

VILLAGE OF SHERMAN, ILLINOIS

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended April 30, 2008



CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

VILLAGE OF SHERMAN, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Village of Sherman, Illinois
Sherman, Illinois

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Village of Sherman, Illinois, as of and for the year ended April 30, 2008 which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Sherman, Illinois's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, Village of Sherman, Illinois prepares its financial statements on the modified cash basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Sherman, Illinois, as of April 30, 2008, and the respective changes in financial position – modified cash basis and cash flows, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The required supplementary information listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Village has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Sherman, Illinois' basic financial statements. The combining TIF fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining TIF fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as whole.

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Springfield, Illinois
September 25, 2009

BASIC FINANCIAL STATEMENTS

VILLAGE OF SHERMAN, ILLINOIS

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

April 30, 2008

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,623,543	\$ 462,270	\$ 3,085,813
Due from (to) other funds	141,581	(141,581)	-
Restricted assets:			
Cash and cash equivalents	-	182,317	182,317
Total current assets	<u>2,765,124</u>	<u>503,006</u>	<u>3,268,130</u>
Capital Assets:			
Land	50,000	-	50,000
Other capital assets, net of accumulated depreciation	1,891,207	1,227,146	3,118,353
Total capital assets	<u>1,941,207</u>	<u>1,227,146</u>	<u>3,168,353</u>
Total assets	<u>4,706,331</u>	<u>1,730,152</u>	<u>6,436,483</u>
LIABILITIES			
Current Liabilities:			
Capital leases, current	37,867	-	37,867
G.O. bonds payable, current	34,200	55,800	90,000
TIF bonds payable, current	104,000	-	104,000
Total current liabilities	<u>176,067</u>	<u>55,800</u>	<u>231,867</u>
Noncurrent Liabilities			
G.O. bonds payable, noncurrent	182,400	297,600	480,000
TIF bonds payable, noncurrent	1,595,840	-	1,595,840
TIF notes payable, noncurrent	147,500	-	147,500
Total noncurrent liabilities	<u>1,925,740</u>	<u>297,600</u>	<u>2,223,340</u>
Total liabilities	<u>2,101,807</u>	<u>353,400</u>	<u>2,455,207</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,903,340	1,227,146	3,130,486
Restricted for maintenance of roadways	58,986	-	58,986
Restricted for economic development	2,314,715	-	2,314,715
Restricted for capital projects	-	182,317	182,317
Restricted for debt service	65,364	-	65,364
Unrestricted	<u>(1,737,881)</u>	<u>(32,711)</u>	<u>(1,770,592)</u>
Total net assets	<u>\$ 2,604,524</u>	<u>\$ 1,376,752</u>	<u>\$ 3,981,276</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SHERMAN, ILLINOIS

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended April 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 227,173	\$ 39,834	\$ -	\$ -
Public safety	440,082	66,936	-	-
Streets and public works	270,060	-	-	-
Culture and recreation	6,719	-	-	-
Economic Development	329,767	-	-	-
Interest on long-term debt	70,518	-	-	-
Total governmental activities	1,344,319	106,770	-	-
Business-type activities	305,785	247,628	-	-
Total primary government	<u>\$ 1,650,104</u>	<u>\$ 354,398</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
 Property taxes
 Sales and use tax
 Intergovernmental
 Investment income
 Other revenue
 Total general revenues

Change in net assets

Net assets - beginning

Prior Period Adjustments

Net assets - beginning restated

Net assets - ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (187,339)	\$ -	\$ (187,339)
(373,146)	-	(373,146)
(270,060)	-	(270,060)
(6,719)	-	(6,719)
(329,767)	-	(329,767)
(70,518)	-	(70,518)
(1,237,549)	-	(1,237,549)
-	(58,157)	(58,157)
(1,237,549)	(58,157)	(1,295,706)
1,146,127	-	1,146,127
324,276	-	324,276
344,982	-	344,982
87,913	17,845	105,758
62,053	-	62,053
1,965,351	17,845	1,983,196
727,802	(40,312)	687,490
1,062,134	1,417,064	2,479,198
814,588	-	814,588
1,876,722	1,417,064	3,293,786
\$ 2,604,524	\$ 1,376,752	\$ 3,981,276

The accompanying notes are an integral part of these financial statements.

VILLIAGE OF SHERMAN

STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES -
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

April 30, 2008

	General Fund	Tax Increment Financing Fund	Motor Fuel Tax Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 282,604	\$ 2,281,953	\$ 58,986	\$ 2,623,543
Due from other funds	141,581	32,762	-	174,343
Total assets	<u>\$ 424,185</u>	<u>\$ 2,314,715</u>	<u>\$ 58,986</u>	<u>\$ 2,797,886</u>
Total assets:				
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	<u>\$ 32,762</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,762</u>
Total liabilities	<u>32,762</u>	<u>-</u>	<u>-</u>	<u>32,762</u>
Fund balances:				
Reserved for maintenance of roadways	-	-	58,986	58,986
Reserved for economic development	-	2,314,715	-	2,314,715
Reserved for debt service	65,364	-	-	65,364
Unreserved				
General	<u>326,059</u>	<u>-</u>	<u>-</u>	<u>326,059</u>
Total fund balances	<u>391,423</u>	<u>2,314,715</u>	<u>58,986</u>	<u>2,765,124</u>
Total liabilities and fund balances	<u>\$ 424,185</u>	<u>\$ 2,314,715</u>	<u>\$ 58,986</u>	<u>\$ 2,797,886</u>

The accompanying notes are an integral part of these financial statements.

VILLIAGE OF SHERMAN

RECONCILIATION OF THE STATEMENT OF ASSETS, LIABILITIES AND
FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

April 30, 2008

Reconciliation to Statement of Net Assets

Fund balance - governmental funds	<u>\$ 2,765,124</u>
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in the governmental activities of \$2,567,578, net of accumulated depreciation of \$626,371, are not financial resources, and therefore, are not reported in the funds.	<u>1,941,207</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Capital leases, current	(37,867)
G.O. Bond payable, current	(34,200)
TIF Bonds payable, current	(104,000)
G.O. Bond payable, noncurrent	(182,400)
TIF Bonds payable, noncurrent	(1,595,840)
TIF Notes payable, noncurrent	<u>(147,500)</u>
Total long-term liabilities	<u>(2,101,807)</u>
Net assets of governmental activities	<u>\$ 2,604,524</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SHERMAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

For the Year Ended April 30, 2008

	General Fund	Tax Increment Financing Fund	Motor Fuel Tax Fund	Total Governmental Funds
REVENUES				
Property taxes	\$ 184,855	\$ 961,272	\$ -	\$ 1,146,127
Sales and use taxes	324,276	-	-	324,276
Intergovernmental	264,435	-	80,547	344,982
Licenses and permits	39,834	-	-	39,834
Fines	66,936	-	-	66,936
Investment income	7,253	78,532	2,128	87,913
Other revenues	62,053	-	-	62,053
	<u>949,642</u>	<u>1,039,804</u>	<u>82,675</u>	<u>2,072,121</u>
EXPENDITURES				
Current:				
General government	206,241	26,599	-	232,840
Public safety	383,932	-	-	383,932
Streets and public works	134,008	-	35,091	169,099
Culture and recreation	4,819	-	-	4,819
Economic Development	-	205,000	-	205,000
Debt service	40,373	197,000	-	237,373
Capital outlay	63,717	124,767	-	188,484
	<u>833,090</u>	<u>553,366</u>	<u>35,091</u>	<u>1,421,547</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)				
	<u>116,552</u>	<u>486,438</u>	<u>47,584</u>	<u>650,574</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	34,332	-	-	34,332
Transfers out	-	-	(34,332)	(34,332)
TIF Note proceeds	-	147,500	-	147,500
Total other financing sources (uses)	<u>34,332</u>	<u>147,500</u>	<u>(34,332)</u>	<u>147,500</u>
Net change in fund balances	<u>150,884</u>	<u>633,938</u>	<u>13,252</u>	<u>798,074</u>
Fund balance at beginning of year	240,539	1,686,470	45,734	1,972,743
Prior period adjustment	-	(5,693)	-	(5,693)
Fund balance at beginning of year - restated	<u>240,539</u>	<u>1,680,777</u>	<u>45,734</u>	<u>1,967,050</u>
Fund balance at end of year	<u>\$ 391,423</u>	<u>\$ 2,314,715</u>	<u>\$ 58,986</u>	<u>\$ 2,765,124</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SHERMAN

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

For the Year Ended April 30, 2008

Reconciliation to the Statement of Activities:

Net change in fund balances - total governmental funds	\$ 798,074
Amounts reported for governmental activities in the Statement of Activities are different because:	
The issuance of long-term debt (e.g. bonds, loans, leases) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net assets.	
Capital debt obligations principal payments	166,855
TIF Note proceeds	(147,500)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	44,880
Depreciation expense	<u>(134,507)</u>
Change in net assets of governmental activities	<u>\$ 727,802</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SHERMAN

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
 PROPRIETARY FUND

April 30, 2008

	<u>Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 462,270
Restricted cash and cash equivalents	<u>182,317</u>
Total current assets	<u>644,587</u>
Noncurrent assets:	
Treatment facility - net of accumulated depreciation	<u>1,227,146</u>
Total noncurrent assets	<u>1,227,146</u>
Total assets	<u>1,871,733</u>
LIABILITIES AND NET ASSETS	
Current liabilities:	
Due to General Fund	141,581
G.O. bonds payable - current	<u>55,800</u>
Total current liabilities	<u>197,381</u>
Noncurrent liabilities:	
G.O. bonds payable	<u>297,600</u>
Total liabilities	<u>494,981</u>
Net assets:	
Invested in capital assets, net of related debt	1,227,146
Restricted for capital projects	182,317
Unrestricted	<u>(32,711)</u>
Total net assets	<u>\$ 1,376,752</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SHERMAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
 MODIFIED CASH BASIS
 PROPRIETARY FUND

For the Year Ended April 30, 2008

	Sewer Fund
Operating Revenues:	
Charges for services	<u>\$ 247,628</u>
Operating expenses:	
Salaries	48,908
Engineering	2,295
Professional	3,031
Maintenance and supplies	75,445
Sanitary usage	86,143
Collection fees	13,512
Depreciation	58,987
Utility rebates	1,845
Miscellaneous	2,447
Total operating expenses	<u>292,613</u>
Operating loss	<u>(44,985)</u>
Nonoperating revenue (expense)	
Investment income	17,845
Interest and fees	(13,172)
Total nonoperating revenue (expense)	<u>4,673</u>
Change in net assets	(40,312)
Total net assets, beginning of year	<u>1,417,064</u>
Total net assets, end of year	<u><u>\$ 1,376,752</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SHERMAN

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
 PROPRIETARY FUND

For the Year Ended April 30, 2008

	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 247,628
Cash paid to suppliers	(135,810)
Cash paid to employees	(48,908)
	<u>62,910</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Principal paid on general obligation bonds	(52,700)
Interest paid on general obligation bonds	(12,862)
Fiscal agent fees on bonds	(310)
	<u>(65,872)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	<u>17,845</u>
	<u>17,845</u>
Net decrease in cash and cash equivalents	14,883
Cash, beginning of year	<u>629,704</u>
Cash, end of year	<u>\$ 644,587</u>
Reconciliation of operating income (loss) to net cash from operating activities:	
Operating income (loss)	\$ (44,985)
Adjustments to reconcile income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	58,987
Increase in amount due General Fund	48,908
Net cash from operating activities	<u>\$ 62,910</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SHERMAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
MODIFIED CASH BASIS
FIDUCIARY FUNDS

April 30, 2008

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 4,984
Total assets	<u>\$ 4,984</u>
LIABILITIES	
Due to bondholders	\$ 4,984
Total liabilities	<u>\$ 4,984</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

April 30, 2008

1. SUMMARY OF ACCOUNTING POLICIES

The financial statements of the Village of Sherman, Illinois are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from 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.

A. Reporting Entity

The Village of Sherman, Illinois operates under a President-Trustee form of government. All significant activities and organizations on which the Village exercises oversight responsibility have been included in the Village's financial statements for the year ended April 30, 2008.

In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity is based upon the significance of its operational or financial relationship with the primary government.

The Village has determined that no other outside entity meets the above criteria and, therefore, no other entity has been included as a component unit in the Village's financial statements.

B. Government-wide and Fund Financial Statements

The Statement of Net Assets and Statement of Activities display information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.