

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
TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
 BASIC FINANCIAL STATEMENTS	
Statement of Net Assets – Modified Cash Basis.....	3
Statement of Activities – Modified Cash Basis	4
Statement of Assets, Liabilities, and Fund Balances – Modified Cash Basis – Governmental Funds.....	6
Reconciliation of the Statement of Assets, Liabilities, and Fund Balances – Modified Cash Basis – Governmental Funds to the Statement of Net Assets – Modified Cash Basis.....	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Governmental Funds.....	8
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	9
Statement of Net Assets – Modified Cash Basis – Proprietary Fund.....	10
Statement of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis – Proprietary Fund	11
Statement of Cash Flows – Modified Cash Basis – Proprietary Fund	12
Statement of Fiduciary Assets and Liabilities – Modified Cash Basis – Fiduciary Fund	13
Notes to Financial Statements.....	14
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – Modified Cash Basis – General Fund.....	32
Budgetary Comparison Schedule – Modified Cash Basis – TIF Fund	36
Budgetary Comparison Schedule – Modified Cash Basis – Motor Fuel Tax Fund	37
Notes to Required Supplementary Information.....	38

VILLAGE OF SHERMAN, ILLINOIS
TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE OF ILLINOIS PUBLIC ACT 85-1142	39
Combining Statement of Assets, Liabilities, and Fund Balance by Subfund – Modified Cash Basis – TIF Fund	40
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance By Subfund – Modified Cash Basis – TIF Fund	41



1000 Churchill Road • Springfield, IL 62702

Members of American Institute of
Certified Public Accountants &
Illinois CPA Society

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.

Sikich UP

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.

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
<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.

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	\$ 32,762	\$ -	\$ -	\$ 32,762
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	(147,500)
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
Total revenues received	949,642	1,039,804	82,675	2,072,121
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
Total expenditures	833,090	553,366	35,091	1,421,547
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	116,552	486,438	47,584	650,574
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)	34,332	147,500	(34,332)	147,500
Net change in fund balances	150,884	633,938	13,252	798,074
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	240,539	1,680,777	45,734	1,967,050
Fund balance at end of year	\$ 391,423	\$ 2,314,715	\$ 58,986	\$ 2,765,124

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>
---	-------------------

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>\$ 1,376,752</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><u>\$ 644,587</u></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><u>\$ 62,910</u></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	<u>\$ 4,984</u>
Total assets	<u><u>\$ 4,984</u></u>
LIABILITIES	
Due to bondholders	<u>\$ 4,984</u>
Total liabilities	<u><u>\$ 4,984</u></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.

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 are 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.

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. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

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.

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.

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 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.

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.

C. Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in Note 1D.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus – Continued

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

D. Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenses when they result from cash transactions with a provision for depreciation in the government-wide statements, and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

E. 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.

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

F. Capital Assets

The Village's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Governmental-wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. 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.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. 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

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. 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.

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

F. Capital Assets – Continued

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the governmental-wide statements.

G. Long-Term Debt

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

H. 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.
- 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.”

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H. Equity Classification - Continued

It is the Village's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

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

I. Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the Village requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

J. Compensated Absences

The Village does not report accrued vacation leave or sick pay under the modified cash basis of accounting. Such amounts are reported as expenditures when paid.

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.

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.

VILLAGE OF SHERMAN, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS – Continued

2. CASH AND CASH EQUIVALENTS – Continued

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.

To guard against credit risk of 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 by an independent third party institution in the name of the Village, evidenced by a written collateral agreement.

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. At April 30, 2008, the bank balance of the Village’s deposits totaled \$701,926. All of the bank balances are covered by federal depositor insurance or by collateral held by the Village, or its agent, in the Village’s name, except for \$43,237.

B. Investments

The following table presents the investments in debt securities of the Village as of April 30, 2008 by type of investment.

<u>Investment</u>	<u>Fair Value</u>	<u>Maturity (in years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>>10</u>
Illinois Funds	\$2,588,495	\$ 2,588,495	\$ -	\$ -	\$ -

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.

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

2. CASH AND CASH EQUIVALENTS - Continued

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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.

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.

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.

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

4. CAPITAL ASSETS

A. Governmental Activities

Capital asset activity, resulting from modified cash basis transactions, for the year ending April 30, 2008 consists of the following:

	Restated Balance <u>May 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>April 30, 2008</u>
Capital assets not being depreciated				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Other capital assets				
Buildings	350,502	-	-	350,502
Vehicles	272,119	-	-	272,119
Equipment	278,581	30,904	-	309,485
Computers	2,500	13,976	-	16,476
Infrastructure	<u>1,568,996</u>	<u>-</u>	<u>-</u>	<u>1,568,996</u>
Total capital assets	<u>2,522,698</u>	<u>44,880</u>	<u>-</u>	<u>2,567,578</u>
Less accumulated depreciation for:				
Buildings	119,844	8,762	-	128,606
Vehicles	140,297	51,368	-	191,665
Equipment	161,441	32,989	-	194,430
Computers	900	2,163	-	3,063
Infrastructure	<u>69,382</u>	<u>39,225</u>	<u>-</u>	<u>108,607</u>
Total accumulated depreciation	<u>491,864</u>	<u>134,507</u>	<u>-</u>	<u>626,371</u>
Total capital assets, net of accumulated depreciation	<u>\$ 2,030,834</u>	<u>\$ (89,627)</u>	<u>\$ -</u>	<u>\$ 1,941,207</u>

VILLAGE OF SHERMAN, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS – Continued

4. CAPITAL ASSETS - Continued

B. Business-type Activities

Capital asset activity, resulting from modified cash basis transactions, for the year ending April 30, 2008 consists of the following:

	<u>Balance</u> <u>May 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2008</u>
Sewer plant treatment facility	\$ 2,359,500	\$ -	\$ -	\$ 2,359,500
Vehicle	16,500	-	-	16,500
Equipment	<u>4,149</u>	<u>-</u>	<u>-</u>	<u>4,149</u>
Total capital assets	<u>2,380,149</u>	<u>-</u>	<u>-</u>	<u>2,380,149</u>
Less accumulated depreciation for:				
Sewer plant treatment facility	1,073,367	58,987	-	1,132,354
Vehicle	16,500	-	-	16,500
Equipment	<u>4,149</u>	<u>-</u>	<u>-</u>	<u>4,149</u>
Total accumulated depreciation	<u>1,094,016</u>	<u>58,987</u>	<u>-</u>	<u>1,153,003</u>
Total capital assets, net of accumulated depreciation	<u>\$ 1,286,133</u>	<u>\$ (58,987)</u>	<u>\$ -</u>	<u>\$ 1,227,146</u>

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

Governmental activities:	
General government	33,237
Public safety	28,513
Streets and public works	70,857
Culture and recreation	<u>1,900</u>
Total depreciation expense – governmental activities	<u>\$ 134,507</u>
Business-type activities:	
Sewer	<u>58,987</u>
Total depreciation expense – business-type activities	<u>\$ 58,987</u>

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS – Continued

5. TAX INCREMENT FINANCING FUND – FUND BALANCE RESERVES

The Tax Increment Financing Fund’s ending fund balance has been designated by the Village for the payment of existing bond indebtedness and redevelopment project costs.

Total Fund Balance Reserved	<u>\$ 2,314,715</u>
-----------------------------	---------------------

6. 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. The Village is liable for up to \$500 a year deductible. 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, 2008.

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

7. DEFERRED COMPENSATION PLAN

The Village has adopted a deferred compensation plan for all full time employees. The Village contributes 5% of an employee’s annual salary for the purchase of a variable whole life insurance policy in the name of the employee. An employee is eligible to participate when hired and is vest 100% immediately. During the year the Village contributed \$6,821 for employee policy premiums.

VILLAGE OF SHERMAN, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS - Continued

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 \$85,000 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>
2009	\$ 90,000	\$ 18,418	\$ 108,418
2010	90,000	15,718	105,718
2011	90,000	12,793	102,793
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>\$ 570,000</u>	<u>\$ 64,473</u>	<u>\$ 634,473</u>

Capital Leases

The Village is obligated under one equipment lease accounted for as a capital lease. The leased asset (truck) and related obligation are accounted for as a governmental activity. The asset under the capital lease net of depreciation totaled \$23,073 at April 30, 2008. 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, 2008:

Year ended April 30,	
2009	\$ 10,826
Future minimum lease payments	10,826
Less: Amount representing interest	<u>573</u>
Present value of minimum lease payments	<u>\$ 10,253</u>

VILLAGE OF SHERMAN, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS - Continued

8. LONG TERM DEBT – Continued

The Village is obligated under one equipment lease accounted for as a capital lease. The leased asset (dump truck) and related obligation are accounted for as a governmental activity. The asset under the capital lease net of depreciation totaled \$44,753 at April 30, 2008. 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, 2008:

Year ended April 30,		
2009	\$	28,404
Future minimum lease payments		28,404
Less: Amount representing interest		790
Present value of minimum lease payments	\$	<u>27,614</u>

Tax Increment Financing Payable Bonds

The tax increment refunding 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.

<u>Years ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ -	\$ -	\$ -
2010	<u>147,840</u>	<u>322,904</u>	<u>470,744</u>
Total	<u>\$ 147,840</u>	<u>\$ 322,904</u>	<u>\$ 470,744</u>

VILLAGE OF SHERMAN, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS - Continued

8. LONG TERM DEBT – Continued

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 Town pays debt service expenditures from increment sales tax and property taxes collected within the Tax Increment Financing District. Principal payments range from \$98,000 to \$186,000 annually begin in fiscal year 2008. The annual debt service requirements are as follows:

<u>Years ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 104,000	\$ 93,120	\$ 197,120
2010	110,000	86,880	196,880
2011	117,000	80,280	197,280
2012	123,000	73,260	196,260
2013	130,000	65,880	195,880
2014-2018	782,000	202,020	984,020
2019	<u>186,000</u>	<u>11,160</u>	<u>197,160</u>
Total	<u>\$ 1,552,000</u>	<u>\$ 612,600</u>	<u>\$ 2,164,600</u>

Tax Increment Financing Note Payable

Certain bond payments of the Village were paid by a developer of the Route 66 TIF District. For the year ending April 30, 2008, the developer paid the principal and interest payment due January 1, 2008 for the Tax Increment Revenue Bonds, Series 2004 totaling \$147,500. 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.

VILLAGE OF SHERMAN, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS - Continued

8. LONG TERM DEBT – Continued

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>
\$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 *	\$ 655,000	\$ -	\$ 85,000	\$ 570,000	\$ 90,000
\$30,790 Capital Lease, monthly Interest at 5.59%, due January 22, 2009	19,964	-	9,711	10,253	10,253
\$80,556 Capital Lease, interest at 2.86%, due December 20, 2008	54,458	-	26,844	27,614	27,614
\$147,890 Tax Incremental Financing Bonds, Series 1991, interest payments at 12%, due September 17, 2009	147,840	-	-	147,840	-
\$1,650,000 TIF Revenue Bonds Series 2004, semi annual interest payments at 6%, due January 1, 2019, principal payments began January 1, 2008	1,650,000	-	98,000	1,552,000	104,000
\$147,500 TIF Note payable	-	147,500	-	147,500	-
	<u>2,527,262</u>	<u>147,500</u>	<u>219,555</u>	<u>2,455,207</u>	<u>231,867</u>
*A portion of the total is included in the Sewer Funds	<u>(406.100)</u>	<u>-</u>	<u>52,700</u>	<u>(353,400)</u>	<u>55,800</u>
Total governmental	<u>\$ 2,121,162</u>	<u>\$ 147,500</u>	<u>\$ 166,855</u>	<u>\$ 2,101,807</u>	<u>\$ 176,067</u>

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 standards 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, 2008 was \$751,798.

10. INTERFUND BALANCES

Interfund receivable and payable balances at April 30, 2008 consist of:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund:		
TIF Fund	\$ -	\$ 32,762
Sewer	<u>141,581</u>	<u>-</u>
	<u>141,581</u>	<u>32,762</u>
TIF Fund:		
General Fund	32,762	-
Sewer Fund:		
General Fund	<u>-</u>	<u>141,581</u>
Total interfund receivables/payables	<u>\$ 174,343</u>	<u>\$ 174,343</u>

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

- \$32,762 due from the General Fund to the TIF Fund. The balance consists of Tax Increment Financing District property taxes received in the General Fund, but not yet paid at April 30, 2008.
- \$141,581 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, 2008.

VILLAGE OF SHERMAN, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS - Continued

10. INTERFUND BALANCES – Continued

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Motor Fuel Tax Fund	\$ 34,332	\$ -
Motor Fuel Tax Fund:		
General Fund	<u>-</u>	<u>34,332</u>
Total interfund receivables/payables	<u>\$ 34,332</u>	<u>\$ 34,332</u>

The purpose of the significant transfers is as follows:

\$34,332 transferred from the Motor Fuel Tax Fund to the General Fund for reimbursement of salaries and expenditures paid by the General Fund.

11. PRIOR PERIOD ADJUSTMENTS

The Village has restated beginning fund balance/net assets as of May 1, 2007 to a) correct bonds payable balance, and b) remove the special service area cash account from the TIF Fund.

	<u>Governmental Activities</u>	<u>TIF Fund</u>
FUND BALANCE/NET ASSETS, MAY 1 (as previously reported)	\$ 1,062,134	\$ 1,686,470
Restated for:		
a) Correct SSA bonds payable	820,281	-
b) Remove SSA cash account	<u>(5,693)</u>	<u>(5,693)</u>
FUND BALANCE/NET ASSETS, MAY 1 (as restated)	<u>\$ 1,876,722</u>	<u>\$ 1,680,777</u>

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF SHERMAN, ILLINOIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

For the Year Ended April 30, 2008

	Original Budget	Final Budget	Actual	Variance Over/ (Under)
REVENUES				
Property taxes	\$ 142,000	\$ 142,000	\$ 146,001	\$ 4,001
Road and bridge taxes	36,000	36,000	38,854	2,854
Sales and use taxes	360,000	360,000	324,276	(35,724)
Personal property replacement taxes	350	350	394	44
Income taxes	220,000	220,000	264,041	44,041
Franchise fees	19,000	19,000	20,150	1,150
Liquor license	2,100	2,100	2,100	-
Building permits	18,000	18,000	17,584	(416)
Fines	45,000	45,000	66,936	21,936
Investment income	5,000	5,000	7,253	2,253
Miscellaneous	16,000	16,000	62,053	46,053
Total revenues	<u>863,450</u>	<u>863,450</u>	<u>949,642</u>	<u>86,192</u>
EXPENDITURES				
General government				
Finance:				
Insurance	16,625	16,625	16,589	(36)
Salaries	50,000	50,000	39,937	(10,063)
Payroll taxes	50,000	50,000	48,264	(1,736)
Computer	1,875	1,875	1,323	(552)
Auditing	2,500	2,500	500	(2,000)
Miscellaneous	-	-	1,000	1,000
Finance total	<u>121,000</u>	<u>121,000</u>	<u>107,613</u>	<u>(13,387)</u>
Legal:				
Attorney	27,500	27,500	8,948	(18,552)
Legal total	<u>27,500</u>	<u>27,500</u>	<u>8,948</u>	<u>(18,552)</u>
Village clerk:				
Salary	13,125	13,125	9,771	(3,354)
Printing, supplies and postage	6,250	6,250	5,505	(745)
Dues and membership	7,500	7,500	5,869	(1,631)
Telephone	3,250	3,250	2,640	(610)
Bulk mailing	10,000	10,000	4,924	(5,076)
Village clerk total	<u>40,125</u>	<u>40,125</u>	<u>28,709</u>	<u>(11,416)</u>

(Continued)

VILLAGE OF SHERMAN, ILLINOIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

For the Year Ended April 30, 2008

	Original Budget	Final Budget	Actual	Variance Over/ (Under)
Village Hall:				
Salaries	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
Supplies/labor	4,125	4,125	6,129	2,004
Utilities	11,875	11,875	10,158	(1,717)
Miscellaneous	4,750	4,750	4,320	(430)
Building maintenance	1,250	1,250	1,334	84
Recycling program	1,250	1,250	4,508	3,258
Community events	18,750	18,750	7,000	(11,750)
Website	4,000	4,000	5,260	1,260
Village hall total	<u>48,500</u>	<u>48,500</u>	<u>38,709</u>	<u>(9,791)</u>
Contingency				
Contingency	146,791	146,791	22,262	(124,529)
Contingency total	<u>146,791</u>	<u>146,791</u>	<u>22,262</u>	<u>(124,529)</u>
General government total	<u>383,916</u>	<u>383,916</u>	<u>206,241</u>	<u>(177,675)</u>
Public Safety:				
Public health and safety:				
Consulting	1,250	1,250	-	(1,250)
Mosquito control	3,375	3,375	-	(3,375)
ESDA	6,250	6,250	3,576	(2,674)
Miscellaneous	1,250	1,250	-	(1,250)
Public health safety total	<u>12,125</u>	<u>12,125</u>	<u>3,576</u>	<u>(8,549)</u>
Police:				
Salaries	393,750	393,750	304,761	(88,989)
Telecommunications	20,625	20,625	19,227	(1,398)
Gasoline	22,750	22,750	20,066	(2,684)
Equipment maintenance	13,750	13,750	13,645	(105)
Training	13,750	13,750	7,673	(6,077)
Uniforms	5,000	5,000	3,646	(1,354)
Neighborhood watch	1,250	1,250	1,194	(56)
Supplies	12,500	12,500	10,144	(2,356)
Police total	<u>483,375</u>	<u>483,375</u>	<u>380,356</u>	<u>(103,019)</u>
Total public safety	<u>495,500</u>	<u>495,500</u>	<u>383,932</u>	<u>(111,568)</u>

(Continued)

VILLAGE OF SHERMAN, ILLINOIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

For the Year Ended April 30, 2008

	Original Budget	Final Budget	Actual	Variance Over/ (Under)
Streets and Public Works				
Streets and alleys:				
Salaries	\$ 90,000	\$ 90,000	\$ 62,170	\$ (27,830)
Gas and oil	8,125	8,125	9,782	1,657
Equipment maintenance and repair	21,875	21,875	8,110	(13,765)
Telephone	1,875	1,875	1,548	(327)
Miscellaneous/supplies	2,500	2,500	1,633	(867)
Clean-up day	5,000	5,000	-	(5,000)
Streets and alleys total	<u>129,375</u>	<u>129,375</u>	<u>83,243</u>	<u>(46,132)</u>
Engineering:				
Engineer	<u>81,250</u>	<u>81,250</u>	<u>50,765</u>	<u>(30,485)</u>
Engineering total	<u>81,250</u>	<u>81,250</u>	<u>50,765</u>	<u>(30,485)</u>
Streets and Public Works total	<u>210,625</u>	<u>210,625</u>	<u>134,008</u>	<u>(76,617)</u>
Culture and Recreation				
Parks and recreation:				
Gas and oil	1,250	1,250	1,675	425
Fertilizer	625	625	19	(606)
Equipment supplies	4,375	4,375	1,859	(2,516)
Park improvements	6,250	6,250	1,266	(4,984)
Parks and recreation total	<u>12,500</u>	<u>12,500</u>	<u>4,819</u>	<u>(7,681)</u>
Culture and recreation total	<u>12,500</u>	<u>12,500</u>	<u>4,819</u>	<u>(7,681)</u>
Debt Service				
Debt Service:				
Payment/debt service G.O. refunding bonds	<u>51,250</u>	<u>51,250</u>	<u>40,373</u>	<u>(10,877)</u>
Debt service total	<u>51,250</u>	<u>51,250</u>	<u>40,373</u>	<u>(10,877)</u>
Capital outlay				
Police	33,750	33,750	33,613	(137)
Streets and alleys	31,250	31,250	30,104	(1,146)
Capital outlay total	<u>65,000</u>	<u>65,000</u>	<u>63,717</u>	<u>(1,283)</u>
Total expenditures paid	<u>1,218,791</u>	<u>1,218,791</u>	<u>833,090</u>	<u>(385,701)</u>

(Continued)

VILLAGE OF SHERMAN, ILLINOIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

For the Year Ended April 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/ (Under)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>\$ (355,341)</u>	<u>\$ (355,341)</u>	<u>\$ 116,552</u>	<u>\$ 471,893</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>34,332</u>	<u>34,332</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>34,332</u>	<u>34,332</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (355,341)</u></u>	<u><u>\$ (355,341)</u></u>	<u>150,884</u>	<u><u>\$ 506,225</u></u>
FUND BALANCE, BEGINNING OF YEAR			<u>240,539</u>	
FUND BALANCE, END OF YEAR			<u><u>\$ 391,423</u></u>	(Concluded)

VILLAGE OF SHERMAN, ILLINOIS

TAX INCREMENTAL FINANCING FUND

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

For the Year Ended April 30, 2008

	Original Budget	Final Budget	Actual	Variance Over/ (Under)
REVENUES				
Property taxes	\$ 939,500	\$ 939,500	\$ 961,272	\$ 21,772
Investment income	76,000	76,000	78,532	2,532
Total revenues	<u>1,015,500</u>	<u>1,015,500</u>	<u>1,039,804</u>	<u>24,304</u>
EXPENDITURES				
Current:				
General government				
Salaries	17,500	17,500	8,012	(9,488)
Legal	37,500	37,500	5,138	(32,362)
Administration	199,344	199,344	11,449	(187,895)
Audit	2,500	2,500	2,000	(500)
Economic Development				
Contractual agreements	306,875	306,875	205,000	(101,875)
Debt service	-	-	197,000	197,000
Capital Outlay				
Infrastructure improvements	2,462,500	2,462,500	107,417	(2,355,083)
Engineering	68,750	68,750	17,350	(51,400)
Total Expenditures	<u>3,094,969</u>	<u>3,094,969</u>	<u>553,366</u>	<u>(2,541,603)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)				
	<u>(2,079,469)</u>	<u>(2,079,469)</u>	<u>486,438</u>	<u>2,565,907</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000	-	(100,000)
TIF Note proceeds	-	-	147,500	147,500
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>147,500</u>	<u>47,500</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ (1,979,469)</u>	<u>\$ (1,979,469)</u>	<u>633,938</u>	<u>\$ 2,613,407</u>
FUND BALANCE, BEGINNING OF YEAR			1,686,470	
Prior period adjustment			<u>(5,693)</u>	
FUND BALANCE, BEGINNING OF THE YEAR - RESTATED			<u>1,680,777</u>	
FUND BALANCE, END OF YEAR			<u>\$ 2,314,715</u>	

VILLAGE OF SHERMAN, ILLINOIS

MOTOR FUEL TAX FUND

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

For the Year Ended April 30, 2008

	Original Budget	Final Budget	Actual	Variance Over/ (Under)
REVENUES				
Motor fuel tax	\$ 84,000	\$ 84,000	\$ 80,547	\$ (3,453)
Investment income	500	500	2,128	1,628
Total revenues	<u>84,500</u>	<u>84,500</u>	<u>82,675</u>	<u>(1,825)</u>
EXPENDITURES				
Streets and Public Works:				
Highway maintenance program	103,500	103,500	-	(103,500)
Engineering	-	-	6,462	6,462
Miscellaneous projects	62,781	62,781	964	(61,817)
Street lighting	2,500	2,500	27,665	25,165
Total expenditures	<u>168,781</u>	<u>168,781</u>	<u>35,091</u>	<u>(133,690)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)				
	<u>(84,281)</u>	<u>(84,281)</u>	<u>47,584</u>	<u>131,865</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(34,332)	(34,332)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(34,332)</u>	<u>(34,332)</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ (84,281)</u>	<u>\$ (84,281)</u>	13,252	<u>\$ 97,533</u>
FUND BALANCE, BEGINNING OF YEAR			<u>45,734</u>	
FUND BALANCE, END OF YEAR			<u>\$ 58,986</u>	

VILLAGE OF SHERMAN, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES

- (a) Budget – The appropriations ordinance and budget is prepared on a cash basis by fund, namely, General Fund, Motor Fuel Tax Fund, and Tax Incremental 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. The amounts reflected in the financial statements represent the final amended appropriations.



1000 Churchill Road • Springfield, IL 62702

Members of American Institute of
Certified Public Accountants &
Illinois CPA Society

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 examined management's assertion included in its representation letter dated August 18, 2009, that the Village of Sherman, Illinois, complied with the provisions of subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142) during the year ended April 30, 2008. As discussed in that representation letter, management is responsible for the Village of Sherman, Illinois' compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Village's compliance based on our examination.

Our examination was made in accordance with the standards established by the American Institute of Public Accountants and, accordingly, included examining, on a test basis, evidence about the Village of Sherman, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Village of Sherman, Illinois' compliance with statutory requirements.

In our opinion, management's assertion that the Village of Sherman, Illinois complied with the aforementioned requirements for the year ended April 30, 2008, is fairly stated in all material respects, except for the distribution to the Sherman Library district for which no supporting documentation was available.

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. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script, appearing to read 'Sikich UP'.

Springfield, Illinois
September 25, 2009

VILLAGE OF SHERMAN

Tax Increment Financing Fund

COMBINING STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE -
BY SUBFUND - MODIFIED CASH BASIS

For the year ended April 30, 2008

	Original TIF District	Route 66 TIF District	Rail Pointe TIF District	Total TIF Fund
ASSETS				
Cash and cash equivalents	\$ 2,084,088	\$ 73,043	\$ 124,822	\$ 2,281,953
Due from (to) other funds	(26,752)	45,654	13,860	32,762
Total assets	<u>\$ 2,057,336</u>	<u>\$ 118,697</u>	<u>\$ 138,682</u>	<u>\$ 2,314,715</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
None	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Reserved for economic development	<u>2,057,336</u>	<u>118,697</u>	<u>138,682</u>	<u>2,314,715</u>
Total liabilities and fund balances	<u>\$ 2,057,336</u>	<u>\$ 118,697</u>	<u>\$ 138,682</u>	<u>\$ 2,314,715</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 - MODIFIED CASH BASIS

For the year ended April 30, 2008

	Original TIF District	Route 66 TIF District	Rail Pointe TIF District	Total TIF Fund
REVENUES				
Property taxes	\$ 924,188	\$ 32,488	\$ 4,596	\$ 961,272
Investment income	71,809	1,919	4,804	78,532
Total revenues	<u>995,997</u>	<u>34,407</u>	<u>9,400</u>	<u>1,039,804</u>
EXPENDITURES				
Salaries	8,012	-	-	8,012
Attorney fees	5,138	-	-	5,138
Administration	10,690	759	-	11,449
Audit	-	1,000	1,000	2,000
Engineering	17,350	-	-	17,350
Contractual agreements	205,000	-	-	205,000
Bond payments				
Principal	-	98,000	-	98,000
Interest	-	99,000	-	99,000
Infrastructure improvements	107,417	-	-	107,417
Total expenditures	<u>353,607</u>	<u>198,759</u>	<u>1,000</u>	<u>553,366</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>642,390</u>	<u>(164,352)</u>	<u>8,400</u>	<u>486,438</u>
OTHER FINANCING SOURCES (USES)				
TIF Note proceeds	-	147,500	-	147,500
Total other financing sources (uses)	<u>-</u>	<u>147,500</u>	<u>-</u>	<u>147,500</u>
NET CHANGE IN FUND BALANCE	<u>642,390</u>	<u>(16,852)</u>	<u>8,400</u>	<u>633,938</u>
FUND BALANCE, BEGINNING OF YEAR	1,414,946	141,242	130,282	1,686,470
Prior period adjustments	<u>-</u>	<u>(5,693)</u>	<u>-</u>	<u>(5,693)</u>
FUND BALANCE, BEGINNING OF OF THE YEAR - RESTATED	<u>1,414,946</u>	<u>135,549</u>	<u>130,282</u>	<u>1,680,777</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,057,336</u>	<u>\$ 118,697</u>	<u>\$ 138,682</u>	<u>\$ 2,314,715</u>

See independent auditor's report.