

VILLAGE OF SHERMAN, ILLINOIS

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

For the Year Ended April 30, 2011



VILLAGE OF SHERMAN, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT



3201 West White Oaks Drive, Suite 102 • Springfield, IL 62704

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 and each major fund of Village of Sherman, Illinois, as of and for the year ended April 30, 2011 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' management. Our responsibility is to express opinions on these basic 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Village of Sherman, Illinois, as of April 30, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has 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.



Springfield, Illinois
July 26, 2012

BASIC FINANCIAL STATEMENTS

VILLAGE OF SIHERMAN, ILLINOIS

STATEMENT OF NET ASSETS

April 30, 2011

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,698,068	\$ 247,052	\$ 1,945,120
Investments	2,341,593	147,351	2,488,944
Property tax receivable	1,098,219	-	1,098,219
Other receivables	130,579	70,376	200,955
Due from (to) other funds	279	(279)	-
Prepaid expenses	4,788	-	4,788
Restricted assets:			
Cash and cash equivalents	-	188,393	188,393
Total current assets	<u>5,273,526</u>	<u>652,893</u>	<u>5,926,419</u>
Capital Assets:			
Land	50,000	-	50,000
Other capital assets, net of accumulated depreciation	<u>4,140,381</u>	<u>1,057,661</u>	<u>5,198,042</u>
Total capital assets	<u>4,190,381</u>	<u>1,057,661</u>	<u>5,248,042</u>
Other Assets:			
Bond issuance costs	<u>80,554</u>	<u>-</u>	<u>80,554</u>
Total noncurrent assets	<u>4,270,935</u>	<u>1,057,661</u>	<u>5,328,596</u>
Total assets	<u>9,544,461</u>	<u>1,710,554</u>	<u>11,255,015</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	277,184	19,397	296,581
Accrued interest payable	27,500	-	27,500
Deferred revenue	1,098,219	-	1,098,219
Compensated absences payable, current	17,659	3,889	21,548
Capital leases, current	6,521	-	6,521
G.O. bonds payable, current	36,100	58,900	95,000
TIF bonds payable, current	147,840	-	147,840
Other commitments, current	10,000	-	10,000
Total current liabilities	<u>1,621,023</u>	<u>82,186</u>	<u>1,703,209</u>
Noncurrent Liabilities			
Compensated absences payable, noncurrent	18,933	6,896	25,829
Capital leases, noncurrent	10,915	-	10,915
G.O. bonds payable, noncurrent	77,900	127,100	205,000
TIF bonds payable, noncurrent	3,338,000	-	3,338,000
TIF notes payable, noncurrent	370,258	-	370,258
Other commitments, noncurrent	50,000	-	50,000
Total noncurrent liabilities	<u>3,866,006</u>	<u>133,996</u>	<u>4,000,002</u>
Total liabilities	<u>5,487,029</u>	<u>216,182</u>	<u>5,703,211</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,172,945	1,057,661	5,230,606
Restricted for maintenance of roadways	62,495	-	62,495
Restricted for economic development	3,504,935	-	3,504,935
Restricted for capital projects	-	188,393	188,393
Restricted for debt service	261,274	-	261,274
Unrestricted	<u>(3,944,217)</u>	<u>248,318</u>	<u>(3,695,899)</u>
Total net assets	<u>\$ 4,057,432</u>	<u>\$ 1,494,372</u>	<u>\$ 5,551,804</u>

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

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VILLAGE OF SHERMAN, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 321,710	\$ 76,829	\$ -	\$ -
Public safety	467,543	28,325	-	-
Streets and public works	405,436	-	-	-
Culture and recreation	12,539	-	-	-
Economic Development	1,828,467	-	-	-
Interest on long-term debt	46,740	-	-	-
Total governmental activities	3,082,435	105,154	-	-
Business-type activities	397,071	465,680	-	-
Total primary government	<u>\$ 3,479,506</u>	<u>\$ 570,834</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
\$ (244,881)	\$ -	\$ (244,881)
(439,218)	-	(439,218)
(405,436)	-	(405,436)
(12,539)	-	(12,539)
(1,828,467)	-	(1,828,467)
(46,740)	-	(46,740)
(2,977,281)	-	(2,977,281)
-	68,609	68,609
(2,977,281)	68,609	(2,908,672)
1,139,044	-	1,139,044
322,926	-	322,926
309,296	-	309,296
15,051	2,306	17,357
44,970	-	44,970
1,831,287	2,306	1,833,593
(1,145,994)	70,915	(1,075,079)
2,969,526	1,385,088	4,354,614
2,233,900	38,369	2,272,269
5,203,426	1,423,457	6,626,883
\$ 4,057,432	\$ 1,494,372	\$ 5,551,804

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

VILLAGE OF SHERMAN
BALANCE SHEET
GOVERNMENTAL FUNDS

April 30, 2011

	General Fund	Tax Increment Financing Fund	Motor Fuel Tax Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 332,283	\$ 1,303,158	\$ 62,627	\$ 1,698,068
Investments	-	2,341,593	-	2,341,593
Property tax receivable	152,648	945,571	-	1,098,219
Other receivables	116,560	8,093	5,926	130,579
Due from other funds	279	115,059	-	115,338
Prepaid expenses	4,788	-	-	4,788
	<u>\$ 606,558</u>	<u>\$ 4,713,474</u>	<u>\$ 68,553</u>	<u>\$ 5,388,585</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 28,158	\$ 242,968	\$ 6,058	\$ 277,184
Deferred revenue	152,648	945,571	-	1,098,219
Due to other funds	95,059	20,000	-	115,059
	<u>275,865</u>	<u>1,208,539</u>	<u>6,058</u>	<u>1,490,462</u>
Fund balances:				
Reserved for maintenance of roadways	-	-	62,495	62,495
Reserved for economic development	-	3,504,935	-	3,504,935
Reserved for debt service	261,274	-	-	261,274
Unreserved				
General	69,419	-	-	69,419
	<u>330,693</u>	<u>3,504,935</u>	<u>62,495</u>	<u>3,898,123</u>
Total fund balances	<u>330,693</u>	<u>3,504,935</u>	<u>62,495</u>	<u>3,898,123</u>
Total liabilities and fund balances	<u>\$ 606,558</u>	<u>\$ 4,713,474</u>	<u>\$ 68,553</u>	<u>\$ 5,388,585</u>

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

VILLAGE OF SHERMAN

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES

April 30, 2011

Reconciliation to Statement of Net Assets

Fund balance - governmental funds	<u>\$ 3,898,123</u>
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in the governmental activities of \$5,223,885, net of accumulated depreciation of \$1,033,504, are not financial resources, and therefore, are not reported in the funds.	<u>4,190,381</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences payable	(36,592)
Accrued interest payable	(27,500)
Bond issuance costs	80,554
Capital leases, current	(6,521)
G.O. Bond payable, current	(36,100)
TIF Bonds payable, current	(147,840)
Other commitments, current	(10,000)
Capital leases, noncurrent	(10,915)
G.O. Bond payable, noncurrent	(77,900)
TIF Bonds payable, noncurrent	(3,338,000)
TIF Notes payable, noncurrent	(370,258)
Other commitments, noncurrent	<u>(50,000)</u>
Total long-term liabilities	<u>(4,031,072)</u>
Net assets of governmental activities	<u>\$ 4,057,432</u>

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

VILLAGE OF SHERMAN

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

For the Year Ended April 30, 2011

	General Fund	Tax Increment Financing Fund	Motor Fuel Tax Fund	Total Governmental Funds
REVENUES				
Property taxes	\$ 190,687	\$ 948,357	\$ -	\$ 1,139,044
Sales and use taxes	322,926	-	-	322,926
Intergovernmental	224,197	-	85,099	309,296
Licenses and permits	76,829	-	-	76,829
Fines	28,325	-	-	28,325
Investment income	355	14,587	109	15,051
Other revenues	44,970	-	-	44,970
Total revenues	888,289	962,944	85,208	1,936,441
EXPENDITURES				
Current:				
General government	199,334	91,157	-	290,491
Public safety	437,300	-	-	437,300
Streets and public works	189,184	-	101,179	290,363
Culture and recreation	10,639	-	-	10,639
Economic Development	-	11,610	-	11,610
Debt service:				
Principal	45,578	43,400	-	88,978
Interest	5,839	46,164	-	52,003
Capital outlay	17,952	1,954,505	-	1,972,457
Total expenditures	905,826	2,146,836	101,179	3,153,841
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(17,537)	(1,183,892)	(15,971)	(1,217,400)
OTHER FINANCING SOURCES (USES)				
TIF bond issuance costs	-	(81,083)	-	(81,083)
TIF bond proceeds	-	2,000,000	-	2,000,000
Total other financing sources (uses)	-	1,918,917	-	1,918,917
Net change in fund balances	(17,537)	735,025	(15,971)	701,517
Fund balance at beginning of year	299,607	2,818,533	78,466	3,196,606
Prior period adjustment	48,623	(48,623)	-	-
Fund balance at beginning of year - restated	348,230	2,769,910	78,466	3,196,606
Fund balance at end of year	\$ 330,693	\$ 3,504,935	\$ 62,495	\$ 3,898,123

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 - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2011

Reconciliation to the Statement of Activities:

Net change in fund balances - total governmental funds \$ 701,517

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	63,978
Other commitments payments	25,000
TIF commitment	(85,000)
TIF Bond proceeds	(2,000,000)
Bond issuance costs	81,083

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in compensated absences	(215)
Change in accrued interest payable	5,263
Amortization of issuance costs	(529)

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	240,867
Depreciation expense	<u>(177,958)</u>

Change in net assets of governmental activities \$ (1,145,994)

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

VILLAGE OF SHERMAN
STATEMENT OF NET ASSETS
PROPRIETARY FUND

April 30, 2011

	Sewer Fund
Current assets:	
Cash and cash equivalents	\$ 247,052
Investments	147,351
Restricted cash and cash equivalents	188,393
Accounts Receivable	70,376
Total current assets	653,172
Noncurrent assets:	
Treatment facility - net of accumulated depreciation	1,057,661
Total noncurrent assets	1,057,661
	1,710,833
 Current liabilities:	
Accounts payable	19,397
Due to General Fund	279
Compensated absences payable - current	3,889
G.O. bonds payable - current	58,900
Total current liabilities	82,465
Noncurrent liabilities:	
Compensated absences payable	6,896
G.O. bonds payable	127,100
Total noncurrent liabilities	133,996
Total liabilities	216,461
 Invested in capital assets, net of related debt	
Restricted for capital projects	1,057,661
Unrestricted	188,393
	248,318
Total net assets	\$ 1,494,372

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

VILLAGE OF SHERMAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUND

For the Year Ended April 30, 2011

	Sewer Fund
Operating Revenues:	
Charges for services	<u>\$ 465,680</u>
Operating expenses:	
Salaries	97,115
Engineering	112
Professional	2,130
Maintenance and supplies	20,577
Sanitary usage	188,868
Collection fees	14,344
Depreciation	59,912
Utility rebates	2,562
Miscellaneous	3,210
Total operating expenses	<u>388,830</u>
Operating income	<u>76,850</u>
Nonoperating revenue (expense)	
Investment income	2,306
Interest and fees	(8,241)
Total nonoperating revenue (expense)	<u>(5,935)</u>
Change in net assets	<u>70,915</u>
Total net assets, beginning of year	1,385,088
Prior period adjustment	<u>38,369</u>
Net assets beginning of year, restated	<u>1,423,457</u>
Total net assets, end of year	<u>\$ 1,494,372</u>

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

VILLAGE OF SHERMAN

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND

For the Year Ended April 30, 2011

	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 433,673
Cash paid to suppliers	(266,771)
Cash paid to employees	(95,639)
	<hr/>
Net cash from operating activities	71,263
	<hr/>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Principal paid on general obligation bonds	(55,800)
Interest paid on general obligation bonds	(7,931)
Fiscal agent fees on bonds	(310)
	<hr/>
Net cash from capital financing activities	(64,041)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds of investments	29,651
Interest received	2,306
	<hr/>
Net cash from investing activities	31,957
	<hr/>
Net increase in cash and cash equivalents	39,179
Cash, beginning of year	396,266
	<hr/>
Cash, end of year	\$ 435,445
	<hr/> <hr/>
Cash consists of the following:	
Cash and cash equivalents	\$ 247,052
Restricted cash and cash equivalents	188,393
	<hr/>
	\$ 435,445
	<hr/> <hr/>
Reconciliation of operating income (loss) to net cash from operating activities:	
Operating income (loss)	\$ 76,850
Adjustments to reconcile income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	59,912
Increase in accounts receivable	(32,007)
Decrease in amount due General Fund	(39,060)
Increase in accounts payable	4,092
Increase in compensated absences payable	1,476
	<hr/>
Net cash from operating activities	\$ 71,263
	<hr/> <hr/>

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

VILLAGE OF SHERMAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS

April 30, 2011

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 5,197
Property tax receivable	<u>125,903</u>
Total assets	<u>\$ 131,100</u>
LIABILITIES	
Deferred revenue	\$ 125,903
Due to bondholders	<u>5,197</u>
Total liabilities	<u>\$ 131,100</u>

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

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

April 30, 2011

1. SUMMARY OF ACCOUNTING POLICIES

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

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, 2011.

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.

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES– Continued

B. Government-wide and Fund Financial Statements – Continued

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

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

Fund financial statements of the Village are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are intended to finance. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. In determining when to recognize intergovernmental revenue (grants and shared revenue), the legal and contractual requirements of the individual programs are used as guidance. There are, however, essentially two bases for revenue recognition. In one, monies are virtually unrestricted as to the purpose of expenditure and are nearly irrevocable; therefore, these amounts are recognized as revenue at the time of their receipt or earlier if they meet the criteria of availability. In the other, monies must be expended on the specific purpose or project before any amounts will be paid to the Village; therefore, revenue is recognized based upon the expenditure recorded.

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter to pay current liabilities. The Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for sales taxes collected within 90 days. Also, income taxes have a 90 day availability period in the current year due to delays in distributions from the State of Illinois. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims judgments, are recorded only when payment is due.

Property taxes, sales taxes, licenses and permits, charges for services, fines and forfeits, miscellaneous revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Personal property replacement taxes are considered to be measurable when they have been collected and allocated by the state and are recognized as revenue at that time. All other revenue items are considered to be measurable and available only when cash is received by the Village.

An emphasis is placed on major funds within the government. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

The Village reports the following major governmental funds:

The General Fund is the general operating fund of the Village and is used to account for all financial resources except those required to be accounted for in another fund.

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES– Continued

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

The Tax Increment Financing Fund is used to account for the activities relating to the Tax Increment Financing Districts.

The Motor Fuel Tax Fund is used to account for motor fuel taxes received and the use of those funds for certain projects.

The Village reports the following major proprietary fund:

The Sewer Fund is used to account for the revenues and expenses related to operating and maintaining the Village’s sewer operations.

Additionally, the Village reports the following fund types:

Fiduciary Funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, other governments, or other funds. These include the following fund type: Agency Funds. The Agency Fund is used to account for special deposits for which the Village acts as an agent for all special deposit activity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund’s principal ongoing operations. The principal operating revenues of the sewer enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

D. Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

E. Capital Assets

Capital assets are not capitalized in the governmental funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds. Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Donated capital assets are valued at their estimated fair market value on the date received. Estimated historical cost was used to value the majority of the assets acquired prior to May 1, 2004. Prior to May 1, 2004, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since May 1, 2004, are recorded at cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Vehicles	5 years
Equipment	5 – 10 years
Computers	5 years
Infrastructure	40 years
Sewer plant treatment facilities	40 years

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

E. Capital Assets – Continued

The minimum capitalization amount for buildings is \$100,000, for vehicles is \$15,000, for equipment is \$5,000, for computers is \$2,500, and for infrastructure is \$1,000,000.

F. Long-Term Debt

In the government-wide financial statements and proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

G. Equity Classification

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES– Continued

G. Equity Classification - Continued

Government-wide Statements – Continued

- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. None of the restricted net assets result from enabling legislation adopted by the Village.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements

Government fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

H. Use of Estimates

Management of the Village has made certain estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the period. Actual results could differ from those estimates.

I. Investments

Investments are stated at fair value based on quoted market prices at April 30, 2011.

J. Compensated Absences

Vested or accumulated vacation leave is accrued when incurred by the Village in the government-wide and proprietary fund financial statements. Vested or accumulated vacation leave of the proprietary fund is recorded as an expense and liability of that fund as the benefits accrued to employees. A liability in the governmental funds is reported only if the benefit has matured.

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

J. Compensated Absences – Continued

Full-time permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Village. Employees are allowed to accumulate two years vacation time. Employees are entitled to all accrued vacation leave upon termination. Sick leave also accrues to full-time employees; however, unused sick leave is not payable upon termination of employment.

K. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

2. CASH AND CASH EQUIVALENTS

The Village's Board of Trustees have adopted an investment policy to invest in investments allowed by the Illinois Compiled Statutes (ILCS) which authorize the Village to make deposits/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreement to repurchase these same obligations, repurchase agreements, short-term 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 Village to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Village and conforming to all state and local statutes governing the investment of public funds. The primary objectives of the policy, in order of priority are; conformance with legal requirements, protection of investment, liquidity, and attainment of market rates of return.

A. Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the Village's deposits may not be returned to it. To guard against credit risk for deposits with financial institutions the Village's investment policy requires all deposits with financial institutions in excess of federal depository insurance to be collateralized with collateral held at an independent third party institution in the name of the Village evidenced by a written agreement.

VILLAGE OF SHERMAN, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS – Continued

2. CASH AND CASH EQUIVALENTS – Continued

B. Investments

The following table presents the investments in debt securities of the Village as of April 30, 2011 by type of investment.

Investment	Fair Value	Maturity (in years)			
		Less than 1	1-5	6-10	>10
Illinois Funds	\$ 1,069,896	\$ 1,069,896	\$ -	\$ -	\$ -

The Illinois Funds is an external investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Fund's share price, the price for which the investment could be sold. The Illinois Funds Money Market and Prime Fund are rated AAAM by Standard and Poor's.

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates. The Village's policy limits the investments to securities maturing less than one year from the date of purchase. The reserve funds of the Village may be invested in securities exceeding one year if the maturity of such investments coincide with the expected use of the funds.

The Village 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 Illinois Funds and certificate of deposits.

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments that are in the possession of an outside party. The Village limits its exposure to custodial credit risk by utilizing independent, third party institutions, selected by the Village, to act as custodian for its securities and collateral.

Concentration of credit risk – The Village places no limit on the amount the Village may invest in any one issuer. The Village's investments are in the Illinois Funds and certificate of deposits.

VILLAGE OF SHERMAN, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS – Continued

3. PROPERTY TAX CALENDAR

Property tax levy ordinance must be filed in Sangamon County by the last Tuesday in December on the assessed valuation as of January 1. The tax levy becomes an enforceable lien against the property on January 1 of the year following the tax levy year. These taxes are collected by the County Collector and are submitted to the County Treasurer, who remits to the Government units their respective share of the collections.

Taxes levied in one year become due and payable in two installments during the following year. The Sangamon County installments are due June 1 and September 1.

4. CAPITAL ASSETS

A. Governmental Activities

Capital asset activity for the year ending April 30, 2011 consists of the following:

	Balance May 1, 2010 <u>Restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance April 30, 2011
Capital assets not being depreciated				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Other capital assets				
Buildings	350,502	-	-	350,502
Vehicles	387,086	17,690	18,865	385,911
Equipment	399,923	-	5,000	394,923
Computers	16,476	-	-	16,476
Infrastructure	<u>3,802,896</u>	<u>223,177</u>	<u>-</u>	<u>4,026,073</u>
Total capital assets	<u>5,006,883</u>	<u>240,867</u>	<u>23,865</u>	<u>5,223,885</u>
Less accumulated depreciation for:				
Buildings	146,131	8,762	-	154,893
Vehicles	266,848	28,626	18,865	276,609
Equipment	270,422	37,123	5,000	302,545
Computers	8,953	2,795	-	11,748
Infrastructure	<u>187,057</u>	<u>100,652</u>	<u>-</u>	<u>287,709</u>
Total accumulated depreciation	<u>879,411</u>	<u>177,958</u>	<u>23,865</u>	<u>1,033,504</u>
Total capital assets, net of accumulated depreciation	<u>\$ 4,127,472</u>	<u>\$ 62,909</u>	<u>\$ -</u>	<u>\$ 4,190,381</u>

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

4. CAPITAL ASSETS - Continued

B. Business-type Activities

Capital asset activity for the year ending April 30, 2011 consists of the following:

	<u>Balance</u> <u>May 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2011</u>
Sewer plant treatment facility	\$ 2,359,500	\$ -	\$ -	\$ 2,359,500
Vehicle	16,500	-	-	16,500
Equipment	<u>13,399</u>	<u>-</u>	<u>-</u>	<u>13,399</u>
Total capital assets	<u>2,389,399</u>	<u>-</u>	<u>-</u>	<u>2,389,399</u>
Less accumulated depreciation for:				
Sewer plant treatment facility	1,250,329	58,987	-	1,309,316
Vehicle	16,500	-	-	16,500
Equipment	<u>4,997</u>	<u>925</u>	<u>-</u>	<u>5,922</u>
Total accumulated depreciation	<u>1,271,826</u>	<u>59,912</u>	<u>-</u>	<u>1,331,738</u>
Total capital assets, net of accumulated depreciation	<u>\$ 1,117,573</u>	<u>\$ (59,912)</u>	<u>\$ -</u>	<u>\$ 1,057,661</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Governmental activities:	
General government	\$ 31,219
Public safety	29,766
Streets and public works	115,073
Culture and recreation	<u>1,900</u>
Total depreciation expense – governmental activities	<u>\$ 177,958</u>
Business-type activities:	
Sewer	<u>59,912</u>
Total depreciation expense – business-type activities	<u>\$ 59,912</u>

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

5. RISK MANAGEMENT ASSOCIATION

The Village is exposed to various risks of loss including, but not limited to, general liability, property casualty, workers compensation and public official liability. To limit exposure to these risks, the Village participates in the Illinois Municipal League Risk Management Association (IMLRMA). The Village pays an annual premium to IMLRMA for its coverage. Settled claims have not exceeded the coverage in any of the past three fiscal years. The Village's policy is to record any related expenditures in the year in which they are notified and pay the assessment. The Village is not aware of any additional assessments owed as of April 30, 2011.

Employee life and health risks are insured through the purchase of a commercial insurance plan.

6. DEFERRED COMPENSATION PLAN

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to full time employees not covered under a collective bargaining agreement, permits them to defer a portion of their salary until future years. The Village also elected to make a matching contribution up to 4% of an employee's annual salary. An employee is eligible to participate when hired and is vest 100% immediately. The amounts deferred and earnings thereon, are not available to employees until termination, retirement, death, or unforeseeable emergency. During the year the Village contributed \$11,350 for employee policy premiums.

Contributions are administered by a third-party agent and the assets and income thereon are held in trust for the exclusive benefit of participants and their beneficiaries.

7. PENSION PLANS

The Village makes contributions to a multi-employer pension plan for its union employees. Contributions made for the year ended April 30, 2011 totaled \$5,875.

The union-negotiated defined benefit plan is administered by representatives of various trade unions. The Pension Protection Act of 2006 (PPA of 2006) imposed additional funding rules for defined benefit multi-employer plans with the goal of improving the financial condition of these plans. These rules were effective beginning in the 2008 plan year. Beginning in 2008, the plan actuary was required to annually certify to the Secretary of Treasury and the plan's Board of Trustees whether or not the plan is in endangered or critical status, as defined by the PPA. The Village received a notice of endangered status from the pension plan for the plan year beginning October 1, 2009. The Village then received a notice of critical status from the pension plan for the plan year beginning October 1, 2011 and a rehabilitation plan was adopted effective March 1, 2012.

VILLAGE OF SHERMAN, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS – Continued

7. PENSION PLANS – Continued

Should the Village withdraw from the plan or should the plan become insolvent, the Village will be liable for its proportionate share of total unfunded vested benefits. The likelihood of a potential liability cannot be determined and therefore a liability has not been accrued.

8. LONG TERM DEBT

Governmental Activities

General Obligation Bonds, Series 2004

The Village issued \$915,000 General Obligation Refunding Bonds, Series 2004 for the purpose of refunding prior bonds of the Village. The Village pays 62% of debt service expenditures from funds provided from the Sewer Fund and 38% from a general obligation tax levy provided from the General Fund. Principal payments range from \$95,000 to \$105,000 annually and have a final principal maturity date of October 1, 2013. The annual debt service requirements are as follows:

<u>Years ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 95,000	\$ 9,555	\$ 104,555
2013	100,000	5,968	105,968
2014	<u>105,000</u>	<u>2,021</u>	<u>107,021</u>
Total	<u>\$ 300,000</u>	<u>\$ 17,544</u>	<u>\$ 317,544</u>

Capital Leases

The Village is obligated under two equipment leases accounted for as capital leases. The leased assets (vehicles) and related obligation are accounted for as a governmental activity. The assets under the capital lease net of depreciation totaled \$40,369 at April 30, 2011. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments at April 30, 2011:

Year ended April 30,	
2012	\$ 6,866
2013	3,888
2014	3,888
2015	<u>3,855</u>
Future minimum lease payments	18,497
Less: Amount representing interest	<u>1,061</u>
Present value of minimum lease payments	<u>\$ 17,436</u>

VILLAGE OF SHERMAN, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS – Continued

8. LONG TERM DEBT – Continued

Tax Increment Financing Payable Bonds

The tax increment financing bonds are a limited obligation of the tax increment financing district of the Village payable solely and only from collections of incremental taxes from each specific “Project Increment Area” are deemed to be “Pledged Taxes,” irrevocable until the obligations are discharged. These bonds do not constitute a general obligation of the Village. However, the bonds payable are required to be reported on the Village’s financial statements.

Tax Increment Revenue Bonds, Series 1991

The Village issued \$147,840 Tax Increment Revenue Bonds, Series 1991 in 1992 for the purpose of infrastructure improvements in the Roadway Redevelopment Project Area. The Village pays debt service expenditures from tax incremental revenue generated by specific property. The full principal amount matures in fiscal year 2010 but was not paid during the fiscal year.

<u>Years ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 147,840	\$ 322,904	\$ 470,744
Total	\$ 147,840	\$ 322,904	\$ 470,744

Tax Increment Revenue Bonds, Series 2004

The Village issued \$1,650,000 Tax Increment Revenue Bonds, Series 2004A and Series 2004B for the purpose of paying a portion of redevelopment project costs. The Village pays debt service expenditures from incremental property taxes collected within the Tax Increment Financing District. During fiscal year 2011 the bond holders amended the bond ordinance to extend the maturity schedule. The amended maturity schedule includes principal payments range from \$117,000 to \$186,000 annually beginning in fiscal year 2014. The annual debt service requirements are as follows:

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

8. LONG TERM DEBT – Continued

Tax Increment Revenue Bonds, Series 2004 – continued

<u>Years ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 82,845	\$ 82,845
2013	-	80,280	80,280
2014	117,000	80,280	197,280
2015	123,000	73,260	196,260
2016	130,000	65,880	195,880
2017-2021	782,000	202,020	984,020
2022	<u>186,000</u>	<u>11,160</u>	<u>197,160</u>
Total	<u>\$ 1,338,000</u>	<u>\$ 595,725</u>	<u>\$ 1,933,725</u>

Tax Increment Revenue Bonds, Series 2011

The Village issued \$2,000,000 Tax Increment Revenue Bonds, Series 2011 for the purpose of paying a portion of redevelopment project costs. The Village pays debt service expenditures from incremental property taxes collected within the Tax Increment Financing District. Principal payments range from \$95,000 to \$262,000 annually beginning in fiscal year 2016. The annual debt service requirements are as follows:

<u>Years ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ -	\$ -
2013	-	72,000	72,000
2014	-	90,000	90,000
2015	-	90,000	90,000
2016	95,000	90,000	185,000
2017-2021	923,000	357,165	1,280,165
2022-2025	<u>982,000</u>	<u>112,950</u>	<u>1,094,950</u>
Total	<u>\$ 2,000,000</u>	<u>\$ 812,115</u>	<u>\$ 2,812,115</u>

VILLAGE OF SHERMAN, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS – Continued

8. LONG TERM DEBT – Continued

Tax Increment Financing Note Payable

Certain bond payments of the Village were paid by a developer of the Route 66 TIF District. According to the development agreement all payments made by the developer for principal and interest on TIF bonds due to a shortfall in the Tax Increment Allocation Fund shall be repaid by the Village from tax increment financing proceeds. This obligation remains in effect until the expiration of the Route 66 TIF District in October 2022 or for so long as eligible project costs due to the developer under the development agreement remain outstanding and payable, whichever is sooner. Therefore, no set debt service schedule is available. The total note payable balance to the developer as of April 30, 2011 is \$370,258.

Changes in Long-Term Liabilities

During the fiscal year the activity relating to governmental long-term liabilities is as follows:

	<u>Balances</u> <u>May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>April 30</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
\$915,000 G.O. Refunding Sewer Bonds, Series 2004, monthly interest payments at a variable rate, due October 1, 2013, principal payments begin October 1, 2004 *	\$ 148,200	\$ -	\$ 34,200	\$ 114,000	\$ 36,100
\$31,000 Capital Lease, interest At 3.80%, due July 15, 2011	14,712	-	11,550	3,162	3,162
\$17,500 Capital Lease, interest At 4.15%, due April 28, 2015	17,500	-	3,226	14,274	3,359
\$147,890 Tax Incremental Financing Bonds, Series 1991, interest payments at 12%, due September 17, 2009	147,840	-	-	147,840	147,840

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

8. LONG TERM DEBT – Continued

Changes in Long-Term Liabilities – Continued

	Restated Balances <u>May 1</u>	<u>Additions</u>	<u>Reductions</u>	Balances <u>April 30</u>	Due Within <u>One Year</u>
\$1,650,000 TIF Revenue Bonds Series 2004, semi annual interest payments at 6%, due January 1, 2022, principal payments began January 1, 2008	\$ 1,353,000	\$ -	\$ 15,000	\$ 1,338,000	\$ -
\$2,000,000 TIF Revenue Bonds Series 2011, annual interest payments at 4.5%, due December 31, 2023, principal payments begin January 1, 2015	-	2,000,000	-	2,000,000	-
TIF Note payable	370,258	-	-	370,258	-
Other commitments	-	85,000	25,000	60,000	10,000
Compensated absences payable Governmental activity – long-term liabilities	<u>36,379</u>	<u>26,542</u>	<u>26,329</u>	<u>36,592</u>	<u>17,659</u>
	<u>\$ 2,087,889</u>	<u>\$ 2,111,542</u>	<u>\$ 115,305</u>	<u>\$ 4,084,126</u>	<u>\$ 218,120</u>
Business-type activities:					
\$915,000 G.O. Refunding Sewer Bonds, Series 2004, monthly interest payments at a variable rate, due October 1, 2013, principal payments begin October 1, 2004 *	\$ 241,800	\$ -	\$ 55,800	\$ 186,000	\$ 58,900
Compensated absences payable Business-type activity long-term liabilities	<u>9,309</u>	<u>7,875</u>	<u>6,399</u>	<u>10,785</u>	<u>3,889</u>
	<u>\$ 251,109</u>	<u>\$ 7,875</u>	<u>\$ 62,199</u>	<u>\$ 196,785</u>	<u>\$ 62,789</u>

*The G.O. Refunding Sewer Bonds are paid out of the General Fund and the Sewer Fund.

VILLAGE OF SHERMAN, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS – Continued

9. DEBT WITHOUT GOVERNMENT COMMITMENT

Special Service Area Bonds, Series 2001

The Village issued \$1,000,000 Special Service Area Bonds, Unlimited Ad Valorem Tax Bonds, Series 2001 for the purpose of infrastructure improvements at the Route 66 Crossing at Sherman development. The Village is not obligated for repayment. Village residents located in the special service area are obligated to pay the special tax along with their standard County property tax bill. Therefore, the Village does not report any liability in its financial statements. Principal payments range from \$55,902 to \$117,655 annually with a final payment due October 1, 2015. The outstanding principal balance as of April 30, 2011 was \$516,223.

10. INTERFUND BALANCES

Interfund receivable and payable balances at April 30, 2011 consist of:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund:		
TIF Fund	\$ -	\$ 95,059
Sewer	<u>279</u>	<u>-</u>
	<u>279</u>	<u>95,059</u>
TIF Fund:		
General Fund	95,059	-
TIF Fund	<u>20,000</u>	<u>20,000</u>
	<u>115,059</u>	<u>20,000</u>
Sewer Fund:		
General Fund	<u>-</u>	<u>279</u>
Total interfund receivables/payables	<u>\$ 115,338</u>	<u>\$ 115,338</u>

The purpose of significant due from/to other funds is as follows:

- \$95,059 due from the General Fund to the TIF Fund. The balance consists of Tax Increment Financing District property and sales taxes received in the General Fund, but not yet paid at April 30, 2011.
- \$279 due from the Sewer Fund to the General Fund. The balance consists of salary expenditures paid by the General Fund, but not yet repaid by the Sewer Fund at April 30, 2011.

VILLAGE OF SHERMAN, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS – Continued

10. INTERFUND BALANCES – Continued

- \$20,000 due from the Route 66 TIF District and the Rail Pointe TIF District to the Original TIF District. The balance consists of a \$15,000 loan to the Route 66 TIF District and a \$5,000 loan to the Rail Pointe TIF District to cover operating expenses. The Village expects the obligation will be liquidated within one year.

11. OTHER COMMITMENTS

The Village has entered into an agreement with a private organization to encourage economic development in the Village. The agreement provides for a payment of \$25,000 in November 2010 and annual payments of \$10,000 from November 2011 through November 2016. This is a total commitment of \$85,000 of which the balance at April 30, 2011 is \$60,000.

12. DEVELOPMENT ASSISTANCE

The Village has entered into agreements with private organizations to encourage economic development in the Village. One agreement provides for rebating 50% of the sales tax generated by the organization. The agreement expires upon the earliest of (1) the payment of the \$435,000 to the organization, or (2) December 31, 2021. There were no rebates paid to the organization as of April 30, 2011. One agreement provides for rebating 75% of the incremental property taxes generated by the organization. The agreement expires upon the earliest of (1) the payment of \$190,500 to the organization, or (2) December 31, 2022. There were no rebates paid to the organization as of April 30, 2011.

13. PRIOR PERIOD ADJUSTMENTS

The Village has restated beginning fund balance/net assets as of May 1, 2010 to a) correct interfund payable balances, b) correct receivable balance and c) correct infrastructure.

	General	Tax Increment Financing	Sewer	Governmental Activities	Business-Type Activities
FUND BALANCE/ NET ASSETS, December 1 (as previously reported)	\$ 299,607	\$ 2,818,533	\$ 1,385,088	\$ 2,969,526	\$ 1,385,088
Restated for					
a) Correct payable	48,623	(48,623)	-	-	-
b) Understated receivable	-	-	38,369	-	38,369
c) Correct infrastructure	-	-	-	2,233,900	-
FUND BALANCE/ NET ASSETS, DECEMBER 1 (as restated)	\$ 348,230	\$ 2,769,910	\$ 1,423,457	\$ 5,203,426	\$ 1,423,457

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF SHERMAN, ILLINOIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

For the Year Ended April 30, 2011

	Original Budget	Final Budget	Actual	Variance Over/ (Under)
REVENUES				
Property taxes	\$ 153,000	\$ 153,000	\$ 148,447	\$ (4,553)
Road and bridge taxes	40,000	40,000	42,240	2,240
Sales and use taxes	285,000	285,000	318,783	33,783
Personal property replacement taxes	320	320	355	35
Income taxes	221,000	221,000	245,669	24,669
Franchise fees	20,000	20,000	43,640	23,640
Liquor license	2,400	2,400	2,400	-
Building permits	32,000	32,000	30,789	(1,211)
Fines	38,000	38,000	28,325	(9,675)
Investment income	180	180	355	175
Miscellaneous	892,500	892,500	44,970	(847,530)
Total revenues	<u>1,684,400</u>	<u>1,684,400</u>	<u>905,973</u>	<u>(778,427)</u>
EXPENDITURES				
General government				
Finance:				
Insurance	27,500	27,500	22,498	(5,002)
Salaries	61,125	61,125	38,325	(22,800)
Payroll taxes	7,063	7,063	7,127	64
Computer	-	-	1,044	1,044
Auditing	6,250	6,250	4,367	(1,883)
Finance total	<u>101,938</u>	<u>101,938</u>	<u>73,361</u>	<u>(28,577)</u>
Legal:				
Attorney	15,625	15,625	9,258	(6,367)
Legal total	<u>15,625</u>	<u>15,625</u>	<u>9,258</u>	<u>(6,367)</u>
Village clerk:				
Salary	13,125	13,125	7,356	(5,769)
Payroll expenditures	1,006	1,006	563	(443)
Printing, supplies and postage	7,500	7,500	5,955	(1,545)
Dues and membership	3,000	3,000	5,869	2,869
Telephone	4,500	4,500	2,728	(1,772)
Bulk mailing	7,500	7,500	4,696	(2,804)
Village clerk total	<u>36,631</u>	<u>36,631</u>	<u>27,167</u>	<u>(9,464)</u>

(Continued)

See accompanying Independent Auditor's Report

VILLAGE OF SHERMAN, ILLINOIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

For the Year Ended April 30, 2011

	Original Budget	Final Budget	Actual	Variance Over/ (Under)
Village Hall:				
Salaries	\$ 22,500	\$ 22,500	\$ 15,903	\$ (6,597)
Payroll expenditures	1,721	1,721	1,853	132
Office equipment	1,875	1,875	713	(1,162)
Supplies/labor	10,000	10,000	2,267	(7,733)
Utilities	15,000	15,000	11,103	(3,897)
Miscellaneous	7,500	7,500	12,613	5,113
Building maintenance	1,875	1,875	165	(1,710)
Recycling program	750	750	-	(750)
Community events	8,750	8,750	3,250	(5,500)
Website	7,063	7,063	2,168	(4,895)
Village hall total	<u>77,034</u>	<u>77,034</u>	<u>50,035</u>	<u>(26,999)</u>
Contingency				
Contingency	144,733	144,733	37,467	(107,266)
Contingency total	<u>144,733</u>	<u>144,733</u>	<u>37,467</u>	<u>(107,266)</u>
General government total	<u>375,961</u>	<u>375,961</u>	<u>197,288</u>	<u>(178,673)</u>
Public Safety:				
Public health and safety:				
Consulting	-	-	250	250
Mosquito control	5,000	5,000	3,044	(1,956)
ESDA	3,125	3,125	3,079	(46)
Miscellaneous	1,250	1,250	1,121	(129)
Public health safety total	<u>9,375</u>	<u>9,375</u>	<u>7,494</u>	<u>(1,881)</u>
Police:				
Salaries	365,000	365,000	301,879	(63,121)
Payroll expenditures	80,436	80,436	55,131	(25,305)
Telecommunications	36,250	36,250	24,248	(12,002)
Gasoline	25,000	25,000	21,665	(3,335)
Equipment maintenance	7,625	7,625	5,067	(2,558)
Training	9,125	9,125	3,549	(5,576)
Uniforms	5,000	5,000	2,392	(2,608)
Neighborhood watch	1,250	1,250	3,381	2,131
Supplies	10,750	10,750	6,737	(4,013)
Police total	<u>540,436</u>	<u>540,436</u>	<u>424,049</u>	<u>(116,387)</u>
Total public safety	<u>549,811</u>	<u>549,811</u>	<u>431,543</u>	<u>(118,268)</u>

(Continued)

See accompanying Independent Auditor's Report

VILLAGE OF SHERMAN, ILLINOIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

For the Year Ended April 30, 2011

	Original Budget	Final Budget	Actual	Variance Over/ (Under)
Streets and Public Works				
Streets and alleys:				
Salaries	\$ 125,000	\$ 125,000	\$ 83,327	\$ (41,673)
Payroll expenditures	36,752	36,752	26,745	(10,007)
Gas and oil	13,750	13,750	10,240	(3,510)
Equipment maintenance and repair	14,375	14,375	7,975	(6,400)
Telephone	2,125	2,125	1,669	(456)
Miscellaneous/supplies	4,313	4,313	3,125	(1,188)
Clean-up day	3,750	3,750	-	(3,750)
Streets and alleys total	<u>200,065</u>	<u>200,065</u>	<u>133,081</u>	<u>(66,984)</u>
Engineering:				
Engineer	<u>87,500</u>	<u>87,500</u>	<u>57,983</u>	<u>(29,517)</u>
Engineering total	<u>87,500</u>	<u>87,500</u>	<u>57,983</u>	<u>(29,517)</u>
Streets and Public Works total	<u>287,565</u>	<u>287,565</u>	<u>191,064</u>	<u>(96,501)</u>
Culture and Recreation				
Parks and recreation:				
Gas and oil	3,125	3,125	2,761	(364)
Fertilizer	-	-	-	-
Equipment supplies	2,875	2,875	1,152	(1,723)
Park improvements	7,625	7,625	7,164	(461)
Parks and recreation total	<u>13,625</u>	<u>13,625</u>	<u>11,077</u>	<u>(2,548)</u>
Culture and recreation total	<u>13,625</u>	<u>13,625</u>	<u>11,077</u>	<u>(2,548)</u>
Debt Service				
Debt Service:				
G.O. refunding bonds principal	34,200	34,200	34,200	-
G.O. refunding bonds interest	17,050	17,050	5,051	(11,999)
Capital lease principal	-	-	11,378	11,378
Capital lease interest	-	-	788	788
Debt service total	<u>51,250</u>	<u>51,250</u>	<u>51,417</u>	<u>167</u>

(Continued)

See accompanying Independent Auditor's Report

VILLAGE OF SHERMAN, ILLINOIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

For the Year Ended April 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/ (Under)</u>
Capital outlay				
Police	\$ 19,375	\$ 19,375	\$ 17,702	\$ (1,673)
Village Hall	845,000	845,000	-	(845,000)
Capital outlay total	<u>864,375</u>	<u>864,375</u>	<u>17,702</u>	<u>(846,673)</u>
 Total expenditures paid	 <u>2,142,587</u>	 <u>2,142,587</u>	 <u>900,091</u>	 <u>(1,242,496)</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ (458,187)</u>	 <u>\$ (458,187)</u>	 5,882	 <u>\$ 464,069</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS - NET CHANGE RESULTING FROM RECORDING ACCOUNTS RECEIVABLE, PAYABLE, AND OTHER ACCRUED ITEMS			(23,419)	
FUND BALANCE, BEGINNING OF YEAR			<u>299,607</u>	
Prior period adjustment			48,623	
FUND BALANCE, BEGINNING OF YEAR - RESTATED			<u>348,230</u>	
FUND BALANCE, END OF YEAR			<u>\$ 330,693</u>	(Concluded)

See accompanying Independent Auditor's Report

VILLAGE OF SHERMAN, ILLINOIS

MOTOR FUEL TAX FUND

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

For the Year Ended April 30, 2011

	Original Budget	Final Budget	Actual	Variance Over/ (Under)
REVENUES				
Motor fuel tax	\$ 73,800	\$ 73,800	\$ 85,401	\$ 11,601
Investment income	200	200	109	(91)
Miscellaneous	26,000	26,000	-	(26,000)
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>85,510</u>	<u>(14,490)</u>
EXPENDITURES				
Streets and Public Works:				
Highway maintenance program	49,720	49,720	42,307	(7,413)
Miscellaneous projects	62,500	62,500	7,321	(55,179)
Street lighting	68,373	68,373	42,946	(25,427)
Signal maintenance	16,563	16,563	7,344	(9,219)
Total expenditures	<u>197,156</u>	<u>197,156</u>	<u>99,918</u>	<u>(97,238)</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ (97,156)</u>	 <u>\$ (97,156)</u>	 (14,408)	 <u>\$ 82,748</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS - NET CHANGE RESULTING FROM RECORDING ACCOUNTS RECEIVABLE, PAYABLE, AND OTHER ACCRUED ITEMS			(1,563)	
FUND BALANCE, BEGINNING OF YEAR			<u>78,466</u>	
FUND BALANCE, END OF YEAR			<u>\$ 62,495</u>	

See Accompanying Independent Auditor's Report

VILLAGE OF SHERMAN, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2011

1. BUDGET

The appropriations ordinance and budget is prepared on a cash basis by fund, namely, General Fund and Motor Fuel Tax Fund. A fiscal year budget has not been prepared for the Tax Increment Financing Fund. Prior to passage the governing body holds public hearings and may add, subtract from, or change appropriations. A final appropriation ordinance and budget must be filed with the County Clerk within 30 days of its adoption. Expenditures are budgeted by operational line item which constitutes the legal level of control. The amounts reflected in the financial statements represent the final amended appropriations.

2. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

The budgetary comparison schedules for the General Fund and Motor Fuel Tax Fund present comparisons of the budget on a cash basis with actual data on the cash basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present basic financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of resultant basis and timing differences in excess (deficiency) of revenue over expenditures for the year ended April 30, 2011 is presented on each budgetary comparison schedule in the line item titled "Reconciliation to modified accrual basis – net change resulting from recording accounts receivable, payable, and other accrued items."

SUPPLEMENTARY INFORMATION

VILLAGE OF SHERMAN, ILLINOIS
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS

For the Year Ended April 30, 2011

	Balances, May 1, 2010	Additions	Deductions	Balances, April 30, 2011
ASSETS				
Cash and cash equivalents	\$ 5,192	\$ 125,907	\$ 125,902	\$ 5,197
Property tax receivable	125,903	125,903	125,903	125,903
TOTAL ASSETS	\$ 131,095	\$ 251,810	\$ 251,805	\$ 131,100
LIABILITIES				
Deferred revenue	\$ 125,903	\$ 125,903	\$ 125,903	\$ 125,903
Due to others	5,192	125,907	125,902	5,197
TOTAL LIABILITIES	\$ 131,095	\$ 251,810	\$ 251,805	\$ 131,100



3201 West White Oaks Drive, Suite 102 • Springfield, IL 62704

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
STATE OF ILLINOIS PUBLIC ACT 85-1142

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

We have audited the basic financial statements of the Village of Sherman as of and for the year ended April 30, 2011, and have issued our report thereon dated July 26, 2012. The basic financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have also audited the Village's compliance with the provisions of subsection (q) of Illinois Compiled Statutes 65 (ILCS) 5/11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) for the year ended April 30, 2011 for the Tax Increment Financing District TIF Fund. Compliance with the requirements referred to above is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance 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 noncompliance with the compliance requirements referred to above could have a material effect on the Tax Increment Financing District TIF Fund. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Sherman, Illinois complied, in all material respects, with the aforementioned requirements for the year ended April 30, 2011.

This report is intended solely for the information and use of the Village Board, management and the Illinois Department of Revenue, Illinois State Comptroller's Office and the Joint Review Board and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads 'Sikich CP'.

Springfield, Illinois
July 26, 2012

VILLAGE OF SHERMAN
TAX INCREMENT FINANCING FUND
COMBINING BALANCE SHEET
BY SUBFUND

April 30, 2011

	Original TIF District	Route 66 TIF District	Rail Pointe TIF District	Total TIF Fund
ASSETS				
Cash and cash equivalents	\$ 840,499	\$ 458,494	\$ 4,165	\$ 1,303,158
Investments	2,220,511	-	121,082	2,341,593
Property tax receivable	904,811	35,760	5,000	945,571
Other receivables	-	8,093	-	8,093
Due from other funds	87,464	16,229	11,366	115,059
Total assets	<u>\$ 4,053,285</u>	<u>\$ 518,576</u>	<u>\$ 141,613</u>	<u>\$ 4,713,474</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 242,968	\$ -	\$ -	\$ 242,968
Deferred revenue	904,811	35,760	5,000	945,571
Due to other funds	-	15,000	5,000	20,000
Total liabilities	1,147,779	50,760	10,000	1,208,539
Fund balances:				
Reserved for economic development	2,905,506	467,816	131,613	3,504,935
Total liabilities and fund balances	<u>\$ 4,053,285</u>	<u>\$ 518,576</u>	<u>\$ 141,613</u>	<u>\$ 4,713,474</u>

See independent auditor's report.

VILLAGE OF SHERMAN

TAX INCREMENT FINANCING FUND

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BY SUBFUND

For the year ended April 30, 2011

	Original TIF District	Route 66 TIF District	Rail Pointe TIF District	Total TIF Fund
REVENUES				
Property taxes	\$ 907,148	\$ 36,233	\$ 4,976	\$ 948,357
Investment income	13,148	246	1,193	14,587
Total revenues	<u>920,296</u>	<u>36,479</u>	<u>6,169</u>	<u>962,944</u>
EXPENDITURES				
Salaries	46,126	-	-	46,126
Attorney fees	26,510	3,523	643	30,676
Administration	9,250	3,000	105	12,355
Audit	-	1,000	1,000	2,000
Engineering	108,727	6,837	7,237	122,801
Contractual agreements	11,610	-	-	11,610
Bond payments				
Principal	28,400	15,000	-	43,400
Interest	234	45,930	-	46,164
Infrastructure improvements	359,287	1,472,417	-	1,831,704
Total expenditures	<u>590,144</u>	<u>1,547,707</u>	<u>8,985</u>	<u>2,146,836</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>330,152</u>	<u>(1,511,228)</u>	<u>(2,816)</u>	<u>(1,183,892)</u>
OTHER FINANCING SOURCES (USES)				
TIF bond issuance costs	-	(81,083)	-	(81,083)
TIF bond proceeds	-	2,000,000	-	2,000,000
Total other financing sources (uses)	<u>-</u>	<u>1,918,917</u>	<u>-</u>	<u>1,918,917</u>
NET CHANGE IN FUND BALANCE	<u>330,152</u>	<u>407,689</u>	<u>(2,816)</u>	<u>735,025</u>
FUND BALANCE, BEGINNING OF YEAR	2,575,354	108,750	134,429	2,818,533
Prior period adjustments	<u>-</u>	<u>(48,623)</u>	<u>-</u>	<u>(48,623)</u>
FUND BALANCE, BEGINNING OF OF THE YEAR - RESTATED	<u>2,575,354</u>	<u>60,127</u>	<u>134,429</u>	<u>2,769,910</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,905,506</u>	<u>\$ 467,816</u>	<u>\$ 131,613</u>	<u>\$ 3,504,935</u>

See independent auditor's report.