

**VILLAGE OF SHERMAN, ILLINOIS**

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

For the Year Ended April 30, 2013



VILLAGE OF SHERMAN, ILLINOIS  
TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT .....	1
BASIC FINANCIAL STATEMENTS	
Statement of Net Position.....	4
Statement of Activities .....	5
Balance Sheet – Governmental Funds.....	7
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities.....	10
Statement of Net Position – Proprietary Fund.....	11
Statement of Revenues, Expenses, and Changes In Net Position – Proprietary Fund .....	12
Statement of Cash Flows – Proprietary Fund.....	13
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds .....	14
Notes to Financial Statements .....	15
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – Modified Cash Basis – General Fund.....	37
Budgetary Comparison Schedule – Modified Cash Basis – Tax Increment Financing Fund.....	41
Budgetary Comparison Schedule – Modified Cash Basis – Motor Fuel Tax Fund .....	42
Notes to Required Supplementary Information.....	43

VILLAGE OF SHERMAN, ILLINOIS  
TABLE OF CONTENTS

	<u>Page</u>
SUPPLEMENTARY INFORMATION	
Schedule of Changes in Assets and Liabilities – Agency Funds .....	45
INDEPENDENT ACCOUNTANT’S REPORT ON MANAGEMENT’S ASSERTION OF COMPLIANCE .....	
Combining Balance Sheet – by Subfund – Tax Increment Financing Fund .....	47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance By Subfund – Tax Increment Financing Fund .....	48

INDEPENDENT AUDITOR'S REPORT

## 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, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **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, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

The Village adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the year ended April 30, 2013. Statement No. 63 added new classifications on the statement of net position and changes net assets to net position. Statement No. 65 changes the classifications of certain items on the statement of position to the new classification contained in GASB Statement No. 63. Our opinions are not modified with respect to this matter.

## **Other Matters**

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

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.

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

A handwritten signature in black ink, appearing to read "S. J. Smith, CPA". The signature is written in a cursive, flowing style.

Springfield, Illinois  
October 4, 2013

## BASIC FINANCIAL STATEMENTS



VILLAGE OF SHERMAN, ILLINOIS

STATEMENT OF NET POSITION

April 30, 2013

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 1,481,652	\$ 442,371	\$ 1,924,023
Investments	1,453,726	148,784	1,602,510
Property tax receivable	1,175,416	-	1,175,416
Other receivables	173,418	67,046	240,464
Due from (to) other funds	94,074	(94,074)	-
Restricted assets:			
Cash and cash equivalents	-	189,809	189,809
Total current assets	<u>4,378,286</u>	<u>753,936</u>	<u>5,132,222</u>
Capital Assets:			
Land	958,000	-	958,000
Construction in progress	367,000	-	367,000
Other capital assets, net of accumulated depreciation	<u>4,433,639</u>	<u>950,189</u>	<u>5,383,828</u>
Total capital assets	<u>5,758,639</u>	<u>950,189</u>	<u>6,708,828</u>
Total assets	<u>10,136,925</u>	<u>1,704,125</u>	<u>11,841,050</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	157,617	36,741	194,358
Accrued interest payable	55,951	-	55,951
Compensated absences payable, current	12,925	3,093	16,018
Capital leases, current	14,443	-	14,443
Notes payable, current	18,639	-	18,639
G.O. bonds payable, current	39,900	65,100	105,000
TIF bonds payable, current	264,840	-	264,840
Other commitments, current	10,000	-	10,000
Total current liabilities	<u>574,315</u>	<u>104,934</u>	<u>679,249</u>
Noncurrent Liabilities			
Compensated absences payable, noncurrent	28,169	7,387	35,556
Capital leases, noncurrent	39,045	-	39,045
Notes payable, noncurrent	55,134	-	55,134
TIF bonds payable, noncurrent	3,221,000	-	3,221,000
TIF notes payable, noncurrent	454,916	-	454,916
Other commitments, noncurrent	30,000	-	30,000
Total noncurrent liabilities	<u>3,828,264</u>	<u>7,387</u>	<u>3,835,651</u>
Total liabilities	<u>4,402,579</u>	<u>112,321</u>	<u>4,514,900</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	<u>1,175,416</u>	-	<u>1,175,416</u>
Total deferred inflows of resources	<u>1,175,416</u>	-	<u>1,175,416</u>
Total liabilities and deferred inflows of resources	<u>5,577,995</u>	<u>112,321</u>	<u>5,690,316</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,631,378	950,189	6,581,567
Restricted for maintenance of roadways	157,531	-	157,531
Restricted for economic development	2,397,431	-	2,397,431
Restricted for capital projects	-	189,809	189,809
Restricted for debt service	391,375	-	391,375
Unrestricted	<u>(4,018,785)</u>	<u>451,806</u>	<u>(3,566,979)</u>
Total net position	<u>\$ 4,558,930</u>	<u>\$ 1,591,804</u>	<u>\$ 6,150,734</u>

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

VILLAGE OF SHERMAN, ILLINOIS

STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 306,227	\$ 84,508	\$ -	\$ -
Public safety	529,585	34,109	-	-
Streets and public works	652,258	-	-	-
Culture and recreation	14,944	-	-	-
Economic development	1,090,668	-	-	581,383
Interest on long-term debt	178,399	-	-	-
Total governmental activities	2,772,081	118,617	-	581,383
Business-type activities	595,759	640,915	-	-
Total primary government	\$ 3,367,840	\$ 759,532	\$ -	\$ 581,383

**General revenues:**

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

Change in net position

Net position - beginning

Prior period adjustments

Net position - beginning restated

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (221,719)	\$ -	\$ (221,719)
(495,476)	-	(495,476)
(652,258)	-	(652,258)
(14,944)	-	(14,944)
(509,285)	-	(509,285)
(178,399)	-	(178,399)
(2,072,081)	-	(2,072,081)
-	45,156	45,156
(2,072,081)	45,156	(2,026,925)
1,232,159	-	1,232,159
515,353	-	515,353
485,380	-	485,380
7,905	1,494	9,399
39,720	-	39,720
2,280,517	1,494	2,282,011
208,436	46,650	255,086
4,424,688	1,545,154	5,969,842
(74,194)	-	(74,194)
4,350,494	1,545,154	5,895,648
\$ 4,558,930	\$ 1,591,804	\$ 6,150,734

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

VILLAGE OF SHERMAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

April 30, 2013

	General Fund	Tax Increment Financing Fund	Motor Fuel Tax Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 375,158	\$ 954,347	\$ 152,147	\$ 1,481,652
Investments	-	1,453,726	-	1,453,726
Property tax receivable	156,466	1,018,950	-	1,175,416
Other receivables	166,285	-	7,133	173,418
Due from other funds	97,912	156,828	-	254,740
	<u>795,821</u>	<u>3,583,851</u>	<u>159,280</u>	<u>4,538,952</u>
Total assets	<u>\$ 795,821</u>	<u>\$ 3,583,851</u>	<u>\$ 159,280</u>	<u>\$ 4,538,952</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 27,236	\$ 128,632	\$ 1,749	\$ 157,617
Due to other funds	121,828	38,838	-	160,666
	<u>149,064</u>	<u>167,470</u>	<u>1,749</u>	<u>318,283</u>
Total liabilities	<u>149,064</u>	<u>167,470</u>	<u>1,749</u>	<u>318,283</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	156,466	1,018,950	-	1,175,416
	<u>156,466</u>	<u>1,018,950</u>	<u>-</u>	<u>1,175,416</u>
Total deferred inflows of resources	<u>156,466</u>	<u>1,018,950</u>	<u>-</u>	<u>1,175,416</u>
Total liabilities and deferred inflows of resources	<u>305,530</u>	<u>1,186,420</u>	<u>1,749</u>	<u>1,493,699</u>
Fund balances:				
Restricted				
Maintenance of roadways	-	-	157,531	157,531
Economic development	-	2,397,431	-	2,397,431
Debt service	391,375	-	-	391,375
Unrestricted				
Unassigned	98,916	-	-	98,916
	<u>490,291</u>	<u>2,397,431</u>	<u>157,531</u>	<u>3,045,253</u>
Total fund balances	<u>490,291</u>	<u>2,397,431</u>	<u>157,531</u>	<u>3,045,253</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 795,821</u>	<u>\$ 3,583,851</u>	<u>\$ 159,280</u>	<u>\$ 4,538,952</u>

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

VILLAGE OF SHERMAN

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

April 30, 2013

**Reconciliation to Statement of Net Position**

Fund balance - governmental funds	\$ 3,045,253
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in the governmental activities of \$7,177,631, net of accumulated depreciation of \$1,418,992, are not financial resources, and therefore, are not reported in the funds.	<u>5,758,639</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences payable	(41,094)
Accrued interest payable	(55,951)
Capital leases, current	(14,443)
Notes payable, current	(18,639)
G.O. Bond payable, current	(39,900)
TIF Bonds payable, current	(264,840)
Other commitments, current	(10,000)
Capital leases, noncurrent	(39,045)
Notes payable, noncurrent	(55,134)
TIF Bonds payable, noncurrent	(3,221,000)
TIF Notes payable, noncurrent	(454,916)
Other commitments, noncurrent	(30,000)
Total long-term liabilities	<u>(4,244,962)</u>
Net position of governmental activities	<u>\$ 4,558,930</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, 2013

	General Fund	Tax Increment Financing Fund	Motor Fuel Tax Fund	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 213,206	\$ 1,018,953	\$ -	\$ 1,232,159
Sales and use taxes	468,698	46,655	-	515,353
Intergovernmental	374,137	-	111,243	485,380
Licenses and permits	84,508	-	-	84,508
Fines	34,109	-	-	34,109
Investment income	343	7,436	126	7,905
Other revenues	254,103	367,000	-	621,103
	<u>1,429,104</u>	<u>1,440,044</u>	<u>111,369</u>	<u>2,980,517</u>
Total revenues				
<b>EXPENDITURES</b>				
Current:				
General government	321,523	-	-	321,523
Public safety	478,301	-	-	478,301
Streets and public works	448,217	-	80,525	528,742
Culture and recreation	12,594	-	-	12,594
Economic development	-	303,667	-	303,667
Debt service:				
Principal	73,553	802	-	74,355
Interest	6,722	171,793	-	178,515
Capital outlay	43,121	2,083,724	-	2,126,845
	<u>1,384,031</u>	<u>2,559,986</u>	<u>80,525</u>	<u>4,024,542</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	45,073	(1,119,942)	30,844	(1,044,025)
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease proceeds	27,560	-	-	27,560
Total other financing sources (uses)	<u>27,560</u>	<u>-</u>	<u>-</u>	<u>27,560</u>
Net change in fund balances	72,633	(1,119,942)	30,844	(1,016,465)
Fund balance at beginning of year	417,658	3,517,373	126,687	4,061,718
Fund balance at end of year	<u>\$ 490,291</u>	<u>\$ 2,397,431</u>	<u>\$ 157,531</u>	<u>\$ 3,045,253</u>

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

VILLAGE OF SHERMAN

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

For the Year Ended April 30, 2013

**Reconciliation to the Statement of Activities:**

Net change in fund balances - total governmental funds \$ (1,016,465)

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 position.

Capital debt obligations principal payments	74,355
Other commitments payments	10,000
Capital lease proceeds	(27,560)

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	(5,859)
Change in accrued interest payable	116

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	1,366,824
Depreciation expense	(192,975)

Change in net position of governmental activities	<u>\$ 208,436</u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF SHERMAN  
STATEMENT OF NET POSITION  
PROPRIETARY FUND

April 30, 2013

	<u>Sewer Fund</u>
Current assets:	
Cash and cash equivalents	\$ 442,371
Investments	148,784
Restricted cash and cash equivalents	189,809
Accounts receivable	<u>67,046</u>
Total current assets	<u>848,010</u>
Noncurrent assets:	
Treatment facility - net of accumulated depreciation	<u>950,189</u>
Total noncurrent assets	<u>950,189</u>
Total assets	<u>1,798,199</u>
Current liabilities:	
Accounts payable	36,741
Due to General Fund	94,074
Compensated absences payable - current	3,093
G.O. bonds payable - current	<u>65,100</u>
Total current liabilities	<u>199,008</u>
Noncurrent liabilities:	
Compensated absences payable	<u>7,387</u>
Total noncurrent liabilities	<u>7,387</u>
Total liabilities	<u>206,395</u>
Net position:	
Net investment in capital assets	950,189
Restricted for capital projects	189,809
Unrestricted	<u>451,806</u>
Total net position	<u><u>\$ 1,591,804</u></u>

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



VILLAGE OF SHERMAN

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

For the Year Ended April 30, 2013

	Sewer Fund
Operating revenues:	
Charges for services	<u>\$ 640,915</u>
Operating expenses:	
Salaries	123,277
Engineering	5,804
Professional	6,459
Maintenance and supplies	28,381
Sanitary usage	326,808
Collection fees	15,565
Depreciation	63,618
Miscellaneous	21,837
Total operating expenses	<u>591,749</u>
Operating income	<u>49,166</u>
Nonoperating revenue (expense)	
Investment income	1,494
Interest and fees	(4,010)
Total nonoperating revenue (expense)	<u>(2,516)</u>
Change in net position	46,650
Total net position, beginning of year	<u>1,545,154</u>
Total net position, end of year	<u><u>\$ 1,591,804</u></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, 2013

	Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 644,702
Cash paid to suppliers	(405,144)
Cash paid to employees	(122,951)
	<hr/>
Net cash from operating activities	116,607
	<hr/>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Payments to interfund accounts	(116,297)
Proceeds from interfund accounts	193,629
	<hr/>
Net cash from noncapital financing activities	77,332
	<hr/>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>	
Principal paid on general obligation bonds	(62,000)
Interest paid on general obligation bonds	(3,700)
Fiscal agent fees on bonds	(310)
	<hr/>
Net cash from capital financing activities	(66,010)
	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Purchase of investments	(817)
Interest received	1,494
	<hr/>
Net cash from investing activities	677
	<hr/>
Net increase in cash and cash equivalents	128,606
Cash, beginning of year	503,574
	<hr/>
Cash, end of year	\$ 632,180
	<hr/>
Cash consists of the following:	
Cash and cash equivalents	\$ 442,371
Restricted cash and cash equivalents	189,809
	<hr/>
	\$ 632,180
	<hr/>
Reconciliation of operating income (loss) to net cash from operating activities:	
Operating income (loss)	\$ 49,166
Adjustments to reconcile income (loss) to net cash from operating activities:	
Depreciation expense	63,618
Increase in accounts receivable	3,787
Decrease in accounts payable	(290)
Increase in compensated absences payable	326
	<hr/>
Net cash from operating activities	\$ 116,607
	<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, 2013

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,200
Property tax receivable	<u>125,903</u>
Total assets	<u><u>\$ 131,103</u></u>
<b>LIABILITIES</b>	
Due to bondholders	<u>131,103</u>
Total liabilities	<u><u>\$ 131,103</u></u>

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

VILLAGE OF SHERMAN, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

April 30, 2013

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, 2013.

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 Position and Statement of Activities display information on all of the non-fiduciary activities of the primary government. The effect of material interfund activity has been eliminated 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, deferred outflow of resources, liabilities, deferred inflows of resources, 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. 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, deferred outflow of resources, liabilities, deferred inflow of resources, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, deferred outflow of resources, liabilities, deferred inflow of resources, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise 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 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.

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.

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 purchased 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

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

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.



VILLAGE OF SHERMAN, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 position. Bond premiums and discounts 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 expensed in the year of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 position and displayed in three components:

- a. Net investment in capital assets – 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 position – Consists of net position 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 position result from enabling legislation adopted by the Village.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

VILLAGE OF SHERMAN, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

G. Equity Classification - Continued

Fund Financial Statements

In the fund financial statements, governmental funds report nonspendable fund balance for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for specific purposes or externally imposed by outside entities. None of the restricted fund balance result from enabling legislation adopted by the Village. Committed fund balance is constrained by formal actions of the Village's Board, which is considered the Village's highest level of decision making authority. Formal actions include ordinances approved by the Board. Assigned fund balance represents amounts constrained by the Village's intent to use them for a specific purpose, but that are neither restricted nor committed. Any residual fund balance in the General Fund, including any fund balance targets and any deficit fund balance of any other governmental fund is reported as unassigned.

The Village's flow of funds assumptions prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending the Village considers committed funds to be expended first followed by assigned and then unassigned funds.

The Village has not established fund balance reserve policies for their governmental funds.

H. Deferred Outflows/Inflows of Resources

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

VILLAGE OF SHERMAN, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS – Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. Use of Estimates

Management of the Village has made certain estimates and assumptions that affect the reported amounts of assets, deferred outflow of resources, liabilities, and deferred inflow of resources and contingent assets, deferred outflow of resources, liabilities, and deferred inflow of resources 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.

J. Investments

Investments are stated at fair value based on quoted market prices at April 30, 2013.

K. 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.

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.

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. As of April 30, 2013, the Village's bank balances of deposits held at various institutions which were exposed to custodial credit risk because the balances were uninsured and uncollateralized totaled \$390,139.

B. Investments

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.

VILLAGE OF SHERMAN, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS – Continued

2. CASH AND CASH EQUIVALENTS – Continued

B. Investments – Continued

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.

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 2012 tax levy becomes an enforceable lien against the property on January 1, 2012. 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 for the year ending April 30, 2013 consists of the following:

	<u>Balance</u> <u>May 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2013</u>
Capital assets not being depreciated				
Land	\$ 50,000	\$ 908,000	\$ -	\$ 958,000
Construction in progress	<u>-</u>	<u>367,000</u>	<u>-</u>	<u>367,000</u>
	<u>50,000</u>	<u>1,275,000</u>	<u>-</u>	<u>1,325,000</u>
Other capital assets				
Buildings	750,502	-	-	750,502
Vehicles	459,721	39,289	-	499,010
Equipment	508,035	52,535	-	560,570
Computers	16,476	-	-	16,476
Infrastructure	<u>4,026,073</u>	<u>-</u>	<u>-</u>	<u>4,026,073</u>
Total capital assets being depreciated	<u>5,760,807</u>	<u>91,824</u>	<u>-</u>	<u>5,852,631</u>
Less accumulated depreciation for:				
Buildings	166,989	18,762	-	185,751
Vehicles	315,600	41,912	-	357,512
Equipment	340,524	30,717	-	371,241
Computers	14,543	932	-	15,475
Infrastructure	<u>388,361</u>	<u>100,652</u>	<u>-</u>	<u>489,013</u>
Total accumulated depreciation	<u>1,226,017</u>	<u>192,975</u>	<u>-</u>	<u>1,418,992</u>
Total capital assets being depreciated, net	<u>4,534,790</u>	<u>(101,151)</u>	<u>-</u>	<u>4,433,639</u>
Total capital assets, net of accumulated depreciation	<u>\$ 4,584,790</u>	<u>\$1,173,849</u>	<u>\$ -</u>	<u>\$ 5,758,639</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, 2013 consists of the following:

	<u>Balance</u> <u>May 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2013</u>
Sewer plant treatment facility	\$ 2,359,500	\$ -	\$ -	\$ 2,359,500
Vehicle	35,030	-	-	35,030
Equipment	<u>13,399</u>	<u>-</u>	<u>-</u>	<u>13,399</u>
Total capital assets	<u>2,407,929</u>	<u>-</u>	<u>-</u>	<u>2,407,929</u>
Less accumulated depreciation for:				
Sewer plant treatment facility	1,368,304	58,987	-	1,427,291
Vehicle	18,971	3,706	-	22,677
Equipment	<u>6,847</u>	<u>925</u>	<u>-</u>	<u>7,772</u>
Total accumulated depreciation	<u>1,394,122</u>	<u>63,618</u>	<u>-</u>	<u>1,457,740</u>
Total capital assets, net of accumulated depreciation	<u>\$ 1,013,807</u>	<u>\$ (63,618)</u>	<u>\$ -</u>	<u>\$ 950,189</u>

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

Governmental activities:	
General government	\$ 19,694
Public safety	39,243
Streets and public works	123,608
Culture and recreation	<u>10,430</u>
Total depreciation expense – governmental activities	<u>\$ 192,975</u>
Business-type activities:	
Sewer	<u>63,618</u>
Total depreciation expense – business-type activities	<u>\$ 63,618</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, 2013.

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 vested 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 \$13,546 for matching contributions.

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 contributes to a multiemployer defined benefit pension plan under the collective bargaining agreement terms that cover its union-represented employees. The risks of participating in these multiemployer plans differ from those of single-employer plans in the following respects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, then the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Village chooses to stop participating in some of its multiemployer plans, then it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.



VILLAGE OF SHERMAN, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS – Continued

7. PENSION PLANS – Continued

The Village’s participation in the plan for the fiscal year ended April 30, 2013, is outlined in the table below. The EIN/Plan Number column provides the EIN and the three-digit plan number, if applicable.

Pension Fund	EIN/Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/Implemented	Village's Contributions			Surcharge Imposed	Collective Bargaining Agreement Exp. Date
		2012	2011		2012	2011	2010		
Fund 001	37-6052379	Red	Yellow	Yes	\$ 4,460	\$ 5,850	\$ 5,875	No	4/30/2013

Unless otherwise noted, the most recent PPA zone status available in 2012 and 2011 is for the plan’s year-end at September 30, 2012, and September 30, 2011, respectively.

The zone status is based on information that the Village received from the plan and is certified by the plan’s actuary. Among other factors, plans in the red zone are less than 65 percent funded, plans in the yellow zone are between 65-80 percent funded, and plans in the green zone are more than 80 percent funded.

The FIP/RP Status Pending/Implemented column indicates plans for which a financial improvement plan (FIP) or rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the collective bargaining agreements to which the plans are subject.

The Village was not included in its plans’ Forms 5500 as providing more than 5 percent of the total contributions for the plan years 2012 and 2011.

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 \$95,000 to \$105,000 annually and have a final principal maturity date of October 1, 2013. Interest ranges from 1.5% to 3.85% and is due semi-annually in October and April. The annual debt service requirements are as follows:

<u>Years ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$ 105,000</u>	<u>\$ 2,021</u>	<u>\$ 107,021</u>

Capital Leases

In 2010 the Village entered into a capital lease arrangement to finance the purchase of a police vehicle. The lease calls for monthly payments of \$324 with interest at 4.15% through 2015. The vehicle under the capital lease has a cost of \$25,915 and accumulated depreciation of \$15,549 as of April 30, 2013. The outstanding capital lease matures as follows:

Year ended April 30,	
2014	\$ 3,888
2015	<u>3,859</u>
Future minimum lease payments	7,747
Less: Amount representing interest	<u>308</u>
Present value of minimum lease payments	<u>\$ 7,439</u>

VILLAGE OF SHERMAN, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS – Continued

8. LONG TERM DEBT – Continued

Capital Leases – Continued

In 2012 the Village entered into a capital lease arrangement to finance the purchase of a police vehicle. The leased asset and related obligation are accounted for as governmental activities. The lease calls for monthly payments of \$266 with interest at 2.25% through 2015. The vehicle under the capital lease has a cost of \$42,633 and accumulated depreciation of \$14,211 as of April 30, 2013. The outstanding capital lease matures as follows:

Year ended April 30,		
2014	\$	3,189
2015		<u>1,064</u>
Future minimum lease payments		4,253
Less: Amount representing interest		<u>66</u>
Present value of minimum lease payments	\$	<u><u>4,187</u></u>

In 2012 the Village entered into a capital lease arrangement to finance the purchase of a vehicle for street and public works. The leased asset and related obligation are accounted for as governmental activities. The lease calls for monthly payments of \$551 with interest at 3.65% through 2015. The vehicle under the capital lease has a cost of \$31,177 and accumulated depreciation of \$10,392 as of April 30, 2013. The outstanding capital lease matures as follows:

Year ended April 30,		
2014	\$	6,613
2015		<u>2,180</u>
Future minimum lease payments		8,793
Less: Amount representing interest		<u>207</u>
Present value of minimum lease payments	\$	<u><u>8,586</u></u>

VILLAGE OF SHERMAN, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS – Continued

8. LONG TERM DEBT – Continued

Capital Leases – Continued

In 2012 the Village entered into a capital lease arrangement to finance the purchase of a mower. The leased asset and related obligation are accounted for as governmental activities. The lease calls for monthly payments of \$395 with interest at 2.25% through 2015. The equipment under the capital lease has a cost of \$13,734 and accumulated depreciation of \$2,289 as of April 30, 2013. The outstanding capital lease matures as follows:

Year ended April 30,		
2014	\$	4,739
2015		<u>1,967</u>
Future minimum lease payments		6,706
Less: Amount representing interest		<u>100</u>
Present value of minimum lease payments	\$	<u><u>6,606</u></u>

In 2013 the Village entered into a capital lease arrangement to finance the purchase of a police vehicle. The leased asset and related obligation are accounted for as governmental activities. The lease calls for monthly payments of \$477 with interest at 1.49% through 2018. The equipment under the capital lease has a cost of \$39,289 and accumulated depreciation of \$2,619 as of April 30, 2013. The outstanding capital lease matures as follows:

Year ended April 30,		
2014	\$	5,726
2015		5,726
2016		5,726
2017		5,726
2018		<u>4,754</u>
Future minimum lease payments		27,658
Less: Amount representing interest		<u>988</u>
Present value of minimum lease payments	\$	<u><u>26,670</u></u>

VILLAGE OF SHERMAN, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS – Continued

8. LONG TERM DEBT – Continued

Notes Payable

On January 9, 2012, the Village entered into an agreement with a financial institution to finance park improvements. The Village borrowed \$96,016 at an interest rate of 4.0% to be paid in monthly principal and interest payments of \$1,771 beginning February 9, 2012 with a final payment due January 9, 2017. The assets and related obligation are accounted for as governmental activities. The principal balance as of April 30, 2013 was \$73,773. Future principal and interest payments on the notes payable are as follows:

<u>Years ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 18,639	\$ 2,610	\$ 21,249
2015	19,398	1,851	21,249
2016	20,188	1,061	21,249
2017	<u>15,548</u>	<u>258</u>	<u>15,806</u>
Total	<u>\$ 73,773</u>	<u>\$ 5,780</u>	<u>\$ 79,553</u>

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 matured in fiscal year 2010, however the bond has not been paid as of the fiscal year ending April 30, 2013.

<u>Years ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 147,840	\$ 322,904	\$ 470,744
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 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 ranging from \$117,000 to \$186,000 and are due each January 1 from 2012 through 2022. Interest is 6.0% and interest payments are due semi-annually in January and July. The annual debt service requirements are as follows:

<u>Years ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 117,000	\$ 80,280	\$ 197,280
2015	123,000	73,260	196,260
2016	130,000	65,880	195,880
2017	138,000	58,080	196,080
2018	148,000	49,800	197,800
2019-2022	<u>682,000</u>	<u>105,300</u>	<u>787,300</u>
Total	<u>\$ 1,338,000</u>	<u>\$ 432,600</u>	<u>\$ 1,770,600</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 and are due each January 1 from 2015 through 2024. Interest is 4.50% and interest payments are due annually in January beginning in fiscal year 2012. The annual debt service requirements are as follows:

<u>Years ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 90,000	\$ 90,000
2015	95,000	90,000	185,000
2016	100,000	85,725	185,725
2017	192,000	81,225	273,225
2018	201,000	72,585	273,585
2018-2023	1,150,000	218,790	1,368,790
2024	<u>262,000</u>	<u>11,790</u>	<u>273,790</u>
Total	<u>\$ 2,000,000</u>	<u>\$ 650,115</u>	<u>\$ 2,650,115</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, 2013 is \$454,916.

Changes in Long-Term Liabilities

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

	Balances <u>May 1</u>	<u>Additions</u>	<u>Reductions</u>	Balances <u>April 30</u>	Due Within <u>One Year</u>
Governmental activities:					
G.O. refunding bonds *	\$ 77,900	\$ -	\$ 38,000	\$ 39,900	\$ 39,900
Capital leases	44,292	27,560	18,364	53,488	14,443
TIF bonds	3,485,840	-	-	3,485,840	264,840
TIF note payable	454,916	-	-	454,916	-
Notes payable	91,764	-	17,991	73,773	18,639
Other commitments	50,000	-	10,000	40,000	10,000
Compensated absences payable	<u>35,235</u>	<u>30,108</u>	<u>24,249</u>	<u>41,094</u>	<u>12,925</u>
Governmental activity – long-term liabilities	<u>\$ 4,239,947</u>	<u>\$ 57,668</u>	<u>\$ 108,604</u>	<u>\$ 4,189,011</u>	<u>\$ 370,747</u>
Business-type activities:					
G.O. refunding bonds *	\$ 127,100	\$ -	\$ 62,000	\$ 65,100	\$ 65,100
Compensated absences payable	<u>10,154</u>	<u>4,500</u>	<u>4,174</u>	<u>10,480</u>	<u>3,093</u>
Business-type activity long-term liabilities	<u>\$ 137,254</u>	<u>\$ 4,500</u>	<u>\$ 66,174</u>	<u>\$ 75,580</u>	<u>\$ 68,193</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, 2013 was \$330,407.

10. INTERFUND BALANCES

Interfund receivable and payable balances at April 30, 2013 consist of:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund:		
TIF Fund	\$ 3,838	\$ 121,828
Sewer	<u>94,074</u>	<u>-</u>
	<u>97,912</u>	<u>121,828</u>
TIF Fund:		
General Fund	121,828	3,838
TIF Fund	<u>35,000</u>	<u>35,000</u>
	<u>156,828</u>	<u>38,838</u>
Sewer Fund:		
General Fund	<u>-</u>	<u>94,074</u>
Total interfund receivables/payables	<u>\$ 254,740</u>	<u>\$ 254,740</u>

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

- \$121,828 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, 2013.
- \$3,838 due from the TIF Fund to the General Fund. The balance consists of salary expenditures paid by the General Fund, but not yet repaid by the TIF Fund at April 30, 2013.



VILLAGE OF SHERMAN, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS – Continued

10. INTERFUND BALANCES – Continued

- \$94,074 due from the Sewer Fund to the General Fund. The balance consists of salary expenditures paid by the General Fund and the Sewer Fund's portion of the general obligation debt service payments paid by the General Fund, but not yet repaid by the Sewer Fund at April 30, 2013.
- \$35,000 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 and \$15,000 of administrative expenses paid by the Original TIF Fund, but not yet repaid by the Route 66 TIF Fund. 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, 2013 is \$40,000.

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. A rebate of \$36,830 was paid to the organization as of April 30, 2013. 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. A rebate of \$24,855 was paid to the organization as of April 30, 2013.

13. RESTATEMENT

Net position of governmental activities has been decreased as of May 1, 2012 by \$74,194 to write off prior year unamortized bond issuance costs related to the implementation of GASB Statement No. 65.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF SHERMAN, ILLINOIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

For the Year Ended April 30, 2013

	Original Budget	Final Budget	Actual	Variance Over/ (Under)
<b>REVENUES</b>				
Property taxes	\$ 165,000	\$ 165,000	\$ 169,227	\$ 4,227
Road and bridge taxes	42,000	42,000	43,979	1,979
Sales and use taxes	442,000	442,000	453,001	11,001
Personal property replacement taxes	320	320	317	(3)
Income taxes	353,000	353,000	437,162	84,162
Franchise fees	47,000	47,000	46,473	(527)
Liquor license	15,600	15,600	3,300	(12,300)
Building permits	30,000	30,000	34,735	4,735
Fines	42,000	42,000	34,109	(7,891)
Charges for services	9,984	9,984	9,984	-
Investment income	150	150	342	192
Miscellaneous	174,500	174,500	244,119	69,619
Total revenues	<u>1,321,554</u>	<u>1,321,554</u>	<u>1,476,748</u>	<u>155,194</u>
<b>EXPENDITURES</b>				
General government				
Finance:				
Insurance	52,500	52,500	37,991	(14,509)
Auditing	5,000	5,000	1,861	(3,139)
Finance total	<u>57,500</u>	<u>57,500</u>	<u>39,852</u>	<u>(17,648)</u>
Legal:				
Attorney	30,000	30,000	42,032	12,032
Legal total	<u>30,000</u>	<u>30,000</u>	<u>42,032</u>	<u>12,032</u>
Village clerk:				
Salary	9,375	9,375	7,463	(1,912)
Payroll expenditures	1,125	1,125	1,246	121
Printing, supplies and postage	7,500	7,500	2,457	(5,043)
Dues and membership	1,875	1,875	605	(1,270)
Telephone	3,125	3,125	1,578	(1,547)
Bulk mailing	7,500	7,500	-	(7,500)
Village clerk total	<u>30,500</u>	<u>30,500</u>	<u>13,349</u>	<u>(17,151)</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, 2013

	Original Budget	Final Budget	Actual	Variance Over/ (Under)
Village Hall:				
Salaries	\$ 87,500	\$ 87,500	\$ 67,829	\$ (19,671)
Payroll expenditures	7,750	7,750	6,725	(1,025)
Telecommunications	4,375	4,375	4,357	(18)
Office equipment	500	500	64	(436)
Supplies/labor	2,625	2,625	2,469	(156)
Training	13,750	13,750	7,934	(5,816)
Dues and membership	7,750	7,750	7,498	(252)
Utilities	13,875	13,875	12,507	(1,368)
Miscellaneous	3,750	3,750	3,535	(215)
Building maintenance	2,250	2,250	1,896	(354)
Recycling program	-	-	576	576
Community events	15,625	15,625	11,679	(3,946)
Website	150	150	797	647
Village hall total	<u>159,900</u>	<u>159,900</u>	<u>127,866</u>	<u>(32,034)</u>
Contingency				
Contingency	<u>404,653</u>	<u>404,653</u>	<u>106,048</u>	<u>(298,605)</u>
Contingency total	<u>404,653</u>	<u>404,653</u>	<u>106,048</u>	<u>(298,605)</u>
General government total	<u>682,553</u>	<u>682,553</u>	<u>329,147</u>	<u>(353,406)</u>
Public Safety:				
Public health and safety:				
Salaries	3,375	3,375	2,700	(675)
Payroll expenditures	313	313	207	(106)
Animal control	3,438	3,438	-	(3,438)
ESDA	2,500	2,500	1,259	(1,241)
Electronic alert system	500	500	-	(500)
Equipment management	625	625	135	(490)
Miscellaneous	-	-	673	673
Public health safety total	<u>10,751</u>	<u>10,751</u>	<u>4,974</u>	<u>(5,777)</u>

(Continued)

VILLAGE OF SHERMAN, ILLINOIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

For the Year Ended April 30, 2013

	Original Budget	Final Budget	Actual	Variance Over/ (Under)
Police:				
Salaries	\$ 398,750	\$ 398,750	\$ 321,756	\$ (76,994)
Payroll expenditures	76,588	76,588	66,035	(10,553)
Telecommunications	30,000	30,000	20,948	(9,052)
Gasoline	35,625	35,625	28,358	(7,267)
Equipment maintenance	5,625	5,625	6,598	973
Training	8,750	8,750	10,018	1,268
Uniforms	7,125	7,125	13,044	5,919
Neighborhood watch	-	-	220	220
Teen court	1,250	1,250	1,000	(250)
Supplies	12,250	12,250	9,612	(2,638)
Utilities	7,500	7,500	2,622	(4,878)
Police total	<u>583,463</u>	<u>583,463</u>	<u>480,211</u>	<u>(103,252)</u>
Total public safety	<u>594,214</u>	<u>594,214</u>	<u>485,185</u>	<u>(109,029)</u>
Streets and Public Works				
Streets and alleys:				
Salaries	131,875	131,875	113,233	(18,642)
Payroll expenditures	23,250	23,250	23,302	52
Gas and oil	12,500	12,500	10,067	(2,433)
Diesel fuel	3,750	3,750	3,076	(674)
Street maintenance	267,500	267,500	214,000	(53,500)
Equipment maintenance and repair	13,750	13,750	8,996	(4,754)
Telephone	3,875	3,875	4,070	195
Equipment storage	1,813	1,813	817	(996)
Miscellaneous/supplies	9,875	9,875	5,462	(4,413)
Clean-up day	3,750	3,750	3,000	(750)
Streets and alleys total	<u>471,938</u>	<u>471,938</u>	<u>386,023</u>	<u>(85,915)</u>
Engineering:				
Engineer	<u>45,000</u>	<u>45,000</u>	<u>70,641</u>	<u>25,641</u>
Engineering total	<u>45,000</u>	<u>45,000</u>	<u>70,641</u>	<u>25,641</u>
Streets and Public Works total	<u>516,938</u>	<u>516,938</u>	<u>456,664</u>	<u>(60,274)</u>
Culture and Recreation				
Parks and recreation:				
Gas and oil	750	750	-	(750)
Diesel fuel	3,750	3,750	1,821	(1,929)
Fertilizer	625	625	-	(625)
Equipment supplies	1,250	1,250	456	(794)
Park improvements	<u>6,625</u>	<u>6,625</u>	<u>10,345</u>	<u>3,720</u>
Parks and recreation total	<u>13,000</u>	<u>13,000</u>	<u>12,622</u>	<u>(378)</u>
Culture and recreation total	<u>13,000</u>	<u>13,000</u>	<u>12,622</u>	<u>(378)</u>

See accompanying Independent Auditor's Report

(Continued)

VILLAGE OF SHERMAN, ILLINOIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

For the Year Ended April 30, 2013

	Original Budget	Final Budget	Actual	Variance Over/ (Under)
Debt Service				
Debt Service:				
G.O. refunding bonds principal	\$ 100,000	\$ 100,000	\$ 38,000	\$ (62,000)
G.O. refunding bonds interest	35,000	35,000	2,458	(32,542)
Capital lease principal	69,263	69,263	36,355	(32,908)
Capital lease interest	-	-	3,741	3,741
Debt service total	<u>204,263</u>	<u>204,263</u>	<u>80,554</u>	<u>(123,709)</u>
Capital outlay				
Police	54,313	54,313	43,121	(11,192)
Streets and alleys	62,500	62,500	-	(62,500)
Capital outlay total	<u>116,813</u>	<u>116,813</u>	<u>43,121</u>	<u>(73,692)</u>
Total expenditures paid	<u>2,127,781</u>	<u>2,127,781</u>	<u>1,407,293</u>	<u>(720,488)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	<u>(806,227)</u>	<u>(806,227)</u>	<u>69,455</u>	<u>875,682</u>
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	<u>92,000</u>	<u>92,000</u>	<u>27,560</u>	<u>(64,440)</u>
Total other financing sources (uses)	<u>92,000</u>	<u>92,000</u>	<u>27,560</u>	<u>(64,440)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (714,227)</u>	<u>\$ (714,227)</u>	<u>97,015</u>	<u>\$ 811,242</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS - NET CHANGE RESULTING FROM RECORDING ACCOUNTS RECEIVABLE, PAYABLE, AND OTHER ACCRUED ITEMS			(24,382)	
FUND BALANCE, BEGINNING OF YEAR			<u>417,658</u>	
FUND BALANCE, END OF YEAR			<u>\$ 490,291</u>	(Concluded)

See accompanying Independent Auditor's Report

VILLAGE OF SHERMAN, ILLINOIS

TAX INCREMENT FINANCING FUND

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

For the Year Ended April 30, 2013

	Original Budget	Final Budget	Actual	Variance Over/ (Under)
<b>REVENUES</b>				
Property taxes	\$ 944,200	\$ 944,200	\$ 1,018,953	\$ 74,753
Investment income	22,512	22,512	7,436	(15,076)
Sales tax	43,000	43,000	46,655	3,655
Miscellaneous	-	-	367,000	367,000
Total revenues	<u>1,009,712</u>	<u>1,009,712</u>	<u>1,440,044</u>	<u>430,332</u>
<b>EXPENDITURES</b>				
Economic Development:				
Salaries	62,800	62,800	60,087	(2,713)
Attorney fees	20,000	20,000	17,000	(3,000)
Administration	44,000	44,000	13,093	(30,907)
Engineering	81,000	81,000	189,453	108,453
Contractual agreements	820,000	820,000	212,000	(608,000)
Debt Service:				
Principal	83,400	83,400	802	(82,598)
Interest	8,100	8,100	171,793	163,693
Capital Outlay	-	-	1,877,185	1,877,185
Total expenditures	<u>1,119,300</u>	<u>1,119,300</u>	<u>2,541,413</u>	<u>1,422,113</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (109,588)</u>	<u>\$ (109,588)</u>	(1,101,369)	<u>\$ (991,781)</u>
<b>RECONCILIATION TO MODIFIED ACCRUAL BASIS - NET CHANGE RESULTING FROM RECORDING ACCOUNTS RECEIVABLE, PAYABLE, AND OTHER ACCRUED ITEMS</b>			(18,573)	
<b>FUND BALANCE, BEGINNING OF YEAR</b>			<u>3,517,373</u>	
<b>FUND BALANCE, END OF YEAR</b>			<u>\$ 2,397,431</u>	

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, 2013

	Original Budget	Final Budget	Actual	Variance Over/ (Under)
<b>REVENUES</b>				
Motor fuel tax	\$ 112,468	\$ 112,468	\$ 112,162	\$ (306)
Investment income	60	60	126	66
Miscellaneous	-	-	-	-
Total revenues	<u>112,528</u>	<u>112,528</u>	<u>112,288</u>	<u>(240)</u>
<b>EXPENDITURES</b>				
Streets and Public Works:				
Salaries	25,000	25,000	1,401	(23,599)
Highway maintenance program	7,500	7,500	20,446	12,946
Miscellaneous projects	6,750	6,750	3,903	(2,847)
Street lighting	50,000	50,000	53,143	3,143
Signal maintenance	3,750	3,750	5,229	1,479
Total expenditures	<u>93,000</u>	<u>93,000</u>	<u>84,122</u>	<u>(8,878)</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ 19,528</u>	 <u>\$ 19,528</u>	 28,166	 <u>\$ 8,638</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS - NET CHANGE RESULTING FROM RECORDING ACCOUNTS RECEIVABLE, PAYABLE, AND OTHER ACCRUED ITEMS			2,678	
FUND BALANCE, BEGINNING OF YEAR			<u>126,687</u>	
FUND BALANCE, END OF YEAR			<u>\$ 157,531</u>	

See Accompanying Independent Auditor's Report



VILLAGE OF SHERMAN, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2013

1. BUDGET

The appropriations ordinance and budget is prepared on a cash basis by 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, 2013 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."

3. EXCESS OVER BUDGET

The following operational line items had an excess of expenditures over appropriations for the year ended April 30, 2013:

General Fund

General Government attorney	\$ 12,032
Village Clerk payroll expenditures	121
Village Hall recycling program	576
Village Hall website	647
Public Safety miscellaneous	673
Police equipment maintenance	973
Police training	1,268
Police uniforms	5,919
Police neighborhood watch	220
Streets and Public Works payroll expenditures	52
Streets and Public Works telephone	195
Streets and Public Works engineer	25,641
Culture and Recreation parks improvements	3,720

VILLAGE OF SHERMAN, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – Continued

April 30, 2013

3. EXCESS OVER BUDGET – Continued

Debt Service capital lease interest	\$	4,264
Tax Increment Financing Fund		
Engineering		108,453
Interest		163,693
Capital outlay		1,877,185
Motor Fuel Tax Fund		
Highway maintenance program		12,946
Street lighting		3,143
Signal maintenance		1,479

## SUPPLEMENTARY INFORMATION

VILLAGE OF SHERMAN, ILLINOIS

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS

For the Year Ended April 30, 2013

	Balances, May 1, 2012	Additions	Deductions	Balances, April 30, 2013
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,199	\$ 125,903	\$ 125,902	\$ 5,200
Property tax receivable	125,903	125,903	125,903	125,903
<b>TOTAL ASSETS</b>	<b>\$ 131,102</b>	<b>\$ 251,806</b>	<b>\$ 251,805</b>	<b>\$ 131,103</b>
<b>LIABILITIES</b>				
Due to bondholders	\$ 131,102	\$ 125,903	\$ 125,902	\$ 131,103
<b>TOTAL LIABILITIES</b>	<b>\$ 131,102</b>	<b>\$ 125,903</b>	<b>\$ 125,902</b>	<b>\$ 131,103</b>

INDEPENDENT ACCOUNTANT'S REPORT ON MANAGEMENT'S  
ASSERTION OF COMPLIANCE

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

We have examined management's assertion 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, 2013. 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 attestation 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, 2013, is fairly stated in all material respects.

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.

*Sikich US*

Springfield, Illinois  
October 4, 2013

COMBINING SUBFUND STATEMENTS

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

April 30, 2013

	Original TIF District	Route 66 TIF District	Rail Pointe TIF District	Total TIF Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 573,740	\$ 328,586	\$ 52,021	\$ 954,347
Investments	1,331,062	-	122,664	1,453,726
Property tax receivable	915,549	98,541	4,860	1,018,950
Due from other funds	83,605	66,227	6,996	156,828
Total assets	<u>\$ 2,903,956</u>	<u>\$ 493,354</u>	<u>\$ 186,541</u>	<u>\$ 3,583,851</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 94,781	\$ -	\$ 33,851	\$ 128,632
Due to other funds	3,838	30,000	5,000	38,838
Total liabilities	98,619	30,000	38,851	167,470
Deferred inflows of resources:				
Unavailable revenue - property taxes	915,549	98,541	4,860	1,018,950
Total deferred inflows of resources	915,549	98,541	4,860	1,018,950
Total liabilities and deferred inflows of resources	1,014,168	128,541	43,711	1,186,420
Fund balances:				
Restricted for economic development	1,889,788	364,813	142,830	2,397,431
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,903,956</u>	<u>\$ 493,354</u>	<u>\$ 186,541</u>	<u>\$ 3,583,851</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, 2013

	Original TIF District	Route 66 TIF District	Rail Pointe TIF District	Total TIF Fund
<b>REVENUES</b>				
Property taxes	\$ 915,552	\$ 98,541	\$ 4,860	\$ 1,018,953
Investment income	5,433	1,242	761	7,436
Sales tax		46,655	-	46,655
Miscellaneous	-	-	367,000	367,000
Total revenues	<u>920,985</u>	<u>146,438</u>	<u>372,621</u>	<u>1,440,044</u>
<b>EXPENDITURES</b>				
Salaries	61,474	-	-	61,474
Attorney fees	14,570	-	-	14,570
Administration	15,618	-	5	15,623
Engineering	161,653	-	-	161,653
Contractual agreements	212,000	-	-	212,000
Bond payments				
Principal	802	-	-	802
Interest	18	171,775	-	171,793
Infrastructure improvements	<u>1,555,071</u>	<u>-</u>	<u>367,000</u>	<u>1,922,071</u>
Total expenditures	<u>2,021,206</u>	<u>171,775</u>	<u>367,005</u>	<u>2,559,986</u>
NET CHANGE IN FUND BALANCE	(1,100,221)	(25,337)	5,616	(1,119,942)
FUND BALANCE, BEGINNING OF YEAR	<u>2,990,009</u>	<u>390,150</u>	<u>137,214</u>	<u>3,517,373</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,889,788</u>	<u>\$ 364,813</u>	<u>\$ 142,830</u>	<u>\$ 2,397,431</u>

See independent auditor's report.