

**VILLAGE OF SHERMAN, ILLINOIS**

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

For the Year Ended April 30, 2009



VILLAGE OF SHERMAN, ILLINOIS  
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INDEPENDENT AUDITOR'S REPORT



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

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Village of Sherman, Illinois, as of and for the year ended April 30, 2009 which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Sherman, Illinois' management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

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, 2009, 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.

*Sichik UP*

Springfield, Illinois  
September 14, 2010

## BASIC FINANCIAL STATEMENTS

VILLAGE OF SHERMAN, ILLINOIS

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

April 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 3,075,632	\$ 302,190	\$ 3,377,822
Due from (to) other funds	7,323	(7,323)	-
Restricted assets:			
Cash and cash equivalents	-	185,445	185,445
Total current assets	<u>3,082,955</u>	<u>480,312</u>	<u>3,563,267</u>
Capital Assets:			
Land	50,000	-	50,000
Other capital assets, net of accumulated depreciation	1,863,325	1,168,158	3,031,483
Total capital assets	<u>1,913,325</u>	<u>1,168,158</u>	<u>3,081,483</u>
Total assets	<u>4,996,280</u>	<u>1,648,470</u>	<u>6,644,750</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Capital leases, current	9,933	-	9,933
G.O. bonds payable, current	34,200	55,800	90,000
TIF bonds payable, current	257,840	-	257,840
Total current liabilities	<u>301,973</u>	<u>55,800</u>	<u>357,773</u>
Noncurrent Liabilities			
Capital leases, noncurrent	21,067	-	21,067
G.O. bonds payable, noncurrent	148,200	241,800	390,000
TIF bonds payable, noncurrent	1,338,000	-	1,338,000
TIF notes payable, noncurrent	194,168	-	194,168
Total noncurrent liabilities	<u>1,701,435</u>	<u>241,800</u>	<u>1,943,235</u>
Total liabilities	<u>2,003,408</u>	<u>297,600</u>	<u>2,301,008</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,882,325	1,168,158	3,050,483
Restricted for maintenance of roadways	62,985	-	62,985
Restricted for economic development	2,697,394	-	2,697,394
Restricted for capital projects	-	185,445	185,445
Restricted for debt service	132,379	-	132,379
Unrestricted	(1,782,211)	(2,733)	(1,784,944)
Total net assets	<u>\$ 2,992,872</u>	<u>\$ 1,350,870</u>	<u>\$ 4,343,742</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
\$ (302,570)	\$ -	\$ (302,570)
(378,711)	-	(378,711)
(270,186)	-	(270,186)
(27,947)	-	(27,947)
(481,672)	-	(481,672)
(62,445)	-	(62,445)
(1,523,531)	-	(1,523,531)
-	(33,114)	(33,114)
(1,523,531)	(33,114)	(1,556,645)
1,185,146	-	1,185,146
303,049	-	303,049
325,324	-	325,324
35,490	7,232	42,722
62,870	-	62,870
1,911,879	7,232	1,919,111
388,348	(25,882)	362,466
2,604,524	1,376,752	3,981,276
\$ 2,992,872	\$ 1,350,870	\$ 4,343,742

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, 2009

	General Fund	Tax Increment Financing Fund	Motor Fuel Tax Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 388,821	\$ 2,623,826	\$ 62,985	\$ 3,075,632
Due from other funds	11,052	77,297	-	88,349
Total assets	<u>\$ 399,873</u>	<u>\$ 2,701,123</u>	<u>\$ 62,985</u>	<u>\$ 3,163,981</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ 77,297	\$ 3,729	\$ -	\$ 81,026
Total liabilities	<u>77,297</u>	<u>3,729</u>	<u>-</u>	<u>81,026</u>
Fund balances:				
Reserved for maintenance of roadways	-	-	62,985	62,985
Reserved for economic development	-	2,697,394	-	2,697,394
Reserved for debt service	132,379	-	-	132,379
Unreserved				
General	<u>190,197</u>	<u>-</u>	<u>-</u>	<u>190,197</u>
Total fund balances	<u>322,576</u>	<u>2,697,394</u>	<u>62,985</u>	<u>3,082,955</u>
Total liabilities and fund balances	<u>\$ 399,873</u>	<u>\$ 2,701,123</u>	<u>\$ 62,985</u>	<u>\$ 3,163,981</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, 2009

**Reconciliation to Statement of Net Assets**

Fund balance - governmental funds	<u>\$ 3,082,955</u>
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in the governmental activities of \$2,676,566, net of accumulated depreciation of \$763,241, are not financial resources, and therefore, are not reported in the funds.	<u>1,913,325</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Capital leases, current	(9,933)
G.O. Bond payable, current	(34,200)
TIF Bonds payable, current	(257,840)
Capital leases, noncurrent	(21,067)
G.O. Bond payable, noncurrent	(148,200)
TIF Bonds payable, noncurrent	(1,338,000)
TIF Notes payable, noncurrent	(194,168)
Total long-term liabilities	<u>(2,003,408)</u>
Net assets of governmental activities	<u>\$ 2,992,872</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, 2009

	General Fund	Tax Increment Financing Fund	Motor Fuel Tax Fund	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 190,071	\$ 995,075	\$ -	\$ 1,185,146
Sales and use taxes	292,801	10,248	-	303,049
Intergovernmental	249,711	-	75,613	325,324
Licenses and permits	29,878	-	-	29,878
Fines	59,113	-	-	59,113
Investment income	2,587	32,170	733	35,490
Other revenues	62,870	-	-	62,870
	<u>887,031</u>	<u>1,037,493</u>	<u>76,346</u>	<u>2,000,870</u>
<b>EXPENDITURES</b>				
Current:				
General government	247,239	51,040	-	298,279
Public safety	390,541	-	-	390,541
Streets and public works	167,801	-	72,347	240,148
Culture and recreation	26,047	-	-	26,047
Economic Development	-	205,000	-	205,000
Debt service	41,389	266,123	-	307,512
Capital outlay	85,508	312,338	-	397,846
	<u>958,525</u>	<u>834,501</u>	<u>72,347</u>	<u>1,865,373</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>				
	<u>(71,494)</u>	<u>202,992</u>	<u>3,999</u>	<u>135,497</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease proceeds	31,000	-	-	31,000
TIF Note proceeds	-	151,334	-	151,334
Total other financing sources (uses)	<u>31,000</u>	<u>151,334</u>	<u>-</u>	<u>182,334</u>
Net change in fund balances	(40,494)	354,326	3,999	317,831
Fund balance at beginning of year	<u>391,423</u>	<u>2,314,715</u>	<u>58,986</u>	<u>2,765,124</u>
Prior period adjustment	<u>(28,353)</u>	<u>28,353</u>	<u>-</u>	<u>-</u>
Fund balance at beginning of year - restated	<u>363,070</u>	<u>2,343,068</u>	<u>58,986</u>	<u>2,765,124</u>
Fund balance at end of year	<u>\$ 322,576</u>	<u>\$ 2,697,394</u>	<u>\$ 62,985</u>	<u>\$ 3,082,955</u>

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

VILLAGE OF SHERMAN

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

For the Year Ended April 30, 2009

**Reconciliation to the Statement of Activities:**

Net change in fund balances - total governmental funds	\$ 317,831
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	280,733
Lease proceeds	(31,000)
TIF Note proceeds	(151,334)
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	108,988
Depreciation expense	<u>(136,870)</u>
Change in net assets of governmental activities	<u>\$ 388,348</u>

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

VILLAGE OF SHERMAN

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
 PROPRIETARY FUND

April 30, 2009

	<u>Sewer Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 302,190
Restricted cash and cash equivalents	<u>185,445</u>
Total current assets	<u>487,635</u>
Noncurrent assets:	
Treatment facility - net of accumulated depreciation	<u>1,168,158</u>
Total noncurrent assets	<u>1,168,158</u>
Total assets	<u>1,655,793</u>
<b>LIABILITIES AND NET ASSETS</b>	
Current liabilities:	
Due to General Fund	7,323
G.O. bonds payable - current	<u>55,800</u>
Total current liabilities	<u>63,123</u>
Noncurrent liabilities:	
G.O. bonds payable	<u>241,800</u>
Total liabilities	<u>304,923</u>
Net assets:	
Invested in capital assets, net of related debt	1,168,158
Restricted for capital projects	185,445
Unrestricted	<u>(2,733)</u>
Total net assets	<u>\$ 1,350,870</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, 2009

	Sewer Fund
Operating Revenues:	
Charges for services	<u>\$ 305,003</u>
Operating expenses:	
Salaries	71,965
Engineering	16,209
Professional	2,788
Maintenance and supplies	45,625
Sanitary usage	94,932
Collection fees	13,782
Depreciation	58,988
Utility rebates	2,829
Miscellaneous	19,270
Total operating expenses	<u>326,388</u>
Operating loss	<u>(21,385)</u>
Nonoperating revenue (expense)	
Investment income	7,232
Interest and fees	(11,729)
Total nonoperating revenue (expense)	<u>(4,497)</u>
Change in net assets	(25,882)
Total net assets, beginning of year	<u>1,376,752</u>
Total net assets, end of year	<u>\$ 1,350,870</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, 2009

	Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 305,003
Cash paid to suppliers	(329,693)
Cash paid to employees	(71,965)
	<u>(96,655)</u>
Net cash provided by (used in) operating activities	<u>(96,655)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Principal paid on general obligation bonds	(55,800)
Interest paid on general obligation bonds	(11,419)
Fiscal agent fees on bonds	(310)
	<u>(67,529)</u>
Net cash provided by (used in) capital financing activities	<u>(67,529)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	7,232
	<u>7,232</u>
Net cash provided by (used in) investing activities	<u>7,232</u>
Net decrease in cash and cash equivalents	(156,952)
Cash, beginning of year	<u>644,587</u>
Cash, end of year	<u>\$ 487,635</u>
<b>Reconciliation of operating income (loss) to net cash from operating activities:</b>	
Operating income (loss)	\$ (21,385)
Adjustments to reconcile income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	58,988
Increase in amount due General Fund	(134,258)
Net cash from operating activities	<u>\$ (96,655)</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, 2009

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,083
Total assets	<u>\$ 5,083</u>
<b>LIABILITIES</b>	
Due to bondholders	\$ 5,083
Total liabilities	<u>\$ 5,083</u>

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

VILLAGE OF SHERMAN, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS

April 30, 2009

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, 2009.

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.

Government-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 government-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.

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.

B. Investments

The following table presents the investments in debt securities of the Village as of April 30, 2009 by type of investment.

Investment	Fair Value	Maturity (in years)			
		Less than 1	1-5	6-10	>10
Illinois Funds	\$ 2,942,597	\$ 2,942,597	\$ -	\$ -	\$ -

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's policy limits the investments to securities maturing less than one year from the date of purchase. The reserve funds of the Village may be invested in securities exceeding one year if the maturity of such investments coincide with the expected use of the funds.

The Village limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity by primarily investing in Illinois Funds.

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, 2009 consists of the following:

	<u>Balance</u> <u>May 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2009</u>
Capital assets not being depreciated				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Other capital assets				
Buildings	350,502	-	-	350,502
Vehicles	272,119	31,000	-	303,119
Equipment	309,485	77,988	-	387,473
Computers	16,476	-	-	16,476
Infrastructure	<u>1,568,996</u>	<u>-</u>	<u>-</u>	<u>1,568,996</u>
Total capital assets	<u>2,567,578</u>	<u>108,988</u>	<u>-</u>	<u>2,676,566</u>
Less accumulated depreciation for:				
Buildings	128,606	8,763	-	137,369
Vehicles	191,665	50,168	-	241,833
Equipment	194,430	35,619	-	230,049
Computers	3,063	3,095	-	6,158
Infrastructure	<u>108,607</u>	<u>39,225</u>	<u>-</u>	<u>147,832</u>
Total accumulated depreciation	<u>626,371</u>	<u>136,870</u>	<u>-</u>	<u>763,241</u>
Total capital assets, net of accumulated depreciation	<u>\$ 1,941,207</u>	<u>\$ (27,882)</u>	<u>\$ -</u>	<u>\$ 1,913,325</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, 2009 consists of the following:

	<u>Balance</u> <u>May 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2009</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	1,132,354	58,988	-	1,191,342
Vehicle	16,500	-	-	16,500
Equipment	<u>4,149</u>	<u>-</u>	<u>-</u>	<u>4,149</u>
Total accumulated depreciation	<u>1,153,003</u>	<u>58,988</u>	<u>-</u>	<u>1,211,991</u>
Total capital assets, net of accumulated depreciation	<u>\$ 1,227,146</u>	<u>\$ (58,988)</u>	<u>\$ -</u>	<u>\$ 1,168,158</u>

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

Governmental activities:	
General government	\$ 34,169
Public safety	27,538
Streets and public works	73,263
Culture and recreation	<u>1,900</u>
Total depreciation expense – governmental activities	<u>\$ 136,870</u>
Business-type activities:	
Sewer	<u>58,988</u>
Total depreciation expense – business-type activities	<u>\$ 58,988</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>\$ 2,658,793</u>
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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. 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, 2009.

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 \$15,065 for employee policy premiums.

8. PENSION PLANS

The Village makes contributions to a multi-employer pension plan for its union employees. Contributions made for the year ended April 30, 2009 totaled \$5,517.

The union-negotiated defined benefit plan is administered by representatives of various trade unions. The Pension Protection Act of 2006 (PPA of 2006) imposed additional funding rules for defined benefit multi-employer plans and now requires plan actuaries for each defined benefit plan to forecast the plan's funding status. This requirement was effective for the 2008 plan year. It is possible that these plans will require the Village to increase the pension contributions as a part of a corrective plan for those plans which are below certain funding levels as defined by the PPA of 2006. Management does not believe that these increased contributions or other corrective actions will have a material adverse affect on the Village.

VILLAGE OF SHERMAN, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS - Continued

9. 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 \$90,000 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>
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>\$ 480,000</u>	<u>\$ 46,055</u>	<u>\$ 526,055</u>

Capital Leases

The Village is obligated under one equipment lease accounted for as a capital lease. The leased asset (vehicle) and related obligation are accounted for as a governmental activity. The asset under the capital lease net of depreciation totaled \$25,833 at April 30, 2009. 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, 2009:

Year ended April 30,	
2010	\$ 11,154
2011	11,154
2012	<u>11,119</u>
Future minimum lease payments	33,427
Less: Amount representing interest	<u>2,427</u>
Present value of minimum lease payments	<u>\$ 31,000</u>

VILLAGE OF SHERMAN, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS - Continued

9. LONG TERM DEBT – Continued

Tax Increment Financing Payable Bonds

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

Tax Increment Revenue Bonds, Series 1991

The Village issued \$147,840 Tax Increment Revenue Bonds, Series 1991 in 1992 for the purpose of infrastructure improvements in the Roadway Redevelopment Project Area. The Village pays debt service expenditures from tax incremental revenue generated by specific property. The full principal amount matures in fiscal year 2010.

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

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 increment sales tax and property taxes collected within the Tax Increment Financing District. Principal payments range from \$98,000 to \$186,000 annually beginning 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>
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	138,000	58,080	196,080
2015-2019	<u>830,000</u>	<u>155,100</u>	<u>985,100</u>
Total	<u>\$ 1,448,000</u>	<u>\$ 519,480</u>	<u>\$ 1,967,480</u>

VILLAGE OF SHERMAN, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS - Continued

9. 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. For the year ending April 30, 2009, the developer paid principal and interest payments for the Tax Increment Revenue Bonds, Series 2004 totaling \$151,334. 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 Village repaid the developers a portion of the note totaling \$104,666 during the fiscal year ending April 30, 2009. The total note payable balance to the developer as of April 30, 2009 is \$194,168.

Changes in Long-Term Liabilities

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

	<u>Balances</u> May 1	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> April 30	<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 *	\$ 570,000	\$ -	\$ 90,000	\$ 480,000	\$ 90,000
\$30,790 Capital Lease, monthly Interest at 5.59%, due January 22, 2009	10,253	-	10,253	-	-
\$80,556 Capital Lease, interest at 2.86%, due December 20, 2008	27,614	-	27,614	-	-
\$31,000 Capital Lease, interest At 3.80%, due July 15, 2011	-	31,000	-	31,000	9,933
\$147,890 Tax Incremental Financing Bonds, Series 1991, interest payments at 12%, due September 17, 2009	147,840	-	-	147,840	147,840



VILLAGE OF SHERMAN, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS - Continued

9. LONG TERM DEBT – Continued

Changes in Long-Term Liabilities – Continued

	<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>
\$1,650,000 TIF Revenue Bonds Series 2004, semi annual interest payments at 6%, due January 1, 2019, principal payments began January 1, 2008	1,552,000	-	104,000	1,448,000	110,000
TIF Note payable	<u>147,500</u>	<u>151,334</u>	<u>104,666</u>	<u>194,168</u>	<u>-</u>
	2,455,207	182,334	336,533	2,301,008	357,773
*A portion of the total is included in the Sewer Funds	<u>(353,400)</u>	<u>-</u>	<u>55,800</u>	<u>(297,600)</u>	<u>55,800</u>
Total governmental	<u>\$ 2,101,807</u>	<u>\$ 182,334</u>	<u>\$ 280,733</u>	<u>\$ 2,003,408</u>	<u>\$ 301,973</u>

10. 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, 2009 was \$678,522.

VILLAGE OF SHERMAN, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS - Continued

11. INTERFUND BALANCES

Interfund receivable and payable balances at April 30, 2009 consist of:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund:		
TIF Fund	\$ 3,729	\$ 77,297
Sewer	<u>7,323</u>	<u>-</u>
	<u>11,052</u>	<u>77,297</u>
 TIF Fund:		
General Fund	77,297	3,729
 Sewer Fund:		
General Fund	<u>-</u>	<u>7,323</u>
 Total interfund receivables/payables	<u>\$ 88,349</u>	<u>\$ 88,349</u>

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

- \$77,297 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, 2009.
- \$7,323 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, 2009. The \$3,729 due from the TIF Fund to the General Fund consists of salary expenditures paid by the General Fund, but not yet repaid by the TIF Fund at April 30, 2009.

12. PRIOR PERIOD ADJUSTMENTS

The Village has restated beginning fund balance/net assets as of May 1, 2008 to a) correct sales tax receipts.

	<u>General Fund</u>	<u>TIF Fund</u>
FUND BALANCE/NET ASSETS, MAY 1 (as previously reported)	\$ 391,423	\$ 2,314,715
Restated for:		
b) Correct sales tax receipts	<u>(28,353)</u>	<u>28,353</u>
FUND BALANCE/NET ASSETS, MAY 1 (as restated)	<u>\$ 363,070</u>	<u>\$ 2,343,068</u>

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF SHERMAN, ILLINOIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

For the Year Ended April 30, 2009

	Original Budget	Final Budget	Actual	Variance Over/ (Under)
<b>REVENUES</b>				
Property taxes	\$ 42,000	\$ 42,000	\$ 149,630	\$ 107,630
Road and bridge taxes	40,000	40,000	40,441	441
Sales and use taxes	325,000	325,000	292,801	(32,199)
Personal property replacement taxes	350	350	361	11
Income taxes	270,000	270,000	249,350	(20,650)
Franchise fees	20,000	20,000	18,358	(1,642)
Liquor license	2,400	2,400	2,400	-
Building permits	17,500	17,500	9,120	(8,380)
Fines	60,000	60,000	59,113	(887)
Investment income	5,000	5,000	2,587	(2,413)
Miscellaneous	1,153,500	1,153,500	62,870	(1,090,630)
Total revenues	<u>1,935,750</u>	<u>1,935,750</u>	<u>887,031</u>	<u>(1,048,719)</u>
<b>EXPENDITURES</b>				
General government				
Finance:				
Insurance	22,500	22,500	17,911	(4,589)
Salaries	50,000	50,000	41,866	(8,134)
Payroll taxes	56,250	56,250	48,543	(7,707)
Computer	1,875	1,875	1,684	(191)
Auditing	3,125	3,125	4,000	875
Finance total	<u>133,750</u>	<u>133,750</u>	<u>114,004</u>	<u>(19,746)</u>
Legal:				
Attorney	17,500	17,500	11,241	(6,259)
Legal total	<u>17,500</u>	<u>17,500</u>	<u>11,241</u>	<u>(6,259)</u>
Village clerk:				
Salary	10,625	10,625	11,006	381
Printing, supplies and postage	7,500	7,500	6,424	(1,076)
Dues and membership	7,500	7,500	2,906	(4,594)
Telephone	3,375	3,375	3,122	(253)
Bulk mailing	11,250	11,250	11,873	623
Village clerk total	<u>40,250</u>	<u>40,250</u>	<u>35,331</u>	<u>(4,919)</u>

(Continued)

VILLAGE OF SHERMAN, ILLINOIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

For the Year Ended April 30, 2009

	Original Budget	Final Budget	Actual	Variance Over/ (Under)
Village Hall:				
Salaries	\$ 62,500	\$ 62,500	\$ 6,963	\$ (55,537)
Office equipment	-	-	4,106	4,106
Supplies/labor	3,750	3,750	9,955	6,205
Utilities	13,750	13,750	10,989	(2,761)
Miscellaneous	33,750	33,750	27,908	(5,842)
Building maintenance	1,875	1,875	2,552	677
Recycling program	5,625	5,625	72	(5,553)
Community events	8,750	8,750	7,000	(1,750)
Website	6,250	6,250	3,740	(2,510)
Village hall total	<u>136,250</u>	<u>136,250</u>	<u>73,285</u>	<u>(62,965)</u>
Contingency				
Contingency	252,518	252,518	13,378	(239,140)
Contingency total	<u>252,518</u>	<u>252,518</u>	<u>13,378</u>	<u>(239,140)</u>
General government total	<u>580,268</u>	<u>580,268</u>	<u>247,239</u>	<u>(333,029)</u>
Public Safety:				
Public health and safety:				
Mosquito control	6,250	6,250	-	(6,250)
ESDA	4,375	4,375	3,326	(1,049)
Miscellaneous	625	625	2,320	1,695
Public health safety total	<u>11,250</u>	<u>11,250</u>	<u>5,646</u>	<u>(5,604)</u>
Police:				
Salaries	431,250	431,250	314,058	(117,192)
Telecommunications	20,000	20,000	15,722	(4,278)
Gasoline	31,250	31,250	21,232	(10,018)
Equipment maintenance	17,500	17,500	10,032	(7,468)
Training	13,125	13,125	7,319	(5,806)
Uniforms	9,375	9,375	2,933	(6,442)
Neighborhood watch	1,250	1,250	2,142	892
Supplies	12,500	12,500	11,457	(1,043)
Police total	<u>536,250</u>	<u>536,250</u>	<u>384,895</u>	<u>(151,355)</u>
Total public safety	<u>547,500</u>	<u>547,500</u>	<u>390,541</u>	<u>(156,959)</u>

(Continued)

VILLAGE OF SHERMAN, ILLINOIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

For the Year Ended April 30, 2009

	Original Budget	Final Budget	Actual	Variance Over/ (Under)
<b>Streets and Public Works</b>				
Streets and alleys:				
Salaries	\$ 87,500	\$ 87,500	\$ 99,439	\$ 11,939
Gas and oil	15,000	15,000	9,513	(5,487)
Equipment maintenance and repair	21,875	21,875	19,218	(2,657)
Telephone	2,125	2,125	1,559	(566)
Miscellaneous/supplies	2,500	2,500	7,391	4,891
Clean-up day	5,000	5,000	-	(5,000)
Streets and alleys total	<u>134,000</u>	<u>134,000</u>	<u>137,120</u>	<u>3,120</u>
Engineering:				
Engineer	68,750	68,750	30,681	(38,069)
Engineering total	<u>68,750</u>	<u>68,750</u>	<u>30,681</u>	<u>(38,069)</u>
Streets and Public Works total	<u>202,750</u>	<u>202,750</u>	<u>167,801</u>	<u>(34,949)</u>
<b>Culture and Recreation</b>				
Parks and recreation:				
Gas and oil	2,500	2,500	1,859	(641)
Equipment supplies	3,750	3,750	7,734	3,984
Park improvements	559,375	559,375	16,454	(542,921)
Parks and recreation total	<u>565,625</u>	<u>565,625</u>	<u>26,047</u>	<u>(539,578)</u>
Culture and recreation total	<u>565,625</u>	<u>565,625</u>	<u>26,047</u>	<u>(539,578)</u>
<b>Debt Service</b>				
Debt Service:				
Payment/debt service G.O. refunding bonds	51,250	51,250	41,389	(9,861)
Debt service total	<u>51,250</u>	<u>51,250</u>	<u>41,389</u>	<u>(9,861)</u>
<b>Capital outlay</b>				
Police	18,750	18,750	56,970	38,220
Streets and alleys	75,000	75,000	28,538	(46,462)
Village Hall	800,000	800,000	-	(800,000)
Capital outlay total	<u>893,750</u>	<u>893,750</u>	<u>85,508</u>	<u>(808,242)</u>
Total expenditures paid	<u>2,841,143</u>	<u>2,841,143</u>	<u>958,525</u>	<u>(1,882,618)</u>

(Continued)

VILLAGE OF SHERMAN, ILLINOIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

For the Year Ended April 30, 2009

	<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>\$ (905,393)</u>	<u>\$ (905,393)</u>	<u>\$ (71,494)</u>	<u>\$ 833,899</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	156,000	156,000	-	(156,000)
Capital leases issued	-	-	31,000	31,000
Total other financing sources (uses)	<u>156,000</u>	<u>156,000</u>	<u>31,000</u>	<u>(125,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (749,393)</u>	<u>\$ (749,393)</u>	(40,494)	<u>\$ 708,899</u>
FUND BALANCE, BEGINNING OF YEAR			391,423	
PRIOR PERIOD ADJUSTMENT			<u>(28,353)</u>	
FUND BALANCE, BEGINNING OF YEAR - RESTATED			<u>363,070</u>	
FUND BALANCE, END OF YEAR			<u>\$ 350,929</u>	(Concluded)

VILLAGE OF SHERMAN, ILLINOIS

MOTOR FUEL TAX FUND

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

For the Year Ended April 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/ (Under)</u>
<b>REVENUES</b>				
Motor fuel tax	\$ 84,000	\$ 84,000	\$ 75,613	\$ (8,387)
Investment income	2,000	2,000	733	(1,267)
Miscellaneous	26,000	26,000	-	(26,000)
Total revenues	<u>112,000</u>	<u>112,000</u>	<u>76,346</u>	<u>(35,654)</u>
<b>EXPENDITURES</b>				
Streets and Public Works:				
Highway maintenance program	127,500	127,500	-	(127,500)
Miscellaneous projects	83,733	83,733	6,322	(77,411)
Street lighting	-	-	62,731	62,731
Signal maintenance	2,500	2,500	3,294	794
Total expenditures	<u>213,733</u>	<u>213,733</u>	<u>72,347</u>	<u>(141,386)</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ (101,733)</u>	 <u>\$ (101,733)</u>	 3,999	 <u>\$ 105,732</u>
 FUND BALANCE, BEGINNING OF YEAR			 <u>58,986</u>	
 FUND BALANCE, END OF YEAR			 <u>\$ 62,985</u>	



VILLAGE OF SHERMAN, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2009

1. SIGNIFICANT ACCOUNTING POLICIES

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

## SUPPLEMENTARY INFORMATION



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

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

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

We have examined management's assertion included in its representation letter dated September 14, 2010, 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, 2009. 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, 2009, 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. However, this report is a matter of public record and its distribution is not limited.

*Sikich LLP*

Springfield, Illinois  
September 14, 2010

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, 2009

	Original TIF District	Route 66 TIF District	Rail Pointe TIF District	Total TIF Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,483,980	\$ 4,155	\$ 135,691	\$ 2,623,826
Due from other funds	-	72,501	4,796	77,297
Total assets	<u>\$ 2,483,980</u>	<u>\$ 76,656</u>	<u>\$ 140,487</u>	<u>\$ 2,701,123</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ 3,729	-	-	\$ 3,729
Total liabilities	<u>3,729</u>	<u>-</u>	<u>-</u>	<u>3,729</u>
Fund balances:				
Reserved for economic development	2,480,251	76,656	140,487	2,697,394
Total liabilities and fund balances	<u>\$ 2,483,980</u>	<u>\$ 76,656</u>	<u>\$ 140,487</u>	<u>\$ 2,701,123</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, 2009

	Original TIF District	Route 66 TIF District	Rail Pointe TIF District	Total TIF Fund
<b>REVENUES</b>				
Property taxes	\$ 956,063	\$ 34,216	\$ 4,796	\$ 995,075
Investment income	30,083	543	1,544	32,170
Sales tax	-	10,248	-	10,248
Total revenues	<u>986,146</u>	<u>45,007</u>	<u>6,340</u>	<u>1,037,493</u>
<b>EXPENDITURES</b>				
Salaries	24,423	-	-	24,423
Attorney fees	18,198	-	-	18,198
Administration	7,919	-	-	7,919
Audit	-	500	-	500
Engineering	46,817	112	4,535	51,464
Contractual agreements	205,000	-	-	205,000
Bond payments				
Principal	-	173,003	-	173,003
Interest	-	93,120	-	93,120
Infrastructure improvements	260,874	-	-	260,874
Total expenditures	<u>563,231</u>	<u>266,735</u>	<u>4,535</u>	<u>834,501</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>				
	<u>422,915</u>	<u>(221,728)</u>	<u>1,805</u>	<u>202,992</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
TIF Note proceeds	-	151,334	-	151,334
Total other financing sources (uses)	<u>-</u>	<u>151,334</u>	<u>-</u>	<u>151,334</u>
<b>NET CHANGE IN FUND BALANCE</b>	422,915	(70,394)	1,805	354,326
<b>FUND BALANCE, BEGINNING OF YEAR</b>	2,057,336	118,697	138,682	2,314,715
Prior period adjustments	-	28,353	-	28,353
<b>FUND BALANCE, BEGINNING OF OF THE YEAR - RESTATED</b>	<u>2,057,336</u>	<u>147,050</u>	<u>138,682</u>	<u>2,343,068</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 2,480,251</u>	<u>\$ 76,656</u>	<u>\$ 140,487</u>	<u>\$ 2,697,394</u>

See independent auditor's report.