				
Land	\$ 160,938	\$ -	\$ -	\$ 160,938
Construction in Progress	354,573	157,203	365,574	146,202
Total Capital Assets not Being Depreciated	515,511	157,203	365,574	307,140
Capital Assets Being Depreciated				
Infrastructure	44,573,043	348,215	-	44,921,258
Equipment	7,566,997	-	-	7,566,997
Total Capital Assets Being Depreciated	52,140,040	348,215	-	52,488,255
Intangible Assets Being Amortized				
Equipment	18,464	57,983	-	76,447
Total Intangible Assets Being Amortized	18,464	57,983	-	76,447
Less Accumulated Depreciation for				
Infrastructure	23,665,979	1,425,910	-	25,091,889
Equipment	5,862,692	196,545	-	6,059,237
Total Accumulated Depreciation	29,528,671	1,622,455	-	31,151,126
Less Accumulated Amortization for				
Equipment	5,831	10,413	-	16,244
Total Accumulated Amortization	5,831	10,413	-	16,244
Total Capital Assets Being Depreciated, Net	22,624,002	(1,226,670)	-	21,397,332
TOTAL WATER RECLAMATION CAPITAL ASSETS, NET	\$ 23,139,513	\$ (1,069,467)	\$ 365,574	\$ 21,704,472

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

3. CAPITAL ASSETS (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
TECHNOLOGY CENTER				
Capital Assets not Being Depreciated				
Land	\$ 519,453	\$ -	\$ -	\$ 519,453
Total Capital Assets not Being Depreciated	519,453	-	-	519,453
Capital Assets Being Depreciated				
Building	4,427,155	-	-	4,427,155
General	4,979,970	-	-	4,979,970
Total Capital Assets Being Depreciated	9,407,125	-	-	9,407,125
Intangible Assets Being Amortized				
Equipment	18,368	-	-	18,368
Total Intangible Assets Being Amortized	18,368	-	-	18,368
Less Accumulated Depreciation for				
Building	1,522,496	120,194	-	1,642,690
General	4,022,361	189,441	-	4,211,802
Total Accumulated Depreciation	5,544,857	309,635	-	5,854,492
Less Accumulated Amortization for				
Equipment	5,957	5,957	-	11,914
Total Accumulated Amortization	5,957	5,957	-	11,914
Total Capital and intangible Assets Being Depreciated and Amortized, Net	3,874,679	(315,592)	-	3,559,087
TOTAL TECHNOLOGY CENTER CAPITAL ASSETS, NET	\$ 4,394,132	\$ (315,592)	\$ -	\$ 4,078,540

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

4. LONG-TERM DEBT

	Balances January 1	Additions	Reductions	Balances December 31	Current Portion
BUSINESS-TYPE ACTIVITIES					
General Obligation Debt					
Certificates	\$ 1,955,000	\$ -	\$ 300,000	\$ 1,655,000	\$ 310,000
Revenue Bonds	15,690,000	4,795,000	970,000	19,515,000	1,220,000
IEPA Revolving Loans	11,231,821	-	635,024	10,596,797	638,517
Loan Payable (Direct Placement)	984,809	-	321,633	663,176	328,565
Unamortized Premium	1,644,710	338,469	73,641	1,909,538	-
Compensated Absences	210,831	239,910	210,831	239,910	239,910
Net Pension Liability	-	2,050,216	-	2,050,216	-
OPEB Liability	494,007	10,689	-	504,696	51,148
Lease Liability	119,046	224,619	72,656	271,009	94,805
Asset Retirement Obligation	465,300	-	-	465,300	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 32,795,524	\$ 7,658,903	\$ 2,583,785	\$ 37,870,642	\$ 2,882,945

Bonds payable at December 31, 2023 are comprised of the following:

General Obligation Debt

	Total	Current Portion
\$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.	\$ 1,655,000	\$ 310,000
TOTAL	\$ 1,655,000	\$ 310,000

Revenue Bonds

	Total	Current Portion
\$7,775,000 2021A General Obligation Bonds (Electric System Alternate Revenue Source), due in annual installments of \$425,000 to \$685,000 from May 1, 2022, to May 1, 2035, interest at 2% to 4%, retired by the Electric System Fund.	\$ 6,895,000	\$ 465,000
\$8,895,000 2022 General Obligation Bonds (Electric System Alternate Revenue Source), due in annual installments of \$515,000 to \$775,000 from May 1, 2022, to May 1, 2035, interest at 2% to 4%, retired by the Electric System Fund.	7,825,000	530,000

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

4. LONG-TERM DEBT (Continued)

Revenue Bonds (Continued)

	Total	Current Portion
\$4,795,000 2023 General Obligation Bonds (Electric System Alternate Revenue Source), due in annual installments of \$225,000 to \$430,000 from May 1, 2024, to May 1, 2038, interest at 4% to 5%, retired by the Electric System Fund.	\$ 4,795,000	\$ 225,000
TOTAL	\$ 19,515,000	\$ 1,220,000

Illinois EPA Loans

	Total	Current Portion
\$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%.	\$ 130,136	\$ 36,034
\$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%.	2,594,327	178,154
\$3,270,006 Illinois EPA low interest loan related to the Well #11 Project, due in semiannual installments of \$79,913, through June 2038, interest at 1.32%.	2,168,507	131,635
\$3,049,830 Illinois EPA low interest loan related to Well #12 Project, due in semiannual installments through May 2040, interest at 1.38%.	1,326,347	72,104
\$7,000,000 Illinois EPA low interest loan related to Water Reclamation Plant Improvements Project, due in semiannual installments through January 2041, interest at 1.18%.	4,377,480	220,590
TOTAL	\$ 10,596,797	\$ 638,517

Loan Payable (Direct Placement)

	Total	Current Portion
\$1,300,000 Loan Payable (Direct Placement), due in annual installments of \$342,491 from August 2022 to August 2025, interest at 2.10% retired by the Electric Fund.	\$ 663,176	\$ 328,565
TOTAL	\$ 663,176	\$ 328,565

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

4. LONG-TERM DEBT (Continued)

Debt Service to Maturity

The annual requirements to amortize all debt outstanding as of December 31, 2022, are as follows:

Year Ending December 31,	G.O. Debt Certificates		Illinois EPA Loan	
	Principal	Interest	Principal	Interest
2024	\$ 310,000	\$ 53,100	\$ 638,517	\$ 145,982
2025	320,000	40,500	648,107	136,392
2026	335,000	27,400	657,848	126,651
2027	350,000	15,450	648,210	117,117
2028	340,000	5,100	637,997	107,798
2029-2033	-	-	3,330,997	397,979
2034-2038	-	-	3,121,797	156,011
2038-2041	-	-	913,324	13,640
TOTAL	\$ 1,655,000	\$ 141,550	\$ 10,596,797	\$ 1,201,570

Year Ending December 31,	Revenue Bonds		Loan Payable (Direct Placement)	
	Principal	Interest	Principal	Interest
2024	\$ 1,220,000	\$ 704,400	\$ 328,565	\$ 13,923
2025	1,270,000	657,275	334,611	7,023
2026	1,320,000	603,075	-	-
2027	1,380,000	546,550	-	-
2028	1,435,000	487,600	-	-
2029-2033	8,035,000	1,571,875	-	-
2034-2038	4,855,000	299,850	-	-
TOTAL	\$ 19,515,000	\$ 4,870,625	\$ 663,176	\$ 20,946

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)

Lease Liabilities

Obligations of the RMU under leases payable, typically paid from the Electric, Water Reclamation, Water and Technology Funds, including future interest payments at December 31, 2023, were as follows:

Fiscal Year Ending December 31,	Leases	
	Principal	Interest
2024	\$ 94,805	\$ 4,898
2025	57,674	3,608
2026	47,261	2,435
2027	46,582	1,196
2028	24,687	198
TOTAL	\$ 271,009	\$ 12,335

RMU entered into a lease arrangement on February 1, 2020, for the right-to-use a 2020 Chevy Silverado. Payments of \$500 are due in monthly installments through January 2025. Total intangible right-to-use assets acquired under this agreement are \$18,369.

RMU entered into a lease arrangement on March 1, 2020, for the right-to-use a 2020 Ford F-150. Payments of \$487 are due in monthly installments through February 2025. Total intangible right-to-use assets acquired under this agreement are \$18,362.

RMU entered into a lease arrangement on March 1, 2020, for the right-to-use a 2020 Silverado 2500HD. Payments of \$620 are due in monthly installments through February 2025. Total intangible right-to-use assets acquired under this agreement are \$23,402.

RMU entered into a lease arrangement on February 1, 2020, for the right-to-use a 2020 Silverado 1500. Payments of \$507 are due in monthly installments through January 2025. Total intangible right-to-use assets acquired under this agreement are \$18,614.

RMU entered into a lease arrangement on April 1, 2021, for the right-to-use a 2021 Ford F-250. Payments of \$639 are due in monthly installments through March 2026. Total intangible right-to-use assets acquired under this agreement are \$32,191.

RMU entered into a lease arrangement on February 1, 2020, for the right-to-use a 2020 Chevy Silverado 1500. Payments of \$507 are due in monthly installments through January 2025. Total intangible right-to-use assets acquired under this agreement are \$18,614.

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

4. LONG-TERM DEBT (Continued)

Lease Liabilities (Continued)

RMU entered into a lease arrangement on March 1, 2020, for the right-to-use a 2020 Ford Ranger. Payments of \$489 are due in monthly installments through February 2025. Total intangible right-to-use assets acquired under this agreement are \$18,464.

RMU entered into a lease arrangement on March 1, 2020, for the right-to-use a 2020 Chevy Silverado 2500HD. Payments of \$563 are due in monthly installments through February 2025. Total intangible right-to-use assets acquired under this agreement are \$21,254.

RMU entered into a lease arrangement on April 1, 2020, for the right-to-use a postage machine. Payments of \$58 are due in monthly installments through March 2024. Total intangible right-to-use assets acquired under this agreement are \$1,558.

RMU entered into a lease arrangement on January 17, 2023, for the right-to-use a Ford F-150. Payments of \$988 are due in monthly installments through January 2028. Total intangible right-to-use assets acquired under this agreement are \$55,748.

RMU entered into a lease arrangement on August 9, 2023, for the right-to-use a 2023 Ford Transit Van. Payments of \$1,028 are due in monthly installments through August 2028. Total intangible right-to-use assets acquired under this agreement are \$57,983.

RMU entered into a lease arrangement on October 2, 2023, for the right-to-use a 2023 Ford F-450. Payments of \$1,966 are due in monthly installments through October 2028. Total intangible right-to-use assets acquired under this agreement are \$110,888.

Asset Retirement Obligation

The City has recognized an asset retirement obligation (ARO) and related deferred outflow of resources in connection with its obligation to seal and abandon its water wells at the end of its estimated useful life in accordance with federal, state, and/or local requirements. The ARO was measured using actual historical costs for similar abandonments, adjusted for inflation through the end of the year. The estimated useful life of the water wells is 58-142 years.

5. DEFINED BENEFIT PENSION PLAN

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

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

5. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund

Plan Administration

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

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

Benefits Provided

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

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

Contributions

Participating members are required to contribute 4.50% of their annual salary to IMRF. The City and RMU are required to contribute the remaining amounts necessary to fund IMRF as specified by statute. The employer contribution rate for the year ended December 31, 2023 was 4.89% of covered payroll. For the year ended December 31, 2023, salaries totaling \$4,575,574 were paid that required employer contributions of \$223,752, which was equal to the RMU's actual contributions.

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

5. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Net Pension Liability

At December 31, 2023, RMU reported a liability of \$2,050,216 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. RMU's proportion of the net pension liability was based on RMU's actual contribution to the plan for the year ended December 31, 2023, relative to the contributions of the City, actuarially determined. At December 31, 2023, RMU's proportion was 57.21% of the total contribution.

Actuarial Assumptions

RMU's net pension liability was measured as of December 31, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial Valuation Date	December 31, 2022
Actuarial Cost Method	Entry-Age Normal
Assumptions	
Inflation	2.25%
Salary Increases	2.85% to 13.75%
Interest Rate	7.25%
Asset Valuation Method	Fair Value

For nondisabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Retiree, Male (adjusted 106%) and Female (adjusted 105%) tables and future mortality improvements projected using scale MP-2020. For disabled retirees, the Pub-2010, Amount-Weighted, below-median income, General, Disabled Retiree, Male and Female (both unadjusted) tables and future mortality improvements projected using scale MP-2020. For active members, the Pub-2010, Amount-Weighted, below-median income, General, Employee, Male and Female (both unadjusted) tables and future mortality improvements projected using scale MP-2020.

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

5. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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.

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

For the year ended December 31, 2023, RMU recognized pension expense of \$538,724. At December 31, 2023, RMU reported deferred outflows of resources and deferred inflows of resources related to IMRF from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 219,035	\$ 26,339
Changes in Assumption	-	43,188
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,126,305	-
Contributions after Measurement Date	223,752	-
	<hr/>	<hr/>
TOTAL	\$ 2,569,092	\$ 69,527

\$223,752 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 fiscal year ended December 31, 2024. 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>	
2024	\$ (152,055)
2025	424,756
2026	741,788
2027	1,261,324
	<hr/>
TOTAL	\$ 2,275,813

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

5. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability (asset) to changes in the discount rate. The table below presents the net pension liability (asset) of RMU calculated using the discount rate of 7.25% as well as what RMU's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability (Asset)	\$ 5,215,390	\$ 2,050,216	\$ (456,366)

6. RISK MANAGEMENT

RMU is exposed to various risks of loss, including but not limited to, property and casualty, general and public officials' liability, workers' compensation and employee's health. RMU mitigates these risks through participation in city-wide risk management programs. The City purchases commercial health insurance and is not aware of any additional amounts owed as of December 31, 2023, for the current or prior claim years. Additional information on the City's risk management program can be found in the City's Annual Comprehensive Financial Report.

7. CONTRACTS, COMMITMENTS AND CONTINGENCIES

A. Litigation

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

B. Grants

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

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

7. CONTRACTS, COMMITMENTS AND CONTINGENCIES (Continued)

C. Northern Illinois Municipal Power Agency

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

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

NIMPA's outstanding debt service obligation is to be paid by its members through their wholesale power charges through the remainder of the long-term contract, which is \$379 million as of December 31, 2023.

8. INTERFUND ACCOUNTS

A. Advances To/From

Advances to/from other RMU funds at December 31, 2023, consisted of the following:

	Advance From	Advance To
Electric Utility	\$ 409,044	\$ -
Technology Center	-	409,044
TOTAL	\$ 409,044	\$ 409,044

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

- \$409,044 advanced from the Electric Utility Fund to the Technology Center Funds is for funding of cash shortfalls. Repayment is not expected within one year.

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

8. INTERFUND ACCOUNTS (Continued)

B. Interfund Transfers

Interfund transfers during the year ended December 31, 2023 consisted of the following:

	Transfer In	Transfer Out
City	\$ 2,193,249	\$ 467,491
Electric Utility	342,491	1,797,042
Water	125,000	186,199
Water Reclamation	-	210,008
TOTAL	\$ 2,660,740	\$ 2,660,740

The purposes of significant interfund transfers are as follows:

- \$2,193,249 transferred to the City - General Fund was made up of \$1,797,042 from the Electric Fund, \$186,199 from the Water Fund, and \$210,008 from the Water Reclamation Fund for annual transfers as permitted under bond ordinances. The transfers will not be repaid.

9. 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 Comprehensive Financial Report.

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.

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

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Total OPEB Liability

RMU's total OPEB liability of \$504,696 was measured as of December 31, 2023 and was determined by an actuarial valuation as of January 1, 2022.

Actuarial Assumptions and Other Inputs

The total OPEB liability at December 31, 2023, as determined by an actuarial valuation as of January 1, 2023, actuarial valuation, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified. The total OPEB liability was rolled forward by the actuary using updated procedures as of December 31, 2023, including updated the discount rate at December 31, 2023, as noted below.

Actuarial Cost Method	Entry-Age Normal
Actuarial Value of Assets	Not Applicable
Salary Increases	2.75%
Discount Rate	3.26%
Healthcare Cost Trend Rates	3.30% Initial 5.00% Ultimate

The discount rate was based on the Bond Buyer 20-Bond GO Index, which is based on an average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA.

Rate Sensitivity

The following is a sensitivity analysis of the total OPEB liability to changes in the discount rate and the healthcare cost trend rate. The table below presents the total OPEB liability of the RMU calculated using the discount rate of 3.26% as well as what the RMU total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.26%) or 1 percentage point higher (4.26%) than the current rate:

	1% Decrease (2.26%)	Current Discount Rate (3.26%)	1% Increase (4.26%)
Total OPEB Liability	\$ 538,527	\$ 504,696	\$ 473,132

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

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Rate Sensitivity (Continued)

The table below presents the total OPEB liability of the RMU calculated using the healthcare rate of 3.30% to 5.00% as well as what the RMU's total OPEB liability would be if it were calculated using a healthcare rate that is 1 percentage point lower (2.30% to 4.00%) or 1 percentage point higher (4.30% to 6.00%) than the current rate:

	1% Decrease (2.30% to 4.00%)	Current Healthcare Rate (3.30% to 5.00%)	1% Increase (4.30% to 6.00%)
Total OPEB Liability	\$ 445,312	\$ 504,696	\$ 575,417

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB

For the year ended December 31, 2023, the RMU recognized OPEB expense of \$64,423. At December 31, 2023, the RMU reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 214,144	\$ -
Changes in Assumptions	39,925	66,890
TOTAL	\$ 254,069	\$ 66,890

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>Year Ending December 31,</u>	
2024	\$ 17,388
2025	17,388
2026	17,388
2027	17,388
2028	17,388
Thereafter	<u>100,239</u>
TOTAL	\$ 187,179

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

10. LESSOR DISCLOSURES

In accordance with GASB Statement No. 87, *Leases*, the RMU's lessor activity is as follows:

The RMU entered into a lease arrangement on August 16, 2020, to lease tower space. Payments of \$2,738 (with annual 3% increases) are due to the RMU in monthly installments, through August 2035. The lease agreement is noncancelable and maintains an interest rate of 1.446%. During the fiscal year, the RMU recognized a \$28,524 reduction in the lease receivable and \$37,360 reduction in the related deferred inflow of resource. The remaining lease receivable and offsetting deferred inflow of resource for this agreement is \$453,110 and \$434,315 as of December 31, 2023.

The RMU entered into a lease arrangement on December 1, 2014, to lease tower space. Payments of \$2,200 (with annual 4% increases) are due to the RMU in monthly installments, through November 2039. The lease agreement is noncancelable and maintains an interest rate of 1.591%. During the fiscal year, the RMU recognized a \$24,710 reduction in the lease receivable and \$42,450 reduction in the related deferred inflow of resource. The remaining lease receivable and offsetting deferred inflow of resource for this agreement is \$711,912 and \$675,667 as of December 31, 2023.

The RMU entered into a lease arrangement on March 31, 2016, to lease tower space. Payments of \$1,600 (with annual 4% increases) are due to the RMU in monthly installments, through March 2036. The lease agreement is noncancelable and maintains an interest rate of 1.446%. During the fiscal year, the RMU recognized a \$19,697 reduction in the lease receivable and \$28,164 reduction in the related deferred inflow of resource. The remaining lease receivable and offsetting deferred inflow of resource for this agreement is \$363,183 and \$345,008 as of December 31, 2023.

The RMU entered into a lease arrangement on November 30, 2019, to lease dark fiber. Payments of \$1,500 are due to the RMU in monthly installments, through November 2029. The lease agreement is noncancelable and maintains an interest rate of 1.164%. During the fiscal year, the RMU recognized a \$16,713 reduction in the lease receivable and \$17,015 reduction in the related deferred inflow of resource. The remaining lease receivable and offsetting deferred inflow of resource for this agreement is \$101,468 and \$100,675 as of December 31, 2023.

The RMU entered into a lease arrangement on June 8, 2017, to lease collocation. Payments of \$2,360 (with annual 3% increases) are due to the RMU in monthly installments, through June 2032. The lease agreement is noncancelable and maintains an interest rate of 1.305%. During the fiscal year, the RMU recognized a \$29,209 reduction in the lease receivable and \$34,814 reduction in the related deferred inflow of resource. The remaining lease receivable and offsetting deferred inflow of resource for this agreement is \$305,849 and \$293,596 as of December 31, 2023.

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

10. LESSOR DISCLOSURES (Continued)

The RMU entered into a lease arrangement on October 31, 2019, to lease dark fiber. Payments of \$750 are due to the RMU in monthly installments, through October 2029. The lease agreement is noncancelable and maintains an interest rate of 1.164%. During the fiscal year, the RMU recognized a \$8,365 reduction in the lease receivable and \$8,511 reduction in the related deferred inflow of resource. The remaining lease receivable and offsetting deferred inflow of resource for this agreement is \$50,034 and \$49,645 as of December 31, 2023.

The RMU entered into a lease arrangement on March 1, 2020, to lease dark fiber. Payments of \$375 are due to the RMU in monthly installments, through February 2030. The lease agreement is noncancelable and maintains an interest rate of 1.164%. During the fiscal year, the RMU recognized a \$4,162 reduction in the lease receivable and \$4,294 reduction in the related deferred inflow of resource. The remaining lease receivable and offsetting deferred inflow of resource for this agreement is \$26,761 and \$26,482 as of December 31, 2023.

The RMU entered into a lease arrangement on April 1, 2022, to lease dark fiber. Payments of \$375 (with annual 3% increases) are due to the RMU in monthly installments, through March 2032. The lease agreement is noncancelable and maintains an interest rate of 2.632%. During the fiscal year, the RMU recognized a \$3,524 reduction in the lease receivable and \$4,512 reduction in the related deferred inflow of resource. The remaining lease receivable and offsetting deferred inflow of resource for this agreement is \$38,992 and \$37,226 as of December 31, 2023.

The RMU entered into a lease arrangement on April 1, 2020, to lease collocation. Payments of \$1,488 are due to the RMU in monthly installments, through March 2030. The lease agreement is noncancelable and maintains an interest rate of 1.164%. During the fiscal year, the RMU recognized a \$16,499 reduction in the lease receivable and \$17,034 reduction in the related deferred inflow of resource. The remaining lease receivable and offsetting deferred inflow of resource for this agreement is \$107,587 and \$106,463 as of December 31, 2023.

The RMU entered into a lease arrangement on March 1, 2020, to lease collocation. Payments of \$634 are due to the RMU in monthly installments, through February 2028. The lease agreement is noncancelable and maintains an interest rate of 0.893%. During the fiscal year, the RMU recognized a \$7,295 reduction in the lease receivable and \$7,405 reduction in the related deferred inflow of resource. The remaining lease receivable and offsetting deferred inflow of resource for this agreement is \$31,106 and \$30,855 as of December 31, 2023.

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

10. LESSOR DISCLOSURES (Continued)

The RMU entered into a lease arrangement on April 1, 2021, to lease dark fiber. Payments of \$6,567 (with annual 3% increases) are due to the RMU in monthly installments, through March 2031. The lease agreement is noncancelable and maintains an interest rate of 1.251%. During the fiscal year, the RMU recognized a \$74,366 reduction in the lease receivable and \$86,018 reduction in the related deferred inflow of resource. The remaining lease receivable and offsetting deferred inflow of resource for this agreement is \$649,430 and \$623,630 as of December 31, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

Last Nine Fiscal Years

FISCAL YEAR ENDED	April 30,		December 31,							
	2016	2016*	2017	2018	2019	2020	2021	2022	2023	
Contractually Required Contribution	\$ 391,212	\$ 281,121	\$ 445,537	\$ 402,758	\$ 339,551	\$ 440,576	\$ 411,271	\$ 308,792	\$ 223,752	
Contributions in Relation to the Contractually Required Contribution	391,212	281,121	445,537	402,758	339,551	440,576	411,271	308,792	223,752	
CONTRIBUTION DEFICIENCY (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,453,001	\$ 2,376,337	\$ 3,731,460	\$ 3,551,656	\$ 3,652,341	\$ 3,976,320	\$ 3,961,579	\$ 4,233,254	\$ 4,575,574	
Contributions as a Percentage of Covered Payroll	11.33%	11.83%	11.94%	11.34%	9.30%	11.08%	10.38%	7.29%	4.89%	

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

Notes to Required Supplementary Information

The information presented was determined as part of the actuarial valuations as of January 1 of the prior fiscal year. Additional information as of the latest actuarial valuation 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 21 years; the asset valuation method was five-year smoothed market and the significant actuarial assumptions were an investment rate of return at 7.25% annually, projected salary increases assumption of 2.85% to 13.75% compounded annually and postretirement benefit increases of 3.00% compounded annually.

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

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

Last Eight Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2015	2016	2017	2018	2019	2020	2021	2022
Employer's Proportion of Net Pension Liability	57.21%	57.21%	57.21%	57.21%	57.21%	57.21%	57.21%	57.21%
Employer's Proportionate Share of Net Pension Liability	\$ 2,896,700	\$ 2,679,131	\$ 533,971	\$ 3,438,473	\$ 1,045,237	\$ (1,233,480)	\$ (4,003,271)	\$ 2,050,216
Employer's Covered Payroll	3,453,001	3,505,080	3,679,197	3,652,341	3,644,439	3,961,579	3,954,534	4,211,619
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	83.89%	76.44%	14.51%	94.14%	28.68%	(31.14%)	(101.23%)	48.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.65%	88.11%	97.66%	95.37%	95.86%	104.82%	115.16%	92.43%

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

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**SCHEDULE OF RMU'S PROPORTIONATE
SHARE OF THE TOTAL OPEB LIABILITY
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Last Six Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2018	2019	2020	2021	2022	2023
Employer's Proportion of Total Pension Liability	57.21%	57.21%	57.21%	57.21%	57.21%	57.21%
Employer's Proportionate Share of Total OPEB Liability	\$ 538,755	\$ 438,797	\$ 388,676	\$ 403,716	\$ 494,007	\$ 504,696
Employer's Covered Payroll	4,420,600	5,150,615	5,631,947	5,636,896	5,951,422	6,427,084
Employer's Proportionate Share of the Total Pension Liability as a Percentage of its Covered Payroll	12.19%	8.52%	6.90%	7.16%	8.30%	7.85%

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

(See independent auditor's report.)

SUPPLEMENTAL INFORMATION

ELECTRIC FUND

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF NET POSITION
ELECTRIC FUND**

December 31, 2023

CAPITAL ASSETS

Depreciable - Plant in Service	\$ 98,184,145
Intangible	208,062
Accumulated Depreciation/Amortization	(55,644,894)
Nondepreciable	<u>6,283,868</u>
Net Capital Assets	<u>49,031,181</u>

CURRENT ASSETS

Cash and Investments	34,316,394
Receivables	
Accounts	4,570,328
Accrued Interest	16,698
Other	274,655
Prepaid Expenses	588,433
Deposits	622,533
Materials and Supplies Inventory	<u>1,509,405</u>
Total Current Assets	<u>41,898,446</u>

NONCURRENT ASSETS

Advance to Other Funds	<u>409,044</u>
Total Noncurrent Assets	<u>409,044</u>
Total Assets	<u>91,338,671</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension/OPEB Items	<u>1,723,781</u>
Total Deferred Outflows of Resources	<u>1,723,781</u>

**TOTAL ASSETS AND DEFERRED
OUTFLOWS OF RESOURCES**

\$ 93,062,452

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF NET POSITION (Continued)
ELECTRIC FUND**

December 31, 2023

NET POSITION

Net Investment in Capital Assets	\$ 35,852,491
Unrestricted	<u>30,603,757</u>
Total Net Position	<u>66,456,248</u>

DEFERRED INFLOWS OF RESOURCES

Pension/OPEB Items	<u>83,341</u>
Total Deferred Inflows of Resources	<u>83,341</u>

LONG-TERM LIABILITIES

Revenue Bonds Payable	20,163,304
Loan Payable	334,611
OPEB Liability	277,511
Net Pension Liability	1,247,620
Lease Liability	<u>120,219</u>
Total Long-Term Liabilities	<u>22,143,265</u>

CURRENT LIABILITIES

Accounts Payable	2,297,391
Accrued Payroll	55,117
Accrued Interest Payable	120,825
Other Payables	137,690
Revenue Bonds Payable	1,220,000
Loan Payable	328,565
OPEB Liability	31,305
Compensated Absences Payable	143,736
Lease Liability	<u>44,969</u>
Total Current Liabilities	<u>4,379,598</u>

Total Liabilities	<u>26,522,863</u>
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**TOTAL NET POSITION, DEFERRED INFLOWS
OF RESOURCES AND LIABILITIES**

\$ 93,062,452

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended December 31, 2023

OPERATING REVENUES

Charges for Services	
Residential	\$ 6,327,437
Commercial	5,603,172
Industrial	31,823,316
Public Street Lighting	2,677
Interdepartmental	579,508
Other Operating Revenue	571,093
Miscellaneous	67,133
	<hr/>
Total Operating Revenues	44,974,336

OPERATING EXPENSES

Operations	
Personnel	3,170,749
Contractual Services	29,336,762
Commodities	1,197,977
Other	57,297
Depreciation and Amortization	2,718,262
	<hr/>
Total Operating Expenses	36,481,047

OPERATING INCOME	8,493,289
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NON-OPERATING REVENUES (EXPENSES)

Investment Income	625,830
Interest Expense	(611,432)
	<hr/>
Total Non-Operating Revenues (Expenses)	14,398

NET INCOME BEFORE TRANSFERS	8,507,687
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TRANSFERS

Transfers from the City	342,491
Transfers to the City	(1,797,042)
	<hr/>
Total Transfers	(1,454,551)

CHANGE IN NET POSITION	7,053,136
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NET POSITION, BEGINNING OF YEAR	59,403,112
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NET POSITION, END OF YEAR	<u><u>\$ 66,456,248</u></u>
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(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS
ELECTRIC FUND**

For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 46,012,506
Payments to Suppliers	(31,859,069)
Payments to Employees	(2,951,354)
Payments to Other Funds	(311,204)

Net Cash from Operating Activities	<u>10,890,879</u>
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**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Transfers from the City	342,491
Transfers to the City	(1,797,042)

Net Cash from Noncapital Financing Activities	<u>(1,454,551)</u>
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**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Capital Assets Purchased	(529,659)
Issuance of Long-Term Debt	4,795,000
Principal Payments on Long-Term Debt	(1,321,120)
Interest Payments on Long-Term Debt	(305,719)

Net Cash from Capital and Related Financing Activities	<u>2,638,502</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Sales of Investments	4,818,809
Purchases of Investments	(26,646,069)
Interest Received on Investments	563,509

Net Cash from Investing Activities	<u>(21,263,751)</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,188,921)
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>16,581,646</u>
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CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 7,392,725</u></u>
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(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS (Continued)
ELECTRIC FUND**

For the Year Ended December 31, 2023

**RECONCILIATION OF OPERATING INCOME
TO NET CASH FLOWS FROM
OPERATING ACTIVITIES**

Operating Income	\$ 8,493,289
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities	
Depreciation and Amortization	2,718,262
Changes in Assets and Liabilities	
Accounts Receivable	982,050
Other Receivables	84,511
Prepaid Expenses	(510,302)
Materials and Supplies Inventory	(151,656)
Deposits	(28,391)
Pension Items - IMRF	187,382
OPEB Items	8,123
Accounts Payable	(903,657)
Accrued Payroll	12,589
Other Payables	(12,622)
Compensated Absences	11,301

NET CASH FROM OPERATING ACTIVITIES	\$ 10,890,879
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CASH AND INVESTMENTS

Cash and Cash Equivalents	\$ 7,392,725
Investments	26,923,669

TOTAL CASH AND INVESTMENTS	\$ 34,316,394
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NONCASH TRANSACTIONS

None	\$ -
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TOTAL NONCASH TRANSACTIONS	\$ -
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(See independent auditor's report.)

WATER FUND

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF NET POSITION
WATER FUND**

December 31, 2023

CAPITAL ASSETS

Depreciable - Plant in Service	\$ 36,240,546
Intangible	92,570
Accumulated Depreciation/Amortization	(12,868,419)
Nondepreciable	<u>737,303</u>
Net Capital Assets	<u>24,202,000</u>

CURRENT ASSETS

Cash and Investments	1,881,573
Receivables	
Accounts	398,102
Other	233
Prepaid Expenses	37,808
Leases Receivable	<u>77,566</u>
Total Current Assets	<u>2,395,282</u>

NONCURRENT ASSETS

Leases Receivable	<u>1,450,640</u>
Total Noncurrent Assets	<u>1,450,640</u>
Total Assets	<u>28,047,922</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension/OPEB Items	218,429
Asset Retirement Obligation	<u>444,246</u>
Total Deferred Outflows of Resources	<u>662,675</u>

**TOTAL ASSETS AND DEFERRED
OUTFLOWS OF RESOURCES**

\$ 28,710,597

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF NET POSITION (Continued)
WATER FUND**

December 31, 2023

NET POSITION

Net Investment in Capital Assets	\$ 18,073,660
Unrestricted	<u>2,270,030</u>
Total Net Position	<u>20,343,690</u>

DEFERRED INFLOWS OF RESOURCES

Pension/OPEB Items	10,540
Leases	<u>1,454,990</u>
Total Deferred Inflows of Resources	<u>1,465,530</u>

LONG-TERM LIABILITIES

Illinois EPA Loans Payable	5,707,289
OPEB Liability	34,889
Net Pension Liability	159,863
Asset Retirement Obligation	465,300
Lease Liability	<u>12,268</u>
Total Long-Term Liabilities	<u>6,379,609</u>

CURRENT LIABILITIES

Accounts Payable	18,212
Accrued Payroll	17,332
Accrued Interest Payable	19,859
IEPA Loans Payable	381,892
OPEB Liability	3,933
Compensated Absences Payable	53,649
Lease Liability	<u>26,891</u>
Total Current Liabilities	<u>521,768</u>

Total Liabilities	<u>6,901,377</u>
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**TOTAL NET POSITION, DEFERRED INFLOWS
OF RESOURCES AND LIABILITIES**

\$ 28,710,597

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended December 31, 2023

OPERATING REVENUES

Water

Charges for Services

Residential \$ 1,246,011

Commercial 1,265,628

Industrial 1,353,709

Rental 162,748

Other Operating Revenue 69,727

Miscellaneous 935

Total Operating Revenues 4,098,758

OPERATING EXPENSES

Operations

Personnel 1,090,649

Contractual Services 1,030,533

Commodities 363,243

Insurance 14,175

Other 356,802

Depreciation and Amortization 1,005,239

Total Operating Expenses 3,860,641

OPERATING INCOME 238,117

NON-OPERATING REVENUES (EXPENSES)

Investment Income 25,114

Interest Expense (101,828)

Total Non-Operating Revenues (Expenses) (76,714)

NET INCOME BEFORE TRANSFERS 161,403

TRANSFERS

Transfers In 125,000

Transfers (Out) (186,199)

Total Transfers (61,199)

CHANGE IN NET POSITION 100,204

NET POSITION, BEGINNING OF YEAR 20,243,486

NET POSITION, END OF YEAR \$ 20,343,690

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS
WATER FUND**

For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 4,036,134
Payments to Suppliers	(1,176,587)
Payments to Employees	(1,059,869)
Payments to Other Funds	<u>(613,208)</u>
Net Cash from Operating Activities	<u>1,186,470</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Transfers from Other Funds	125,000
Transfers to the City	<u>(186,199)</u>
Net Cash from Noncapital Financing Activities	<u>(61,199)</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Capital Assets Purchased	(269,670)
Principal Payments on Long-Term Debt	(402,672)
Interest Payments on Long-Term Debt	<u>(99,650)</u>
Net Cash from Capital and Related Financing Activities	<u>(771,992)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received on Investments	<u>27,912</u>
Net Cash from Investing Activities	<u>27,912</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	381,191
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,500,382</u>
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CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,881,573</u></u>
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(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS (Continued)
WATER FUND**

For the Year Ended December 31, 2023

**RECONCILIATION OF OPERATING INCOME
TO NET CASH FLOWS FROM
OPERATING ACTIVITIES**

Operating Income	\$ 238,117
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities	
Depreciation and Amortization	1,005,239
Changes in Assets and Liabilities	
Accounts Receivable	(27,507)
Other Receivables	(73)
Prepaid Expenses	(19,136)
Pension Items - IMRF	23,556
OPEB Items	1,021
Lease Revenue Items	(35,044)
Accounts Payable	(5,906)
Accrued Payroll	4,066
Compensated Absences	2,137

NET CASH FROM OPERATING ACTIVITIES	\$ 1,186,470
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CASH AND INVESTMENTS

Cash and Cash Equivalents	\$ 1,881,573
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TOTAL CASH AND INVESTMENTS	\$ 1,881,573
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NONCASH TRANSACTIONS

None	\$ -
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TOTAL NONCASH TRANSACTIONS	\$ -
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(See independent auditor's report.)

WATER RECLAMATION FUND

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF NET POSITION
WATER RECLAMATION FUND**

December 31, 2023

CAPITAL ASSETS

Depreciable - Plant in Service	\$ 52,488,255
Intangible	76,447
Accumulated Depreciation	(31,167,370)
Nondepreciable	<u>307,140</u>
Net Capital Assets	<u>21,704,472</u>

CURRENT ASSETS

Cash and Investments	5,111,977
Receivables	
Accounts	604,743
Accrued Interest	13,814
Other	3,727
Prepaid Expenses	<u>49,683</u>
Total Current Assets	<u>5,783,944</u>

NONCURRENT ASSETS

Special Assessments	<u>70,347</u>
Total Noncurrent Assets	<u>70,347</u>
Total Assets	<u>27,558,763</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension/OPEB Items	<u>582,867</u>
Total Deferred Outflows of Resources	<u>582,867</u>

**TOTAL ASSETS AND DEFERRED
OUTFLOWS OF RESOURCES**

\$ 28,141,630

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

December 31, 2023

NET POSITION

Net Investment in Capital Assets	\$ 17,136,676
Unrestricted	<u>5,715,177</u>
Total Net Position	<u>22,851,853</u>

DEFERRED INFLOWS OF RESOURCES

Pension/OPEB Items	<u>28,159</u>
Total Deferred Inflows of Resources	<u>28,159</u>

LONG-TERM LIABILITIES

Illinois EPA Loans Payable	4,250,991
Net Pension Liability	423,742
OPEB Liability	93,570
Lease Liability	<u>43,217</u>
Total Long-Term Liabilities	<u>4,811,520</u>

CURRENT LIABILITIES

Accounts Payable	82,681
Accrued Payroll	20,020
Accrued Interest Payable	21,794
IEPA Loans Payable	256,625
OPEB Liability	10,547
Compensated Absences Payable	41,468
Lease Liability	<u>16,963</u>

Total Current Liabilities	<u>450,098</u>
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Total Liabilities	<u>5,261,618</u>
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TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES	<u><u>\$ 28,141,630</u></u>
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(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended December 31, 2023

OPERATING REVENUES

Charges for Services	
Residential	\$ 1,280,361
Commercial	1,580,472
Industrial	1,301,880
Other Operating Revenue	129,723
Miscellaneous	6,379
	<hr/>
Total Operating Revenues	4,298,815

OPERATING EXPENSES

Operations	
Personnel	1,345,482
Contractual Services	932,007
Commodities	992,612
Insurance	23,798
Other	176,744
Depreciation and Amortization	1,632,868
	<hr/>
Total Operating Expenses	5,103,511

OPERATING INCOME (LOSS)	<hr/> (804,696)
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NON-OPERATING REVENUES (EXPENSES)

Investment Income	168,365
Grant Revenue	550,000
Interest Expense	(56,426)
	<hr/>
Total Non-Operating Revenues (Expenses)	661,939

NET INCOME (LOSS) BEFORE TRANSFERS, CAPITAL GRANTS AND CONTRIBUTIONS	<hr/> (142,757)
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TRANSFERS

Transfers (Out)	<hr/> (210,008)
	<hr/>
Total Transfers	(210,008)

CHANGE IN NET POSITION	(352,765)
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NET POSITION, BEGINNING OF YEAR (RESTATED)	<hr/> 23,204,618
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NET POSITION, END OF YEAR	<hr/> \$ 22,851,853
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(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS
WATER RECLAMATION FUND**

For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 4,400,294
Payments to Suppliers	(2,255,854)
Payments to Employees	(1,255,536)
Payments to Other Funds	<u>(459,786)</u>
Net Cash from Operating Activities	<u>429,118</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Receipt of Grant Revenue	550,000
Transfers to the City	<u>(210,008)</u>
Net Cash from Noncapital Financing Activities	<u>339,992</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Capital Assets Purchased	(139,844)
Principal Payments on Long-Term Debt	(269,567)
Interest Payments on Long-Term Debt	<u>(57,841)</u>
Net Cash from Capital and Related Financing Activities	<u>(467,252)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received on Investments	<u>163,292</u>
Net Cash from Investing Activities	<u>163,292</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	465,150
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,646,827</u>
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CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 5,111,977</u></u>
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(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended December 31, 2023

**RECONCILIATION OF OPERATING INCOME (LOSS)
TO NET CASH FLOWS FROM
OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (804,696)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities	
Depreciation and Amortization	1,632,868
Changes in Assets and Liabilities	
Accounts Receivable	34,439
Other Receivables	37,652
Prepaid Expenses	(21,775)
Special Assessments	29,388
Pension Items - IMRF	63,174
OPEB Items	2,739
Accounts Payable	(568,704)
Accrued Payroll	5,283
Compensated Absences	18,750

NET CASH FROM OPERATING ACTIVITIES	\$ 429,118
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CASH AND INVESTMENTS

Cash and Cash Equivalents	\$ 5,111,977
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TOTAL CASH AND INVESTMENTS	\$ 5,111,977
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NONCASH TRANSACTIONS

None	\$ -
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TOTAL NONCASH TRANSACTIONS	\$ -
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(See independent auditor's report.)

TECHNOLOGY CENTER FUND

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF NET POSITION
TECHNOLOGY CENTER FUND**

December 31, 2023

CAPITAL ASSETS

Depreciable - Plant in Service	\$ 9,407,125
Intangible	18,368
Accumulated Depreciation/Amortization	(5,866,406)
Nondepreciable	<u>519,453</u>
Net Capital Assets	<u>4,078,540</u>

CURRENT ASSETS

Cash	
Receivables	553,738
Accounts	166,350
Prepaid Expenses	2,467
Lease Receivable	<u>165,799</u>
Total Current Assets	<u>888,354</u>

NONCURRENT ASSET

Lease Receivable	<u>1,145,428</u>
Total Noncurrent Assets	<u>1,145,428</u>
Total Assets	<u>6,112,322</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension/OPEB Items	298,442
Unamortized Loss on Refunding	<u>47,290</u>
Total Deferred Outflows of Resources	<u>345,732</u>

**TOTAL ASSETS AND DEFERRED
OUTFLOWS OF RESOURCES**

\$ 6,458,054

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF NET POSITION (Continued)
TECHNOLOGY CENTER FUND**

December 31, 2023

NET POSITION

Net Investment in Capital Assets	\$ 2,423,114
Unrestricted	<u>365,769</u>
Total Net Position	<u>2,788,883</u>

DEFERRED INFLOWS OF RESOURCES

Pension/OPEB Items	14,393
Leases	<u>1,268,572</u>
Total Deferred Inflows of Resources	<u>1,282,965</u>

LONG-TERM LIABILITIES

Advance from Other Funds	409,044
OPEB Liability	47,578
Net Pension Asset	218,991
Long-Term Debt, Net of Current Maturities	
General Obligation Debt Payable	1,386,234
Lease Liability	<u>500</u>
Total Long-Term Liabilities	<u>2,062,347</u>

CURRENT LIABILITIES

Accounts Payable	336
Accrued Payroll	1,121
OPEB Liability	5,363
Compensated Absences Payable	1,057
Lease Liability	5,982
General Obligation Debt Payable	<u>310,000</u>
Total Current Liabilities	<u>323,859</u>

Total Liabilities	<u>2,386,206</u>
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TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES	<u><u>\$ 6,458,054</u></u>
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(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended December 31, 2023

OPERATING REVENUES

Technology

Charges for Services

Telecommunications Leases	\$ -
Commercial Fiber Leases	490,093
Commercial Colocation Leases	744,748
Penalties	<u>3,361</u>

Total Technology	<u>1,238,202</u>
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Communications

Charges for Services

Dial-Up Internet Access	4,383
Wireless Internet Access	-
Network Internet Access	-
Fiber Internet Access	309,977
Web Site Host	2,564
Data Services	4,968
VOIP Services	2,789
Mailboxes	2,123
Penalties	<u>1,355</u>

Total Communications Revenues	<u>328,159</u>
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Other Charges for Services	<u>-</u>
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Total Operating Revenues	<u>1,566,361</u>
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OPERATING EXPENSES

Technology

Operations

Personnel	33,515
Contractual Services	510,332
Commodities	209,061
Depreciation and Amortization	<u>262,319</u>

Total Technology Expenses	<u>1,015,227</u>
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Communications

Operations

Personnel	158,402
Contractual Services	17,191
Commodities	15,228
Depreciation and Amortization	<u>53,273</u>

Total Communications Expenses	<u>244,094</u>
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Total Operating Expenses	<u>1,259,321</u>
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OPERATING INCOME	<u>307,040</u>
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(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

For the Year Ended December 31, 2023

NON-OPERATING REVENUES (EXPENSES)

Investment Income	\$ 7,563
Interest Expense	<u>(57,155)</u>

Total Non-Operating Revenues (Expenses)	<u>(49,592)</u>
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NET INCOME BEFORE TRANSFERS	<u>257,448</u>
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TRANSFERS

Transfers (Out)	<u>-</u>
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Total Transfers	<u>-</u>
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CHANGE IN NET POSITION	257,448
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NET POSITION, BEGINNING OF YEAR	<u>2,531,435</u>
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NET POSITION, END OF YEAR	<u><u>\$ 2,788,883</u></u>
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(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS
TECHNOLOGY CENTER FUND**

For the Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers and Users	\$ 1,467,741
Payments to Suppliers	(255,250)
Payments to Employees	(161,591)
Payments to Other Funds	(494,969)
	<hr/>
Net Cash from Operating Activities	555,931

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

None	<hr/> -
	<hr/>
Net Cash from Noncapital Financing Activities	-

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES**

Principal Payments on Long-Term Debt	(305,955)
Interest Payments on Long-Term Debt	(63,800)
	<hr/>
Net Cash from Capital and Related Financing Activities	(369,755)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received on Investments	<hr/> 6,599
	<hr/>
Net Cash from Investing Activities	6,599

NET INCREASE IN CASH AND CASH EQUIVALENTS	192,775
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<hr/> 360,963
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CASH AND CASH EQUIVALENTS, END OF YEAR	<hr/> <hr/> \$ 553,738
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(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS (Continued)
TECHNOLOGY CENTER FUND**

For the Year Ended December 31, 2023

**RECONCILIATION OF OPERATING INCOME
TO NET CASH FLOWS FROM
OPERATING ACTIVITIES**

Operating Income	\$ 307,040
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities	
Depreciation and Amortization	315,592
Changes in Assets and Liabilities	
Accounts Receivable	(55,965)
Prepaid Expenses	2,278
Pension Items - IMRF	32,122
OPEB Items	1,393
Lease Revenue Items	(42,655)
Accounts Payable	(685)
Accrued Payroll	(80)
Compensated Absences	(3,109)

NET CASH FROM OPERATING ACTIVITIES

\$ 555,931

CASH AND INVESTMENTS

Cash and Cash Equivalents	<u><u>\$ 553,738</u></u>
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NONCASH TRANSACTIONS

None	<u><u>\$ -</u></u>
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TOTAL NONCASH TRANSACTIONS

\$ -

(See independent auditor's report.)