



**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2021

SIKICH.COM

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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, 2021, 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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 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, 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.

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, 2021, the respective changes in financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, RMU's basic financial statements for the fiscal year ended December 31, 2020, which are not presented with the accompanying financial statements and we expressed an unmodified opinion on the respective financial statements. That audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the RMU's basic financial statements as a whole. The supplemental information for the year ended December 31, 2020, are presented for purposes of additional analysis and are not a required part of the basic

financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the December 31, 2020, basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the December 31, 2020, supplemental information is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Sikich LLP

Naperville, Illinois
June 17, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021, December 31, 2020 and December 31, 2019

Management of the City of Rochelle's Department of Utilities, Rochelle Municipal Utilities (RMU) offers all persons interested in the financial position of RMU this narrative overview and analysis of the utilities' financial performance during the fiscal years ending December 31, 2021, December 31, 2020 and December 31, 2019. 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 exceed its liabilities and deferred inflows of resources by \$57,893,129 (net position). Of this amount, \$18,180,205 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, \$39,172,924 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 \$21,098,090 (net position). Of this amount, \$3,406,434 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, \$96,626 is restricted for debt service (restricted net position), and \$17,595,030 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 \$24,073,942 (net position). Of this amount, \$4,928,456 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors, and \$19,145,486 is the net investment in capital assets.
- The assets and deferred outflows of resources of the Technology Center Utility exceed its liabilities and deferred inflows of resources by \$2,099,468. Of this amount (\$166,979) (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors and \$2,266,447 is the net investment in capital assets.
- Operating revenues for the Electric Utility decreased 3% while expenses were up 4%. The decrease in revenues is from waiving penalties and offering a Shop Local Program that gave credits to customers that provided receipts from local businesses.
- Operating revenues for the Water Utility increased 4%, while operating expenses were up 10%. The increase is due to a rate increase plus higher materials and supplies expenses.
- Operating revenues for the Water Reclamation Utility increased 9%, while operating expenses were up 10%. The increase in revenue is from additional commercial and industrial customers
- Operating revenues for the Technology Center Utility decreased 5% while operating expenses increased 2%. The decrease in operating revenue is due to a decrease in internal colocation leases.

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021, December 31, 2020 and December 31, 2019

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 a proper analysis of 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 are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of RMU, it is necessary to review and consider non-financial factors as well, such as changes in utility rates and the condition of utility plant in service.

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

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

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021, December 31, 2020 and December 31, 2019

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>12/31/21</u>	<u>12/31/20</u>	<u>12/31/19</u>
Current Assets/Deferred Outflows of Resources	\$ 32,598,435	\$ 28,078,224	\$ 26,988,667
Capital Assets	<u>41,447,833</u>	<u>35,605,013</u>	<u>42,411,228</u>
Total Assets and Deferred Outflows	<u>74,046,268</u>	<u>63,683,237</u>	<u>69,399,895</u>
Long-term Liabilities	9,454,297	808,992	15,723,742
Current Liabilities/Deferred Inflows of Resources	<u>6,698,842</u>	<u>3,365,898</u>	<u>3,543,121</u>
Total Liabilities and Deferred Inflows	<u>16,153,139</u>	<u>4,174,890</u>	<u>19,266,863</u>
Net Investment in Capital Assets	39,712,924	35,605,013	28,523,564
Restricted	-	-	9,059,466
Unrestricted	<u>18,180,205</u>	<u>23,903,334</u>	<u>12,550,002</u>
Total Net Position	<u>\$ 57,893,129</u>	<u>\$ 59,508,347</u>	<u>\$ 50,133,032</u>

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021, December 31, 2020, and December 31, 2019

FINANCIAL ANALYSIS OF RMU (cont.)

Table 2
Condensed Statements of Net Position

	Water Utility		
	<u>12/31/21</u>	<u>12/31/20</u>	<u>12/31/19</u>
Current Assets/Deferred Outflows of Resources	\$ 4,492,361	\$ 5,032,651	\$ 4,641,188
Capital Assets	<u>24,366,275</u>	<u>24,238,733</u>	<u>23,150,042</u>
Total Assets and Deferred Outflows	<u>28,858,636</u>	<u>29,271,384</u>	<u>27,791,230</u>
Long-term Liabilities	6,957,224	7,405,161	5,950,473
Other Liabilities/Deferred Inflows of Resources	<u>803,322</u>	<u>627,099</u>	<u>752,382</u>
Total Liabilities and Deferred Inflows	<u>7,760,546</u>	<u>8,032,260</u>	<u>6,702,855</u>
Net Investment in Capital Assets	17,595,030	17,108,556	17,259,357
Restricted	96,626	188,611	784,456
Unrestricted	<u>3,406,434</u>	<u>3,941,957</u>	<u>3,014,064</u>
Total Net Position	<u>\$ 21,098,090</u>	<u>\$ 21,239,124</u>	<u>\$ 21,057,877</u>

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021, December 31, 2020 and December 31, 2019

FINANCIAL ANALYSIS OF RMU (cont.)

Table 3
Condensed Statements of Net Position

	Water Reclamation Utility		
	<u>12/31/21</u>	<u>12/31/20</u>	<u>12/31/19</u>
Current Assets/Deferred Outflows of Resources	\$ 5,816,172	\$ 6,535,726	\$ 4,169,967
Capital Assets	<u>23,909,143</u>	<u>25,156,459</u>	<u>20,876,381</u>
Total Assets and Deferred Outflows	<u>29,725,315</u>	<u>31,692,185</u>	<u>27,046,348</u>
Long-term Liabilities	4,716,552	5,031,438	1,441,061
Other Liabilities/Deferred Inflows of Resources	<u>934,821</u>	<u>1,985,678</u>	<u>903,072</u>
Total Liabilities and Deferred Inflows	<u>5,651,373</u>	<u>7,017,116</u>	<u>2,344,133</u>
Net Investment in Capital Assets	19,145,486	20,367,438	20,169,744
Restricted	-	374,926	-
Unrestricted	<u>4,928,456</u>	<u>3,932,705</u>	<u>4,450,785</u>
Total Net Position	<u>\$ 24,073,942</u>	<u>\$ 24,675,069</u>	<u>\$ 24,620,529</u>

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021, December 31, 2020 and December 31, 2019

FINANCIAL ANALYSIS OF RMU (cont.)

Table 4
Condensed Statements of Net Position

	Technology Center Utility		
	<u>12/31/21</u>	<u>12/31/20</u>	<u>12/31/19</u>
Current and Other Assets	\$ 615,452	\$ 382,693	\$ 508,937
Capital Assets	<u>4,512,429</u>	<u>4,799,761</u>	<u>4,992,840</u>
 Total Assets and Deferred Outflows	 <u>5,127,881</u>	 <u>5,182,454</u>	 <u>5,501,777</u>
 Long-term Liabilities	 2,458,352	 3,180,449	 4,267,795
Other Liabilities/Deferred Inflows of Resources	<u>570,061</u>	<u>454,296</u>	<u>341,351</u>
 Total Liabilities and Deferred Inflows	 <u>3,028,413</u>	 <u>3,634,745</u>	 <u>4,609,146</u>
 Net Investment in Capital Assets	 2,266,447	 2,203,785	 2,113,618
Restricted	-	-	-
Unrestricted (Deficit)	<u>(166,979)</u>	<u>(656,076)</u>	<u>(1,220,987)</u>
 Total Net Position	 <u>\$ 2,099,468</u>	 <u>\$ 1,547,709</u>	 <u>\$ 892,631</u>

The largest portion of RMU's net position (76%) reflects its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and infrastructure), less any outstanding debt used to acquire those assets that is still outstanding. RMU employs these capital assets to provide electric, water, water reclamation, and communication services to our service area. Consequently, these assets are restricted for future spending. Although the utility's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the associated debt must be provided from other cash generating sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of RMU's net position (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (23%) may be used to meet the utilities' ongoing obligations to rate payers and creditors.

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021, December 31, 2020 and December 31, 2019

FINANCIAL ANALYSIS OF RMU (cont.)

ELECTRIC OPERATIONS

Electric operations decreased the 2021 utility's net position by \$1,615,218. This increase is primarily a result of the following items:

- Construction of a substation to serve additional customers.
- Increase in personnel cost due to COVID.
- Waiving of penalties.

WATER OPERATIONS

Water operations decreased the 2021 utility's net position by \$141,034. This decrease is primarily a result of the following items:

- Increase in personnel cost due to COVID.
- Waiving of penalties.

WATER RECLAMATION OPERATIONS

Water/Water Reclamation operations decreased the 2021 utility's net position by \$601,127. This decrease is primarily a result of the following items:

- Increase in personnel cost due to COVID.
- Increase in supply and chemical costs.
- Waiving of penalties.

TECHNOLOGY CENTER

Technology Center and Communication operations increased the 2021 utility's net position by \$551,759. This increase is the result of the following item:

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

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021, December 31, 2020 and December 31, 2019

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>12/31/21</u>	<u>12/31/20</u>	<u>12/31/19</u>
Operating revenues	\$ 35,542,277	\$ 36,634,232	\$ 38,110,698
Non-operating revenues	<u>54,678</u>	<u>213,279</u>	<u>259,465</u>
Total Revenues	<u>35,596,955</u>	<u>36,847,511</u>	<u>38,370,163</u>
Depreciation expense	2,619,646	2,587,577	2,531,106
Other operating expenses	32,462,506	31,256,879	30,519,077
Non-operating expenses	<u>33,933</u>	<u>1,654,551</u>	<u>519,716</u>
Total Expenses	<u>35,116,085</u>	<u>35,499,007</u>	<u>33,569,899</u>
Income Before Transfers	480,870	1,348,504	4,800,264
Transfers	(2,096,088)	(1,962,988)	(1,966,630)
Special Item	<u>-</u>	<u>9,989,799</u>	<u>-</u>
Changes in Net Position	(1,615,218)	9,375,315	2,833,634

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021, December 31, 2020 and December 31, 2019

FINANCIAL ANALYSIS OF RMU (cont.)

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

	Water Utility		
	<u>12/31/21</u>	<u>12/31/20</u>	<u>12/31/19</u>
Operating revenues	\$ 3,325,411	\$ 3,199,260	\$ 2,705,761
Non-operating revenues	<u>14,562</u>	<u>23,018</u>	<u>43,924</u>
Total Revenues	<u>3,339,973</u>	<u>3,222,278</u>	<u>2,749,685</u>
Depreciation expense	896,247	770,992	646,723
Other operating expenses	2,331,782	2,169,533	2,070,789
Non-operating expenses	<u>104,161</u>	<u>122,752</u>	<u>100,254</u>
Total Expenses	<u>3,332,190</u>	<u>3,063,277</u>	<u>2,817,766</u>
Income Before Capital Contributions and Transfers	7,783	159,001	(68,081)
Capital contributions	-	170,033	1,329,967
Transfers	<u>(148,817)</u>	<u>(147,787)</u>	<u>(130,876)</u>
Changes in Net Position	(141,034)	181,247	1,131,010

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021, December 31, 2020 and December 31, 2019

FINANCIAL ANALYSIS OF RMU (cont.)

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

Water Reclamation Utility

	<u>12/31/21</u>	<u>12/31/20</u>	<u>12/31/19</u>
Operating revenues	\$ 3,801,600	\$ 3,501,162	\$ 3,795,299
Non-operating revenues	<u>18,336</u>	<u>22,645</u>	<u>44,814</u>
Total Revenues	<u>3,819,936</u>	<u>3,523,807</u>	<u>3,840,113</u>
Depreciation expense	1,602,595	1,102,880	1,087,056
Other operating expenses	2,495,444	2,166,692	2,114,086
Non-operating expenses	<u>115,408</u>	<u>6,437</u>	<u>7,199</u>
Total Expenses	<u>4,213,447</u>	<u>3,276,009</u>	<u>3,208,341</u>
Income Before Capital Contributions and Transfers	(393,511)	247,798	631,772
Capital contributions	-	-	2,210,000
Transfers	<u>(207,616)</u>	<u>(193,258)</u>	<u>(178,409)</u>
Changes in Net Position	(601,127)	54,540	2,663,363

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021, December 31, 2020 and December 31, 2019

FINANCIAL ANALYSIS OF RMU (cont.)

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

Technology Center Utility

	<u>12/31/21</u>	<u>12/31/20</u>	<u>12/31/19</u>
Operating revenues	\$ 1,439,758	\$ 1,522,874	\$ 1,490,496
Non-operating revenues	<u>2,177</u>	<u>2,487</u>	<u>5,013</u>
Total Revenues	<u>1,441,935</u>	<u>1,525,361</u>	<u>1,495,509</u>
Depreciation expense	287,318	193,079	197,635
Other operating expenses	510,913	586,317	864,848
Non-operating expenses	<u>91,945</u>	<u>90,887</u>	<u>99,062</u>
Total Expenses	<u>890,176</u>	<u>870,283</u>	<u>1,161,545</u>
Changes in Net Position	551,759	655,078	333,964

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2021, December 31, 2020 and December 31, 2019

RMU BUDGETARY HIGHLIGHTS

The final Electric Fund revenue budget, including other non-operating income, totaled \$35,065,000. Actual revenues, including non-operating income were \$35,596,955. Total budgeted expenses were \$41,735,462. The Electric Fund's actual expenses totaled \$35,116,085 including non-operating expenses. This provided income before contributions and transfers of \$480,870.

The final Water Fund revenue budget totaled \$5,777,394 with actual revenues of \$3,339,973. The Water Fund's budgeted expenses were \$5,588,688, while actual expenses totaled \$3,332,190. This provided income before contributions and transfers of \$7,783.

The final Water Reclamation Fund revenue budget totaled \$3,682,870 with actual revenues of \$3,819,936. The Water/Water Reclamation Fund's budgeted expenses were \$3,907,456, while actual expenses totaled \$4,213,447. This provided income before contributions and transfers of \$(393,511).

The final Technology Center Fund expenditure budget totaled \$1,247,979 while the revenue budget was \$1,513,400. The actual expenses totaled \$890,176 while total revenues were \$1,441,935. This provided income before contributions of \$551,759.

LONG-TERM DEBT

On December 31, 2021, the Electric fund had \$7,775,000 in alternate revenue long-term bonds and \$1,300,00 of direct placement loans outstanding.

On December 31, 2021, the Water and Water Reclamation fund had \$11,534,902 of long-term IEPA loans outstanding.

The repayment of loans is covered by operating revenues.

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, 2021, December 31, 2020 and December 31, 2019

LONG-TERM DEBT (cont.)

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, 2021, the Technology Center fund had \$2,245,000 of long-term debt certificates outstanding.

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

All currently known facts and economic conditions were considered in preparing the 2022 utility budget. None of these conditions are anticipated to significantly change the overall financial position of the utility. The City Council approved the 2022 Budget on December 13, 2021.

ROCHELLE MUNICIPAL UTILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2021, December 31, 2020 and December 31, 2019

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, 2021

	Electric	Water	Water Reclamation	Technology Center	Total
CAPITAL ASSETS					
Depreciable - Plant in Service	\$ 76,812,389	\$ 33,554,415	\$ 51,375,436	\$ 9,218,544	\$ 170,960,784
Accumulated Depreciation	(50,078,635)	(10,857,947)	(28,066,590)	(5,225,568)	(94,228,740)
Nondepreciable	14,714,079	1,669,807	600,297	519,453	17,503,636
Net Capital Assets	41,447,833	24,366,275	23,909,143	4,512,429	94,235,680
CURRENT ASSETS					
Cash and Investments	24,917,044	3,219,416	4,605,537	230,244	32,972,241
Receivables					
Accounts	4,357,231	498,820	642,823	106,545	5,605,419
Accrued Interest	-	-	203	-	203
Other	249,840	59,801	11,547	-	321,188
Prepaid Expenses	-	-	-	156	156
Deposits	312,294	-	-	-	312,294
Materials and Supplies Inventory	1,045,334	-	-	-	1,045,334
Restricted Assets					
Cash and Investments	-	96,626	-	-	96,626
Total Current Assets	30,881,743	3,874,663	5,260,110	336,945	40,353,461
NONCURRENT ASSETS					
Advances to Other Funds	409,044	-	-	-	409,044
Special Assessments	-	-	117,064	-	117,064
Net Pension Asset	761,634	92,729	253,664	125,453	1,233,480
Total Noncurrent Assets	1,170,678	92,729	370,728	125,453	1,759,588
Total Assets	73,500,254	28,333,667	29,539,981	4,974,827	136,348,729
DEFERRED OUTFLOWS OF RESOURCES					
Pension/OPEB Items	546,014	70,196	185,334	96,306	897,850
Asset Retirement Obligation	-	454,773	-	-	454,773
Unamortized Loss on Refunding	-	-	-	56,748	56,748
Total Deferred Outflows of Resources	546,014	524,969	185,334	153,054	1,409,371
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 74,046,268	\$ 28,858,636	\$ 29,725,315	\$ 5,127,881	\$ 137,758,100

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)

December 31, 2021

	Electric	Water	Water Reclamation	Technology Center	Total
NET POSITION					
Net Investment in Capital Assets	\$ 39,712,924	\$ 17,595,030	\$ 19,145,486	\$ 2,266,447	\$ 78,719,887
Restricted for Debt Service	-	96,626	-	-	96,626
Unrestricted (Deficit)	18,180,205	3,406,434	4,928,456	(166,979)	26,348,116
Total Net Position	57,893,129	21,098,090	24,073,942	2,099,468	105,164,629
DEFERRED INFLOWS OF RESOURCES					
Pension/OPEB Items	1,531,938	192,651	516,548	262,725	2,503,862
Total Deferred Inflows of Resources	1,531,938	192,651	516,548	262,725	2,503,862
LONG-TERM LIABILITIES					
Revenue Bonds Payable	8,283,423	-	-	-	8,283,423
General Obligation Bonds Payable	-	-	-	2,012,730	2,012,730
IEPA Loans Payable	-	6,465,101	4,644,616	-	11,109,717
Loan Payable	957,509	-	-	-	957,509
OPEB Liability	213,365	26,823	71,936	36,578	348,702
Asset Retirement Obligation	-	465,300	-	-	465,300
Advance from Other Funds	-	-	-	409,044	409,044
Total Long-Term Liabilities	9,454,297	6,957,224	4,716,552	2,458,352	23,586,425
CURRENT LIABILITIES					
Accounts Payable	4,030,706	215,875	184,922	7,228	4,438,731
Accrued Payroll	32,770	11,468	12,907	806	57,951
Accrued Interest Payable	48,687	18,685	33,137	-	100,509
Other Payables	165,751	-	-	-	165,751
Deposits Payable	-	10,158	20,165	-	30,323
Revenue Bonds Payable	425,000	-	-	-	425,000
General Obligation Debt Payable	-	-	-	290,000	290,000
IEPA Loans Payable	-	306,144	119,041	-	425,185
Loan Payable	315,191	-	-	-	315,191
OPEB Liability	33,662	4,232	11,349	5,771	55,014
Compensated Absences Payable	115,137	44,109	36,752	3,531	199,529
Total Current Liabilities	5,166,904	610,671	418,273	307,336	6,503,184
Total Liabilities	14,621,201	7,567,895	5,134,825	2,765,688	30,089,609
TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES					
	\$ 74,046,268	\$ 28,858,636	\$ 29,725,315	\$ 5,127,881	\$ 137,758,100

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, 2021

	Electric	Water	Water Reclamation	Technology Center	Total
OPERATING REVENUES					
Charges for Services	\$ 35,466,187	\$ 3,324,397	\$ 3,795,872	\$ 1,439,758	\$ 44,026,214
Miscellaneous	76,090	1,014	5,728	-	82,832
Total Operating Revenues	35,542,277	3,325,411	3,801,600	1,439,758	44,109,046
OPERATING EXPENSES					
Operations	32,462,506	2,331,782	2,495,444	510,913	37,800,645
Depreciation and Amortization	2,619,646	896,247	1,602,595	287,318	5,405,806
Total Operating Expenses	35,082,152	3,228,029	4,098,039	798,231	43,206,451
OPERATING INCOME (LOSS)	460,125	97,382	(296,439)	641,527	902,595
NON-OPERATING REVENUES (EXPENSES)					
Investment Income	54,678	14,562	18,336	2,177	89,753
Interest Expense	(33,933)	(104,161)	(115,408)	(91,945)	(345,447)
Total Non-Operating Revenues (Expenses)	20,745	(89,599)	(97,072)	(89,768)	(255,694)
NET INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	480,870	7,783	(393,511)	551,759	646,901
TRANSFERS					
Transfers (Out)	(2,096,088)	(148,817)	(207,616)	-	(2,452,521)
Total Transfers	(2,096,088)	(148,817)	(207,616)	-	(2,452,521)
CHANGE IN NET POSITION	(1,615,218)	(141,034)	(601,127)	551,759	(1,805,620)
NET POSITION, JANUARY 1, AS RESTATED	59,508,347	21,239,124	24,675,069	1,547,709	106,970,249
NET POSITION, DECEMBER 31	<u>\$ 57,893,129</u>	<u>\$ 21,098,090</u>	<u>\$ 24,073,942</u>	<u>\$ 2,099,468</u>	<u>\$ 105,164,629</u>

See accompanying notes to financial statements.

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021

	Electric	Water	Water Reclamation	Technology Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 36,277,288	\$ 3,472,520	\$ 3,710,970	\$ 1,473,628	\$ 44,934,406
Receipts from Interfund Service Transactions	-	-	-	42,961	42,961
Payments to Suppliers	(27,707,205)	(1,069,121)	(2,855,441)	(170,525)	(31,802,292)
Payments to Employees	(2,433,771)	(868,333)	(749,876)	(84,218)	(4,136,198)
Payments to Other Funds	(1,026,569)	(358,490)	(447,084)	(350,891)	(2,183,034)
Net Cash from Operating Activities	5,109,743	1,176,576	(341,431)	910,955	6,855,843
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Receipt of Loans from Other Funds	-	-	-	-	-
Repayment of Loans from Other Funds	316,629	-	-	(316,629)	-
Transfers from Other Funds	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	-
Transfers to the City	(2,096,088)	(148,817)	(207,616)	-	(2,452,521)
Net Cash from Noncapital Financing Activities	(1,779,459)	(148,817)	(207,616)	(316,629)	(2,452,521)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital Assets Purchased	(8,462,685)	(1,018,525)	(355,279)	-	(9,836,489)
Issuance of Long-Term Debt	9,981,124	-	1,025,704	-	11,006,828
Principal Payments on Long-Term Debt	-	(358,934)	(224,513)	(285,000)	(868,447)
Interest Payments on Long-Term Debt	14,332	(108,597)	(82,791)	(81,259)	(258,315)
Net Cash from Capital and Related Financing Activities	1,532,771	(1,486,056)	363,121	(366,259)	43,577
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Received on Investments	54,678	14,562	18,261	2,177	89,678
Net Cash from Investing Activities	54,678	14,562	18,261	2,177	89,678
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,917,733	(443,735)	(167,665)	230,244	4,536,577
CASH AND CASH EQUIVALENTS, JANUARY 1	19,999,311	3,759,777	4,773,202	-	28,532,290
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 24,917,044</u>	<u>\$ 3,316,042</u>	<u>\$ 4,605,537</u>	<u>\$ 230,244</u>	<u>\$ 33,068,867</u>

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF CASH FLOWS (Continued)

For the Year Ended December 31, 2021

	Electric	Water	Water Reclamation	Technology Center	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Income (Loss)	\$ 460,125	\$ 97,382	\$ (296,439)	\$ 641,527	\$ 902,595
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities					
Depreciation and Amortization	2,619,646	896,247	1,602,595	287,318	5,405,806
Changes in Assets and Liabilities					
Accounts Receivable	733,848	222,274	(98,499)	76,831	934,454
Other Receivables	1,208	(59,276)	(7,106)	-	(65,174)
Prepaid Expenses	2,490	1,082	1,562	-	5,134
Materials and Supplies Inventory	(52,234)	-	-	-	(52,234)
Deposits	(45)	(15,889)	(14,666)	-	(30,600)
Special Assessments	-	-	29,641	-	29,641
Pension Items - IMRF	(470,830)	(59,191)	(158,737)	(80,715)	(769,473)
OPEB Items	(15,608)	(1,962)	(5,262)	(5,400)	(28,232)
Accounts Payable	1,750,247	86,330	(1,394,359)	(3,115)	439,103
Accrued Payroll	(2,215)	2,159	4,614	180	4,738
Other Payables	85,902	-	-	-	85,902
Compensated Absences	(2,791)	7,420	(4,775)	(5,671)	(5,817)
NET CASH FROM OPERATING ACTIVITIES	\$ 5,109,743	\$ 1,176,576	\$ (341,431)	\$ 910,955	\$ 6,855,843
CASH AND INVESTMENTS					
Cash and Cash Investments	\$ 24,917,044	\$ 3,219,416	\$ 4,605,537	\$ 230,244	\$ 32,972,241
Restricted Assets					
Cash and Investments	-	96,626	-	-	96,626
TOTAL CASH AND INVESTMENTS	\$ 24,917,044	\$ 3,316,042	\$ 4,605,537	\$ 230,244	\$ 33,068,867

See accompanying notes to financial statements.

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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. Restricted Assets

Certain cash and investments of RMU are restricted in accordance with the ordinances authorizing the loan agreements with the Illinois Environmental Protection Agency (IEPA). These assets are reflected as restricted cash and investments and restrictions of net position.

G. Prepaid Items/Expenses

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

H. Capital Assets

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

Asset Class	Capitalization Threshold
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)

H. 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

I. Vacation, Sick Pay and Other Employee Benefits

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

J. Interfund Transactions

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

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

K. Interfund Receivables/Payables

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Long-Term Obligations

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

M. Net Position

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

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

N. Deferred Outflows/Inflows of Resources

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

O. Use of Estimates

The preparation of financial statements in conformity with 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.

P. Postponement of Implementation of Certain Authoritative Guidance

In accordance with the provisions of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the RMU has delayed the implementation of GASB Statement No. 87, *Leases*, to December 31, 2022.

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

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.

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.

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

2. CASH AND INVESTMENTS

Investments (Continued)

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

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

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

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

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

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
ELECTRIC				
Capital Assets not Being Depreciated				
Land	\$ 939,044	\$ -	\$ -	\$ 939,044
Construction in Progress	6,860,592	7,171,673	257,200	13,775,035
Total Capital Assets not Being Depreciated	7,799,606	7,171,673	257,200	14,714,079
Capital Assets Being Depreciated				
Generation	14,506,554	-	-	14,506,554
Transmission	2,684,406	-	-	2,684,406
Distribution	54,394,236	1,548,212	-	55,942,448
General	3,678,981	-	-	3,678,981
Total Capital Assets Being Depreciated	75,264,177	1,548,212	-	76,812,389

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

3. CAPITAL ASSETS (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
ELECTRIC (Continued)				
Less Accumulated Depreciation for				
Generation	\$ 8,052,126	\$ 301,607	\$ -	\$ 8,353,733
Transmission	2,585,173	99,233	-	2,684,406
Distribution	35,541,042	2,145,429	-	37,686,471
General	1,280,429	73,596	-	1,354,025
Total Accumulated Depreciation	47,458,770	2,619,865	-	50,078,635
 Total Capital Assets Being Depreciated, Net	 27,805,407	 (1,071,653)	 -	 26,733,754
 TOTAL ELECTRIC CAPITAL ASSETS, NET	 \$ 35,605,013	 \$ 6,100,020	 \$ 257,200	 \$ 41,447,833
WATER				
Capital Assets not Being Depreciated				
Land	\$ 272,525	\$ -	\$ -	\$ 272,525
Construction in Progress	3,581,826	958,525	3,143,069	1,397,282
Total Capital Assets not Being Depreciated	3,854,351	958,525	3,143,069	1,669,807
 Capital Assets Being Depreciated				
Infrastructure	27,532,335	3,143,069	-	30,675,404
Equipment	2,819,011	60,000	-	2,879,011
Total Capital Assets Being Depreciated	30,351,346	3,203,069	-	33,554,415
 Less Accumulated Depreciation for				
Infrastructure	7,982,152	807,311	-	8,789,463
Equipment	1,984,812	83,672	-	2,068,484
Total Accumulated Depreciation	9,966,964	890,983	-	10,857,947
 Total Capital Assets Being Depreciated, Net	 20,384,382	 2,312,086	 -	 22,696,468
 TOTAL WATER CAPITAL ASSETS, NET	 \$ 24,238,733	 \$ 3,270,611	 \$ 3,143,069	 \$ 24,366,275
WATER RECLAMATION				
Capital Assets not Being Depreciated				
Land	\$ 160,938	\$ -	\$ -	\$ 160,938
Construction in Progress	8,651,834	-	8,212,475	439,359
Total Capital Assets not Being Depreciated	8,812,772	-	8,212,475	600,297
 Capital Assets Being Depreciated				
Infrastructure	35,240,685	8,567,754	-	43,808,439
Equipment	7,566,997	-	-	7,566,997
Total Capital Assets Being Depreciated	42,807,682	8,567,754	-	51,375,436

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

3. CAPITAL ASSETS (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
WATER RECLAMATION (Continued)				
Less Accumulated Depreciation for				
Infrastructure	\$ 20,994,393	\$ 1,406,050	\$ -	\$ 22,400,443
Equipment	5,469,602	196,545	-	5,666,147
Total Accumulated Depreciation	26,463,995	1,602,595	-	28,066,590
Total Capital Assets Being Depreciated, Net	16,343,687	6,965,159	-	23,308,846
TOTAL WATER RECLAMATION CAPITAL ASSETS, NET	\$ 25,156,459	\$ 6,965,159	\$ -	\$ 23,909,143
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	4,791,389	-	-	4,791,389
Total Capital Assets Being Depreciated	9,218,544	-	-	9,218,544
Less Accumulated Depreciation for				
Building	1,313,746	88,543	-	1,402,289
General	3,624,490	198,775	-	3,823,265
Total Accumulated Depreciation	4,938,236	287,318	-	5,225,554
Total Capital Assets Being Depreciated, Net	4,280,308	(287,318)	-	3,992,990
TOTAL TECHNOLOGY CENTER CAPITAL ASSETS, NET	\$ 4,799,761	\$ (287,318)	\$ -	\$ 4,512,443

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

4. LONG-TERM DEBT

	Balances January	Additions	Reductions	Balances December 31	Current Portion
BUSINESS-TYPE ACTIVITIES					
General Obligation Debt					
Certificates	\$ 2,530,000	\$ -	\$ 285,000	\$ 2,245,000	\$ 290,000
Revenue Bonds	-	7,775,000	-	7,775,000	425,000
IEPA Revolving Loans	11,919,198	199,150	583,446	11,534,902	425,185
Loan Payable (Direct Placement)	-	1,300,000	-	1,300,000	315,191
Unamortized Premium	65,976	920,981	23,104	963,853	-
Compensated Absences	205,346	199,529	205,346	199,529	199,529
Net Pension Liability - IMRF*	1,045,237	-	1,045,237	-	-
OPEB Liability	388,676	15,040	-	403,716	55,014
Asset Retirement Obligation	465,300	-	-	465,300	-
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 16,619,733	\$ 10,409,700	\$ 2,142,133	\$ 24,887,300	\$ 1,709,919

*The IMRF Net Pension Liability became a net pension asset in fiscal year 2021.

Bonds payable at December 31, 2020 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.	\$ 2,245,000	\$ 290,000
TOTAL	\$ 2,245,000	\$ 290,000

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.	\$ 7,775,000	\$ 425,000
TOTAL	\$ 7,775,000	\$ 425,000

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

4. LONG-TERM DEBT (Continued)

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%.	\$ 199,575	\$ 34,288
\$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%.	2,940,890	171,678
\$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%.	2,362,740	64,319
\$3,049,830 Illinois EPA low interest loan related to Well #12 Project, due in semiannual installments through May 2040, interest at 1.38%.	1,467,613	70,147
\$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%.	4,564,084	84,753
TOTAL	\$ 11,534,902	\$ 425,185

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 2.1% retired by the Electric Fund.	\$ 1,300,000	\$ 315,191
TOTAL	\$ 1,300,000	\$ 315,191

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, 2021, are as follows:

Year Ending December 31,	G.O. Debt Certificates		Illinois EPA Loan	
	Principal	Interest	Principal	Interest
2022	\$ 290,000	\$ 72,650	\$ 425,185	\$ 126,156
2023	300,000	63,800	629,080	155,419
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
2027-2031	690,000	20,550	3,256,039	492,469
2032-2036	-	-	3,477,747	251,229
2037-2041	-	-	1,802,379	48,848
TOTAL	\$ 2,245,000	\$ 278,000	\$11,534,902	\$ 1,483,146

Year Ending December 31,	Revenue Bonds		Loan Payable (Direct Placement)	
	Principal	Interest	Principal	Interest
2022	\$ 425,000	\$ 269,435	\$ 315,191	\$ 27,300
2023	455,000	239,925	321,810	20,681
2024	465,000	226,125	328,568	13,923
2025	485,000	209,450	334,431	7,023
2026	505,000	189,650	-	-
2027-2031	2,825,000	635,050	-	-
2032-2036	2,615,000	159,825	-	-
2037-2041	-	-	-	-
TOTAL	\$ 7,775,000	\$ 1,929,460	\$1,300,000	\$ 68,927

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)

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 Comprehensive Annual Financial Report.

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.

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

5. DEFINED BENEFIT PENSION PLAN

Illinois Municipal Retirement Fund (Continued)

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, 2021 was 10.38% of covered payroll. For the year ended December 31, 2021, salaries totaling \$3,961,579 were paid that required employer contributions of \$411,271, which was equal to the RMU's actual contributions.

Net Pension Liability (Asset)

At December 31, 2021, RMU reported a liability (asset) of \$(1,233,480) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. RMU's proportion of the net pension liability (asset) was based on RMU's actual contribution to the plan for the year ended December 31, 2021, relative to the contributions of the City, actuarially determined. At December 31, 2021, RMU's proportion was 57.21% of the total contribution.

Actuarial Assumptions

RMU's net pension liability (asset) was measured as of December 31, 2020 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of the same date using the following actuarial methods and assumptions.

Actuarial Valuation Date	December 31, 2020
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

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

5. DEFINED BENEFIT PENSION PLAN

Illinois Municipal Retirement Fund (Continued)

Actuarial Assumptions (Continued)

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.

Discount Rate

The discount rate used to measure the total pension liability (asset) 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, 2021, RMU recognized pension expense of \$53,072. At December 31, 2021, 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	\$ 201,576	\$ 77,673
Changes in Assumption	180,165	154,215
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	2,248,575
Contributions after Measurement Date	411,271	-
TOTAL	\$ 793,012	\$ 2,480,463

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

5. DEFINED BENEFIT PENSION PLAN (Continued)

Illinois Municipal Retirement Fund (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

\$411,271 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, 2022. 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</u> <u>December 31,</u>	
2022	\$ (537,552)
2023	(242,745)
2024	(947,618)
2025	<u>(370,807)</u>
TOTAL	<u>\$ (2,098,722)</u>

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)	\$ 1,779,053	\$ (1,233,480)	\$ (3,642,614)

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, 2021, for the current or prior claim years. Additional information on the City's risk management program can be found in the City's Comprehensive Annual Financial Report.

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

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.

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 \$420 million as of December 31, 2021.

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

8. INTERFUND ACCOUNTS

A. Advances To/From

Advances to/from other RMU funds at December 31, 2021, 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.

B. Interfund Transfers

Interfund transfers during the year ended December 31, 2021 consisted of the following:

	Transfer In	Transfer Out
City - General Fund	\$ 2,452,521	\$ -
Electric Utility	-	2,096,088
Water	-	148,817
Water Reclamation	-	207,616
TOTAL	\$ 2,452,521	\$ 2,452,521

The purposes of significant interfund transfers are as follows:

- \$2,452,521 transferred to the City - General Fund was made up of \$2,096,088 from the Electric Fund, \$148,817 from the Water Fund and \$207,616 from the Water Reclamation Fund for annual transfers as permitted under bond ordinances. The transfers will not be repaid.

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

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 Comprehensive Annual 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.

Total OPEB Liability

RMU's total OPEB liability of \$403,716 was measured as of December 31, 2021 and was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions and Other Inputs

The total OPEB liability at December 31, 2021, as determined by an actuarial valuation as of January 1, 2020, 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 updating procedures to December 31, 2021, including updating the discount rate at December 31, 2021, as noted on the following page.

Actuarial Cost Method	Entry-Age Normal
Actuarial Value of Assets	Not Applicable
Salary Increases	2.75%
Discount Rate	2.06%
Healthcare Cost Trend Rates	5.50% Initial 5.00% Ultimate

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

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions and Other Inputs (Continued)

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 2.06% 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 (1.06%) or 1 percentage point higher (3.06%) than the current rate:

	1% Decrease (1.06%)	Current Discount Rate (2.06%)	1% Increase (3.06%)
Total OPEB Liability	\$ 422,913	\$ 403,716	\$ 385,388

The table below presents the total OPEB liability of the RMU calculated using the healthcare rate of 6% to 5% 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 (5% to 4%) or 1 percentage point higher (7% to 6%) than the current rate:

	1% Decrease (5% to 4%)	Current Healthcare Rate (6% to 5%)	1% Increase (7% to 6%)
Total OPEB Liability	\$ 371,493	\$ 403,716	\$ 441,460

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

9. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended December 31, 2021, the RMU recognized OPEB expense of \$27,789. At December 31, 2021, 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	\$ 71,608	\$ 23,399
Changes in Assumptions	33,230	-
TOTAL	\$ 104,838	\$ 23,399

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>	
2022	\$ 7,517
2023	7,517
2024	7,517
2025	7,517
2026	7,517
Thereafter	43,854
TOTAL	\$ 81,439

REQUIRED SUPPLEMENTARY INFORMATION

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

Last Seven Fiscal Years

FISCAL YEAR ENDED	April 30,			December 31,			
	2016	2016*	2017	2018	2019	2020	2021
Contractually Required Contribution	\$ 391,212	\$ 281,121	\$ 445,537	\$ 402,758	\$ 339,551	\$ 440,576	\$ 411,271
Contributions in Relation to the Contractually Required Contribution	391,212	281,121	445,537	402,758	339,551	440,576	411,271
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
Contributions as a Percentage of Covered Payroll	11.33%	11.83%	11.94%	11.34%	9.30%	11.08%	10.38%

*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 23 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 3.35% to 14.25% 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 Six Fiscal Years

MEASUREMENT DATE DECEMBER 31,	2015	2016	2017	2018	2019	2020
Employer's Proportion of Net Pension Liability	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)
Employer's Covered Payroll	3,453,001	3,505,080	3,679,197	3,652,341	3,644,439	3,961,579
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%)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.65%	88.11%	97.66%	95.37%	95.86%	104.82%

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 Four Fiscal Years

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

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, 2021
(with Comparative Totals)

	<u>2021</u>	<u>2020</u>
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 76,812,389	\$ 75,264,177
Accumulated Depreciation	(50,078,635)	(47,458,770)
Nondepreciable	<u>14,714,079</u>	<u>7,799,606</u>
Net Capital Assets	<u>41,447,833</u>	<u>35,605,013</u>
CURRENT ASSETS		
Cash and Investments	24,917,044	19,999,311
Receivables		
Accounts	4,357,231	5,091,079
Other	249,840	251,048
Prepaid Expenses	-	2,490
Deposits	312,294	312,249
Materials and Supplies Inventory	<u>1,045,334</u>	<u>993,100</u>
Total Current Assets	<u>30,881,743</u>	<u>26,649,277</u>
NONCURRENT ASSETS		
Advance to Other Funds	409,044	725,674
Net Pension Asset	<u>761,634</u>	<u>-</u>
Total Noncurrent Assets	<u>1,170,678</u>	<u>725,674</u>
Total Assets	<u>73,500,254</u>	<u>62,979,964</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension/OPEB Items	<u>546,014</u>	<u>703,273</u>
Total Deferred Outflows of Resources	<u>546,014</u>	<u>703,273</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 74,046,268</u></u>	<u><u>\$ 63,683,237</u></u>

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)
ELECTRIC FUND

December 31, 2021
(with Comparative Totals)

	<u>2021</u>	<u>2020</u>
NET POSITION		
Net Investment in Capital Assets	\$ 39,712,924	\$ 35,605,013
Unrestricted	<u>18,180,205</u>	<u>23,903,334</u>
Total Net Position	<u>57,893,129</u>	<u>59,508,347</u>
DEFERRED INFLOWS OF RESOURCES		
Pension/OPEB Items	<u>1,531,938</u>	<u>791,889</u>
Total Deferred Inflows of Resources	<u>1,531,938</u>	<u>791,889</u>
LONG-TERM LIABILITIES		
Revenue Bonds Payable	8,283,423	-
Loan Payable	957,509	
Net Pension Liability	-	632,686
OPEB Liability	<u>213,365</u>	<u>176,306</u>
Total Long-Term Liabilities	<u>9,454,297</u>	<u>808,992</u>
CURRENT LIABILITIES		
Accounts Payable	4,030,706	2,279,729
Accrued Payroll	32,770	34,985
Accrued Interest Payable	48,687	-
Other Payables	165,751	79,849
Revenue Bonds Payable	425,000	-
Loan Payable	315,191	-
OPEB Liability	33,662	61,518
Compensated Absences Payable	<u>115,137</u>	<u>117,928</u>
Total Current Liabilities	<u>5,166,904</u>	<u>2,574,009</u>
Total Liabilities	<u>14,621,201</u>	<u>3,383,001</u>
TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES	<u><u>\$ 74,046,268</u></u>	<u><u>\$ 63,683,237</u></u>

(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, 2021
(with Comparative Totals)

	2021	2020
OPERATING REVENUES		
Charges for Services		
Residential	\$ 6,305,105	\$ 6,306,730
Commercial	4,780,365	5,083,159
Industrial	23,555,080	23,298,000
Public Street Lighting	1,922	139,297
Interdepartmental	585,723	511,201
Other Operating Revenue	237,992	1,092,148
Miscellaneous	76,090	191,056
Total Operating Revenues	35,542,277	36,621,591
OPERATING EXPENSES		
Operations		
Personnel	1,942,326	870,160
Contractual Services	28,669,847	29,689,655
Commodities	1,712,195	537,637
Insurance	-	146,677
Other	138,138	109
Depreciation	2,619,646	2,587,577
Total Operating Expenses	35,082,152	33,831,815
OPERATING INCOME	460,125	2,789,776
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	54,678	132,598
Gain on Sale of Asset	-	80,681
Loss of Defeasance of Debt	-	(1,402,048)
Interest Expense	(33,933)	(252,503)
Total Non-Operating Revenues (Expenses)	20,745	(1,441,272)
NET INCOME BEFORE TRANSFERS	480,870	1,348,504
TRANSFERS		
Transfers to the City	(2,096,088)	(1,962,988)
Total Transfers	(2,096,088)	(1,962,988)
CHANGE IN NET POSITION BEFORE SPECIAL ITEM	(1,615,218)	(614,484)
SPECIAL ITEM		
Gain on Sale of Transmission Assets	-	9,989,799
CHANGE IN NET POSITION	(1,615,218)	9,375,315
NET POSITION, BEGINNING OF YEAR	59,508,347	50,133,032
NET POSITION, END OF YEAR	\$ 57,893,129	\$ 59,508,347

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS
ELECTRIC FUND**

For the Year Ended December 31, 2021
(with Comparative Totals)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 36,277,288	\$ 36,309,555
Payments to Suppliers	(27,707,205)	(29,545,252)
Payments to Employees	(2,433,771)	(1,023,178)
Payments to Other Funds	(1,026,569)	(647,469)
Net Cash from Operating Activities	5,109,743	5,093,656
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Repayment of Loans from Other Funds	316,629	(316,629)
Transfers to the City	(2,096,088)	(1,962,988)
Net Cash from Noncapital Financing Activities	(1,779,459)	(2,279,617)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(8,462,685)	(1,180,236)
Sale of Transmission Assets	-	15,388,673
Proceeds from Sale of Asset	-	80,681
Issuance of Long-Term Debt	9,981,124	-
Payment to Escrow Agent	-	(14,703,191)
Interest Payments on Long-Term Debt	14,332	(934,146)
Net Cash from Capital and Related Financing Activities	1,532,771	(1,348,219)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	54,678	132,598
Net Cash from Investing Activities	54,678	132,598
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,917,733	1,598,418
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	19,999,311	18,400,893
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 24,917,044	\$ 19,999,311

(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, 2021
(with Comparative Totals)

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 460,125	\$ 2,789,776
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	2,619,646	2,587,577
Changes in Assets and Liabilities		
Accounts Receivable	733,848	(445,058)
Other Receivables	1,208	121,501
Prepaid Expenses	2,490	395
Materials and Supplies Inventory	(52,234)	152,847
Deposits	(45)	(1,120)
Pension Items - IMRF	(470,830)	(122,231)
OPEB Items	(15,608)	(44,941)
Accounts Payable	1,750,247	23,589
Accrued Payroll	(2,215)	17,802
Other Payables	85,902	4,525
Compensated Absences	(2,791)	8,994
NET CASH FROM OPERATING ACTIVITIES	\$ 5,109,743	\$ 5,093,656
CASH AND INVESTMENTS		
Cash and Investments	\$ 24,917,044	\$ 19,999,311
TOTAL CASH AND INVESTMENTS	\$ 24,917,044	\$ 19,999,311

(See independent auditor's report.)

WATER FUND

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET POSITION
WATER FUND

December 31, 2021
(with Comparative Totals)

	2021	2020
<hr/>		
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 33,554,415	\$ 30,351,346
Accumulated Depreciation	(10,857,947)	(9,966,964)
Nondepreciable	1,669,807	3,854,351
	<hr/>	
Net Capital Assets	24,366,275	24,238,733
	<hr/>	
CURRENT ASSETS		
Cash and Investments	3,219,416	3,571,166
Receivables		
Accounts	498,820	545,025
Other	59,801	525
Prepaid Expenses	-	1,082
Due from Other Governments	-	176,069
Restricted Assets		
Cash and Investments	96,626	188,611
	<hr/>	
Total Current Assets	3,874,663	4,482,478
	<hr/>	
NONCURRENT ASSETS		
Net Pension Asset	92,729	-
	<hr/>	
Total Assets	28,333,667	28,721,211
	<hr/>	
DEFERRED OUTFLOWS OF RESOURCES		
Pension/OPEB Items	70,196	90,136
Asset Retirement Obligation	454,773	460,037
	<hr/>	
Total Deferred Outflows of Resources	524,969	550,173
	<hr/>	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 28,858,636	\$ 29,271,384
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(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

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

December 31, 2021
(with Comparative Totals)

	2021	2020
NET POSITION		
Net Investment in Capital Assets	\$ 17,595,030	\$ 17,108,558
Restricted for Debt Service	96,626	188,611
Unrestricted	3,406,434	3,941,955
Total Net Position	21,098,090	21,239,124
DEFERRED INFLOWS OF RESOURCES		
Pension/OPEB Items	192,651	99,614
Total Deferred Inflows of Resources	192,651	99,614
LONG-TERM LIABILITIES		
Illinois EPA Loans Payable	6,465,101	6,835,140
Net Pension Liability	-	82,557
OPEB Liability	26,823	22,164
Asset Retirement Obligation	465,300	465,300
Total Long-Term Liabilities	6,957,224	7,405,161
CURRENT LIABILITIES		
Accounts Payable	215,875	129,546
Accrued Payroll	11,468	9,309
Accrued Interest Payable	18,685	23,123
Deposits Payable	10,158	26,047
IEPA Loans Payable	306,144	295,037
OPEB Liability	4,232	7,734
Compensated Absences Payable	44,109	36,689
Total Current Liabilities	610,671	527,485
Total Liabilities	7,567,895	7,932,646
TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES	\$ 28,858,636	\$ 29,271,384

(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, 2021
(with Comparative Totals)

	2021	2020
OPERATING REVENUES		
Water		
Charges for Services		
Residential	\$ 1,147,091	\$ 1,179,989
Commercial	1,002,891	934,956
Industrial	994,811	975,682
Rental	102,391	98,487
Other Operating Revenue	77,213	10,546
Miscellaneous	1,014	(426)
	<hr/>	<hr/>
Total Operating Revenues	3,325,411	3,199,234
	<hr/>	<hr/>
OPERATING EXPENSES		
Operations		
Personnel	945,684	817,868
Contractual Services	716,921	461,282
Commodities	541,918	738,683
Insurance	12,979	32,634
Other	114,280	119,040
Depreciation and Amortization	896,247	770,992
	<hr/>	<hr/>
Total Operating Expenses	3,228,029	2,940,499
	<hr/>	<hr/>
OPERATING INCOME	97,382	258,735
	<hr/>	<hr/>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	14,562	23,018
Interest Expense	(104,161)	(122,752)
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(89,599)	(99,734)
	<hr/>	<hr/>
NET INCOME BEFORE TRANSFERS, CAPITAL GRANTS AND CONTRIBUTIONS	7,783	159,001
	<hr/>	<hr/>
TRANSFERS		
Transfers (Out)	(148,817)	(147,787)
	<hr/>	<hr/>
Total Transfers	(148,817)	(147,787)
	<hr/>	<hr/>
CAPITAL GRANTS AND CONTRIBUTIONS	-	170,033
	<hr/>	<hr/>
CHANGE IN NET POSITION	(141,034)	181,247
	<hr/>	<hr/>
NET POSITION, BEGINNING OF YEAR	21,239,124	21,057,877
	<hr/>	<hr/>
NET POSITION, END OF YEAR	\$ 21,098,090	\$ 21,239,124
	<hr/>	<hr/>

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS
WATER FUND**

For the Year Ended December 31, 2021
(with Comparative Totals)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 3,472,520	\$ 3,050,662
Payments to Suppliers	(1,069,121)	(1,030,522)
Payments to Employees	(868,333)	(816,391)
Payments to Other Funds	(358,490)	(389,037)
Net Cash from Operating Activities	<u>1,176,576</u>	<u>814,712</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to the City	<u>(148,817)</u>	<u>(147,787)</u>
Net Cash from Noncapital Financing Activities	<u>(148,817)</u>	<u>(147,787)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(1,018,525)	(2,114,747)
Issuance of Long-Term Debt	-	2,190,572
Principal Payments on Long-Term Debt	(358,934)	(484,190)
Interest Payments on Long-Term Debt	(108,597)	(104,705)
Grant Receipts	<u>-</u>	<u>170,033</u>
Net Cash from Capital and Related Financing Activities	<u>(1,486,056)</u>	<u>(343,037)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	<u>14,562</u>	<u>23,018</u>
Net Cash from Investing Activities	<u>14,562</u>	<u>23,018</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(443,735)</u>	<u>346,906</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,759,777</u>	<u>3,412,871</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 3,316,042</u></u>	<u><u>\$ 3,759,777</u></u>

(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, 2021
(with Comparative Totals)

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 97,382	\$ 258,735
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	896,247	770,992
Changes in Assets and Liabilities		
Accounts Receivable	222,274	(149,157)
Other Receivables	(59,276)	-
Prepaid Expenses	1,082	(71)
Deposits	(15,889)	559
Pension Items - IMRF	(59,191)	(15,367)
OPEB Items	(1,962)	(5,649)
Accounts Payable	86,330	(67,849)
Accrued Payroll	2,159	4,931
Compensated Absences	7,420	17,588
NET CASH FROM OPERATING ACTIVITIES	\$ 1,176,576	\$ 814,712
CASH AND INVESTMENTS		
Cash and Investments	\$ 3,219,416	\$ 3,571,166
Restricted Assets		
Cash and Investments	96,626	188,611
TOTAL CASH AND INVESTMENTS	\$ 3,316,042	\$ 3,759,777
NONCASH TRANSACTIONS		
Illinois EPA Loan Receivable	\$ -	\$ 642,958
Illinois EPA Loan Payable	-	(642,958)
TOTAL NONCASH TRANSACTIONS	\$ -	\$ -

(See independent auditor's report.)

WATER RECLAMATION FUND

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF NET POSITION
WATER RECLAMATION FUND**

December 31, 2021
(with Comparative Totals)

	2021	2020
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 51,375,436	\$ 42,807,682
Accumulated Depreciation	(28,066,590)	(26,463,995)
Nondepreciable	600,297	8,812,772
Net Capital Assets	23,909,143	25,156,459
CURRENT ASSETS		
Cash and Investments	4,605,537	4,398,276
Receivables		
Accounts	642,823	544,324
Accrued Interest	203	128
Other	11,547	4,441
Prepaid Expenses	-	1,562
Due from Other Governments	-	826,553
Restricted Assets		
Cash and Investments	-	374,926
Total Current Assets	5,260,110	6,150,210
NONCURRENT ASSETS		
Special Assessments	117,064	146,705
Net Pension Asset	253,664	-
Total Noncurrent Assets	370,728	146,705
Total Assets	29,539,981	31,453,374
DEFERRED OUTFLOWS OF RESOURCES		
Pension/OPEB Items	185,334	238,811
Total Deferred Outflows of Resources	185,334	238,811
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 29,725,315	\$ 31,692,185

(This statement is continued on the following page.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

STATEMENT OF NET POSITION (Continued)
WATER RECLAMATION FUND

December 31, 2021
(with Comparative Totals)

	2021	2020
NET POSITION		
Net Investment in Capital Assets	\$ 19,145,486	\$ 20,367,438
Restricted for Debt Service	-	374,926
Unrestricted	4,928,456	3,932,705
Total Net Position	24,073,942	24,675,069
DEFERRED INFLOWS OF RESOURCES		
Pension/OPEB Items	516,548	267,042
Total Deferred Inflows of Resources	516,548	267,042
LONG-TERM LIABILITIES		
Illinois EPA Loans Payable	4,644,616	4,755,575
Net Pension Liability	-	216,421
OPEB Liability	71,936	59,442
Total Long-Term Liabilities	4,716,552	5,031,438
CURRENT LIABILITIES		
Accounts Payable	184,922	1,579,279
Accrued Payroll	12,907	8,293
Accrued Interest Payable	33,137	520
Deposits Payable	20,165	34,831
IEPA Loans Payable	119,041	33,446
OPEB Liability	11,349	20,740
Compensated Absences Payable	36,752	41,527
Total Current Liabilities	418,273	1,718,636
Total Liabilities	5,134,825	6,750,074
TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES	\$ 29,725,315	\$ 31,692,185

(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, 2021
(with Comparative Totals)

	2021	2020
OPERATING REVENUES		
Charges for Services		
Residential	\$ 1,149,655	\$ 1,162,528
Commercial	1,208,892	1,081,634
Industrial	1,351,881	1,192,398
Other Operating Revenue	85,444	48,832
Miscellaneous	5,728	15,770
	<hr/>	<hr/>
Total Operating Revenues	3,801,600	3,501,162
	<hr/>	<hr/>
OPERATING EXPENSES		
Operations		
Personnel	931,469	913,014
Contractual Services	709,060	732,896
Commodities	726,274	331,474
Insurance	18,749	62,129
Other	109,892	127,179
Depreciation	1,602,595	1,102,880
	<hr/>	<hr/>
Total Operating Expenses	4,098,039	3,269,572
	<hr/>	<hr/>
OPERATING INCOME (LOSS)	(296,439)	231,590
	<hr/>	<hr/>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	18,336	22,645
Interest Expense	(115,408)	(6,437)
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(97,072)	16,208
	<hr/>	<hr/>
NET INCOME (LOSS) BEFORE TRANSFERS, CAPITAL GRANTS AND CONTRIBUTIONS	(393,511)	247,798
	<hr/>	<hr/>
TRANSFERS		
Transfers (Out)	(207,616)	(193,258)
	<hr/>	<hr/>
Total Transfers	(207,616)	(193,258)
	<hr/>	<hr/>
CHANGE IN NET POSITION	(601,127)	54,540
	<hr/>	<hr/>
NET POSITION, BEGINNING OF YEAR (RESTATED)	24,675,069	24,620,529
	<hr/>	<hr/>
NET POSITION, END OF YEAR	\$ 24,073,942	\$ 24,675,069
	<hr/>	<hr/>

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS
WATER RECLAMATION FUND**

For the Year Ended December 31, 2021
(with Comparative Totals)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 3,710,970	\$ 3,487,981
Payments to Suppliers	(2,855,441)	(447,441)
Payments to Employees	(749,876)	(964,641)
Payments to Other Funds	(447,084)	(532,267)
Net Cash from Operating Activities	(341,431)	1,543,632
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt of Loans from Other Funds	-	860,973
Transfers to the City	(207,616)	(193,258)
Net Cash from Noncapital Financing Activities	(207,616)	667,715
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Purchased	(355,279)	(4,835,513)
Issuance of Long-Term Debt	1,025,704	3,729,447
Principal Payments on Long-Term Debt	(224,513)	(32,626)
Interest Payments on Long-Term Debt	(82,791)	(6,470)
Net Cash from Capital and Related Financing Activities	363,121	(1,145,162)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	18,261	23,302
Net Cash from Investing Activities	18,261	23,302
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(167,665)	1,089,487
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,773,202	3,683,715
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,605,537	\$ 4,773,202

(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, 2021
(with Comparative Totals)

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (296,439)	\$ 231,590
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities		
Depreciation and Amortization	1,602,595	1,102,880
Changes in Assets and Liabilities		
Accounts Receivable	(98,499)	(41,480)
Other Receivables	(7,106)	(2,731)
Prepaid Expenses	1,562	(198)
Deposits	(14,666)	1,293
Special Assessments	29,641	29,737
Pension Items - IMRF	(158,737)	(41,210)
OPEB Items	(5,262)	(15,152)
Accounts Payable	(1,394,359)	274,168
Accrued Payroll	4,614	3,349
Compensated Absences	(4,775)	1,386
NET CASH FROM OPERATING ACTIVITIES	<u>\$ (341,431)</u>	<u>\$ 1,543,632</u>
CASH AND INVESTMENTS		
Cash and Investments	\$ 4,605,537	\$ 4,398,276
Restricted Assets		
Cash and Investments	-	374,926
TOTAL CASH AND INVESTMENTS	<u>\$ 4,605,537</u>	<u>\$ 4,773,202</u>
NONCASH TRANSACTIONS		
Illinois EPA Loan Receivable	\$ -	\$ (826,553)
Illinois EPA Loan Payable	-	826,553
TOTAL NONCASH TRANSACTIONS	<u>\$ -</u>	<u>\$ -</u>

(See independent auditor's report.)

TECHNOLOGY CENTER FUND

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF NET POSITION
TECHNOLOGY CENTER FUND**

December 31, 2021
(with Comparative Totals)

	2021	2020
CAPITAL ASSETS		
Depreciable - Plant in Service	\$ 9,218,544	\$ 9,218,544
Accumulated Depreciation	(5,225,568)	(4,938,236)
Nondepreciable	519,453	519,453
Net Capital Assets	4,512,429	4,799,761
CURRENT ASSETS		
Cash		
Receivables	230,244	-
Accounts	106,545	183,376
Prepaid Expenses	156	156
Total Current Assets	336,945	183,532
NONCURRENT ASSET		
Net Pension Asset	125,453	-
Total Assets	4,974,827	4,983,293
DEFERRED OUTFLOWS OF RESOURCES		
Pension/OPEB Items	96,306	123,497
Unamortized Loss on Refunding	56,748	75,664
Total Deferred Outflows of Resources	153,054	199,161
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,127,881	\$ 5,182,454

(This statement is continued on the following page.)

ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS

STATEMENT OF NET POSITION (Continued)
TECHNOLOGY CENTER FUND

December 31, 2021
(with Comparative Totals)

	<u>2021</u>	<u>2020</u>
NET POSITION		
Net Investment in Capital Assets	\$ 2,266,447	\$ 2,203,785
Unrestricted (Deficit)	(166,979)	(656,076)
Total Net Position	<u>2,099,468</u>	<u>1,547,709</u>
DEFERRED INFLOWS OF RESOURCES		
Pension/OPEB Items	<u>262,725</u>	<u>135,857</u>
Total Deferred Inflows of Resources	<u>262,725</u>	<u>135,857</u>
LONG-TERM LIABILITIES		
Advance from Other Funds	409,044	725,674
Net Pension Liability	-	113,573
OPEB Liability	36,578	30,226
Long-Term Debt, Net of Current Maturities		
General Obligation Debt Payable	<u>2,012,730</u>	<u>2,310,976</u>
Total Long-Term Liabilities	<u>2,458,352</u>	<u>3,180,449</u>
CURRENT LIABILITIES		
Accounts Payable	7,228	13,065
Accrued Payroll	806	626
OPEB Liability	5,771	10,546
Compensated Absences Payable	3,531	9,202
General Obligation Debt Payable	<u>290,000</u>	<u>285,000</u>
Total Current Liabilities	<u>307,336</u>	<u>318,439</u>
Total Liabilities	<u>2,765,688</u>	<u>3,498,888</u>
TOTAL NET POSITION, DEFERRED INFLOWS OF RESOURCES AND LIABILITIES	<u><u>\$ 5,127,881</u></u>	<u><u>\$ 5,182,454</u></u>

(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, 2021
(with Comparative Totals)

	2021	2020
OPERATING REVENUES		
Technology		
Charges for Services		
Telecommunications Leases	\$ 41,485	\$ 39,447
Commercial Fiber Leases	430,567	470,894
Commercial Colocation Leases	644,160	642,180
Internal Colocation Leases	42,961	122,000
Penalties	-	2,251
Total Technology	<u>1,159,173</u>	<u>1,276,772</u>
Communications		
Charges for Services		
Dial-Up Internet Access	7,740	7,709
Wireless Internet Access	5,834	5,999
Network Internet Access	23,395	17,203
Fiber Internet Access	228,899	200,366
Web Site Host	4,886	4,172
Data Services	4,968	5,874
VOIP Services	2,434	1,034
Activation Fees	-	690
Mailboxes	2,429	2,589
Penalties	-	466
Total Communications Revenues	<u>280,585</u>	<u>246,102</u>
Other Charges for Services	-	-
Total Operating Revenues	<u>1,439,758</u>	<u>1,522,874</u>
OPERATING EXPENSES		
Technology		
Operations		
Personnel	(39,191)	(11,563)
Contractual Services	231,049	229,322
Commodities	239,860	276,252
Depreciation and Amortization	140,378	145,971
Total Technology Expenses	<u>572,096</u>	<u>639,982</u>
Communications		
Operations		
Personnel	31,803	74,734
Contractual Services	20,379	8,189
Commodities	27,013	9,383
Depreciation and Amortization	146,940	47,108
Total Communications Expenses	<u>226,135</u>	<u>139,414</u>
Total Operating Expenses	<u>798,231</u>	<u>779,396</u>
OPERATING INCOME	<u>641,527</u>	<u>743,478</u>

(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, 2021
(with Comparative Totals)

	<u>2021</u>	<u>2020</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	\$ 2,177	\$ 2,487
Interest Expense	(91,945)	(90,887)
	<hr/>	<hr/>
Total Non-Operating Revenues (Expenses)	(89,768)	(88,400)
	<hr/>	<hr/>
CHANGE IN NET POSITION	551,759	655,078
	<hr/>	<hr/>
NET POSITION, BEGINNING OF YEAR	1,547,709	892,631
	<hr/>	<hr/>
NET POSITION, END OF YEAR	<u>\$ 2,099,468</u>	<u>\$ 1,547,709</u>

(See independent auditor's report.)

**ROCHELLE MUNICIPAL UTILITIES
ROCHELLE, ILLINOIS**

**STATEMENT OF CASH FLOWS
TECHNOLOGY CENTER FUND**

For the Year Ended December 31, 2021
(with Comparative Totals)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 1,473,628	\$ 1,384,427
Receipts from Interfund Service Transactions	42,961	122,000
Payments to Suppliers	(170,525)	(131,622)
Payments to Employees	(84,218)	(88,690)
Payments to Other Funds	(350,891)	(379,491)
Net Cash from Operating Activities	<u>910,955</u>	<u>906,624</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipt of Loans from Other Funds	-	316,629
Repayment of Loans from Other Funds	(316,629)	(860,973)
Net Cash from Noncapital Financing Activities	<u>(316,629)</u>	<u>(544,344)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(285,000)	(275,000)
Interest Payments on Long-Term Debt	(81,259)	(89,767)
Net Cash from Capital and Related Financing Activities	<u>(366,259)</u>	<u>(364,767)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	<u>2,177</u>	<u>2,487</u>
Net Cash from Investing Activities	<u>2,177</u>	<u>2,487</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	230,244	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 230,244</u></u>	<u><u>\$ -</u></u>

(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, 2021
(with Comparative Totals)

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 641,527	\$ 743,478
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities		
Depreciation and Amortization	287,318	193,079
Changes in Assets and Liabilities		
Accounts Receivable	76,831	(16,447)
Prepaid Expenses	-	(156)
Pension Items - IMRF	(80,715)	(23,167)
OPEB Items	(5,400)	(5,402)
Accounts Payable	(3,115)	12,189
Accrued Payroll	180	121
Compensated Absences	(5,671)	2,929
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 910,955</u>	<u>\$ 906,624</u>
CASH AND INVESTMENTS		
Cash and Investments	<u>\$ 230,244</u>	<u>\$ -</u>
NONCASH TRANSACTIONS		
None	<u>\$ -</u>	<u>\$ -</u>
TOTAL NONCASH TRANSACTIONS	<u>\$ -</u>	<u>\$ -</u>

(See independent auditor's report.)