

VILLAGE OF SHERMAN, ILLINOIS

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

For the Year Ended April 30, 2016



VILLAGE OF SHERMAN, ILLINOIS
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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, 2016, 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 accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, 2016, 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

As discussed in Note 13 of the financial statements, the Village has restated the beginning net position as of May 1, 2015 to correct an understatement of accounts payable. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 governmental accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates 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.

Sikich LLP

Springfield, Illinois
December 19, 2016

BASIC FINANCIAL STATEMENTS

VILLAGE OF SHERMAN, ILLINOIS

STATEMENT OF NET POSITION

April 30, 2016

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,094,340	\$ 495,638	\$ 1,589,978
Investments	373,703	315,206	688,909
Property tax receivable	1,401,138	-	1,401,138
Other receivables	196,307	95,618	291,925
Due from (to) other funds	133,351	(133,351)	-
Prepaid expenses	429	-	429
Total current assets	<u>3,199,268</u>	<u>773,111</u>	<u>3,972,379</u>
Capital Assets:			
Land	958,000	-	958,000
Construction in progress	3,064,818	-	3,064,818
Other capital assets, net of accumulated depreciation	3,962,036	786,715	4,748,751
Total capital assets	<u>7,984,854</u>	<u>786,715</u>	<u>8,771,569</u>
Total assets	<u>11,184,122</u>	<u>1,559,826</u>	<u>12,743,948</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	840,972	36,928	877,900
Accrued payroll	19,168	4,975	24,143
Accrued interest payable	45,674	-	45,674
Compensated absences payable, current	13,738	5,131	18,869
Notes payable, current	37,578	-	37,578
TIF bonds payable, current	430,000	-	430,000
Total current liabilities	<u>1,387,130</u>	<u>47,034</u>	<u>1,434,164</u>
Noncurrent Liabilities			
Compensated absences payable, noncurrent	15,584	9,626	25,210
Notes payable, noncurrent	24,272	-	24,272
TIF bonds payable, noncurrent	2,443,000	-	2,443,000
TIF notes payable, noncurrent	454,916	-	454,916
Total noncurrent liabilities	<u>2,937,772</u>	<u>9,626</u>	<u>2,947,398</u>
Total liabilities	<u>4,324,902</u>	<u>56,660</u>	<u>4,381,562</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	1,401,138	-	1,401,138
Total deferred inflows of resources	<u>1,401,138</u>	<u>-</u>	<u>1,401,138</u>
Total liabilities and deferred inflows of resources	<u>5,726,040</u>	<u>56,660</u>	<u>5,782,700</u>
NET POSITION			
Net investment in capital assets	7,923,004	786,715	8,709,719
Restricted for maintenance of roadways	251,428	-	251,428
Restricted for economic development	378,418	-	378,418
Restricted for public safety	9,200	-	9,200
Restricted for debt service	457,662	-	457,662
Unrestricted	<u>(3,561,630)</u>	<u>716,451</u>	<u>(2,845,179)</u>
Total net position	<u>\$ 5,458,082</u>	<u>\$ 1,503,166</u>	<u>\$ 6,961,248</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, 2016

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 322,353	\$ 91,978	\$ -	\$ -
Public safety	486,773	16,891	-	-
Streets and public works	498,051	-	143,336	-
Culture and recreation	29,393	-	-	-
Economic development	816,971	-	-	-
Interest on long-term debt	150,963	-	-	-
Total governmental activities	2,304,504	108,869	143,336	-
Business-type activities	683,635	613,468	-	-
Total primary government	\$ 2,988,139	\$ 722,337	\$ 143,336	\$ -
General revenues:				
Property taxes				
Sales and use tax				
Intergovernmental				
Investment income				
Other revenue				
Extraordinary item:				
Gain on release of TIF bonds				
Total general revenues and special items				
Change in net position				
Net position - beginning				
Prior period adjustments				
Net position - beginning restated				
Net position - ending				

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (230,375)	\$ -	\$ (230,375)
(469,882)	-	(469,882)
(354,715)	-	(354,715)
(29,393)	-	(29,393)
(816,971)	-	(816,971)
(150,963)	-	(150,963)
(2,052,299)	-	(2,052,299)
-	(70,167)	(70,167)
(2,052,299)	(70,167)	(2,122,466)
1,445,228	-	1,445,228
589,879	-	589,879
480,703	-	480,703
3,358	2,408	5,766
22,223	-	22,223
322,500	-	322,500
2,863,891	2,408	2,866,299
811,592	(67,759)	743,833
4,729,213	1,570,925	6,300,138
(82,723)	-	(82,723)
4,646,490	1,570,925	6,217,415
\$ 5,458,082	\$ 1,503,166	\$ 6,961,248

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

VILLAGE OF SHERMAN

BALANCE SHEET
GOVERNMENTAL FUNDS

April 30, 2016

	General Fund	Tax Increment Financing Fund	Motor Fuel Tax Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 355,447	\$ 472,653	\$ 266,240	\$ 1,094,340
Investments	250,000	123,703	-	373,703
Property tax receivable	61,138	1,340,000	-	1,401,138
Other receivables	186,867	-	9,440	196,307
Due from other funds	217,415	64,172	41	281,628
Prepaid expenses	429	-	-	429
Total assets	\$ 1,071,296	\$ 2,000,528	\$ 275,721	\$ 3,347,545
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 93,910	\$ 745,836	\$ 1,226	\$ 840,972
Accrued payroll	18,117	1,051	-	19,168
Due to other funds	49,213	75,997	23,067	148,277
Total liabilities	161,240	822,884	24,293	1,008,417
Deferred inflows of resources:				
Unavailable revenue - property taxes	61,138	1,340,000	-	1,401,138
Total deferred inflows of resources	61,138	1,340,000	-	1,401,138
Total liabilities and deferred inflows of resources	222,378	2,162,884	24,293	2,409,555
Fund balances:				
Nonspendable	429	-	-	429
Restricted				
Maintenance of roadways	-	-	251,428	251,428
Economic development	-	378,418	-	378,418
Public safety	9,200	-	-	9,200
Debt service	457,662	-	-	457,662
Unrestricted				
Unassigned	381,627	(540,774)	-	(159,147)
Total fund (deficit) balances	848,918	(162,356)	251,428	937,990
Total liabilities, deferred inflows of resources and fund balances	\$ 1,071,296	\$ 2,000,528	\$ 275,721	\$ 3,347,545

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, 2016

Reconciliation to Statement of Net Position

Fund balance - governmental funds	<u>\$ 937,990</u>
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in the governmental activities of \$9,994,812, net of accumulated depreciation of \$2,009,958, are not financial resources, and therefore, are not reported in the funds.	<u>7,984,854</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences payable	(29,322)
Accrued interest payable	(45,674)
Notes payable, current	(37,578)
TIF Bonds payable, current	(430,000)
Notes payable, noncurrent	(24,272)
TIF Bonds payable, noncurrent	(2,443,000)
TIF Notes payable, noncurrent	(454,916)
Total long-term liabilities	<u>(3,464,762)</u>
Net position of governmental activities	<u><u>\$ 5,458,082</u></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, 2016

	General Fund	Tax Increment Financing Fund	Motor Fuel Tax Fund	Total Governmental Funds
REVENUES				
Property taxes	\$ 105,875	\$ 1,339,353	\$ -	\$ 1,445,228
Sales and use taxes	521,191	68,688	-	589,879
Intergovernmental	480,703	-	143,336	624,039
Licenses and permits	91,978	-	-	91,978
Fines	16,891	-	-	16,891
Investment income	1,209	1,831	318	3,358
Other revenues	22,223	-	-	22,223
	<u>1,240,070</u>	<u>1,409,872</u>	<u>143,654</u>	<u>2,793,596</u>
Total revenues				
EXPENDITURES				
Current:				
General government	301,588	-	-	301,588
Public safety	462,095	-	-	462,095
Streets and public works	260,944	-	123,115	384,059
Culture and recreation	11,066	-	-	11,066
Economic development	-	734,813	-	734,813
Debt service:				
Principal	41,643	130,000	-	171,643
Interest	2,199	152,796	-	154,995
Capital outlay	8,728	1,829,460	-	1,838,188
	<u>1,088,263</u>	<u>2,847,069</u>	<u>123,115</u>	<u>4,058,447</u>
Total expenditures				
Net change in fund balances	<u>151,807</u>	<u>(1,437,197)</u>	<u>20,539</u>	<u>(1,264,851)</u>
Fund balance at beginning of year	697,111	1,357,564	230,889	2,285,564
Prior period adjustment	-	(82,723)	-	(82,723)
Fund balance at beginning of year - restated	<u>697,111</u>	<u>1,274,841</u>	<u>230,889</u>	<u>2,202,841</u>
Fund balance (deficit) at end of year	<u>\$ 848,918</u>	<u>\$ (162,356)</u>	<u>\$ 251,428</u>	<u>\$ 937,990</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, 2016

Reconciliation to the Statement of Activities:

Net change in fund balances - total governmental funds \$ (1,264,851)

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 319,482
Other commitments payments 20,000

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 11,511
Change in accrued interest payable 326,532

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 1,599,586
Depreciation expense (200,668)

Change in net position of governmental activities \$ 811,592

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

VILLAGE OF SHERMAN

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

April 30, 2016

	Sewer Fund
Current assets:	
Cash and cash equivalents	\$ 495,638
Investments	315,206
Accounts receivable	<u>95,618</u>
Total current assets	<u>906,462</u>
Noncurrent assets:	
Treatment facility - net of accumulated depreciation	<u>786,715</u>
Total noncurrent assets	<u>786,715</u>
Total assets	<u>1,693,177</u>
Current liabilities:	
Accounts payable	36,928
Accrued payroll	4,975
Due to General Fund	133,351
Compensated absences payable - current	<u>5,131</u>
Total current liabilities	<u>180,385</u>
Noncurrent liabilities:	
Compensated absences payable	<u>9,626</u>
Total noncurrent liabilities	<u>9,626</u>
Total liabilities	<u>190,011</u>
Net position:	
Net investment in capital assets	786,715
Unrestricted	<u>716,451</u>
Total net position	<u><u>\$ 1,503,166</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, 2016

	Sewer Fund
Operating revenues:	
Charges for services	<u>\$ 613,468</u>
Operating expenses:	
Salaries	143,787
Professional	3,300
Maintenance and supplies	33,928
Sanitary usage	385,527
Collection fees	18,667
Depreciation	74,571
Miscellaneous	23,855
Total operating expenses	<u>683,635</u>
Operating loss	<u>(70,167)</u>
Nonoperating revenue (expense)	
Investment income	2,408
Total nonoperating revenue (expense)	<u>2,408</u>
Change in net position	(67,759)
Total net position, beginning of year	<u>1,570,925</u>
Total net position, end of year	<u><u>\$ 1,503,166</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, 2016

	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 587,377
Cash paid to suppliers	(465,613)
Cash paid to employees	(140,816)
	<u>(19,052)</u>
Net cash from operating activities	<u>(19,052)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Payments to interfund accounts	(503,463)
Proceeds from interfund accounts	505,127
	<u>1,664</u>
Net cash from noncapital financing activities	<u>1,664</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(314,009)
Proceeds on sale and maturities of investments	149,200
Interest received	1,212
	<u>166,393</u>
Net cash from investing activities	<u>(163,597)</u>
Net decrease in cash and cash equivalents	(180,985)
Cash and cash equivalents, beginning of year	<u>676,623</u>
Cash and cash equivalents, end of year	<u><u>\$ 495,638</u></u>
Reconciliation of operating income (loss) to net cash from operating activities:	
Operating income (loss)	\$ (70,167)
Adjustments to reconcile income (loss) to net cash from operating activities:	
Depreciation expense	74,571
Increase in accounts receivable	(26,091)
Decrease in accounts payable	(336)
Increase in accrued payroll	985
Increase in compensated absences payable	1,986
Net cash from operating activities	<u><u>\$ (19,052)</u></u>
Unrealized gain (loss) from reporting investments at fair value	<u><u>\$ 1,196</u></u>

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

VILLAGE OF SHERMAN

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND**

April 30, 2016

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ -
Property tax receivable	-
	<hr/>
Total assets	<u><u>\$ -</u></u>
LIABILITIES	
Due to bondholders	-
	<hr/>
Total liabilities	<u><u>\$ -</u></u>

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

VILLAGE OF SHERMAN, ILLINOIS

NOTES TO FINANCIAL STATEMENTS

April 30, 2015

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, 2016.

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. As a general rule, the effect of material interfund activity has been eliminated from these statements. Exceptions to this general rule are administrative charges between the Village's General Fund and the Sewer Fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. 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.

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.

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.

E. Prepaid Expenses

Payments to vendors for services that will benefit periods beyond the date of this report are recorded as prepaid expenses and are accounted for using the consumption method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Long-Term Debt (Continued)

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.

H. Equity Classification

Government-wide Statements

Equity is classified as net 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 positions that do not meet the definition of “restricted” or “net investment in capital assets.”

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Equity Classification (Continued)

Fund Financial Statements (Continued)

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.

I. 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.

J. 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.

K. Investments

Investments are stated at fair value based on quoted market prices at April 30, 2016.

L. Extraordinary Items

Extraordinary items are transactions or other events that are both unusual in nature and infrequent in occurrence.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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.

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, 2016, the Village's bank balances of deposits held at various institutions were fully collateralized.

2. CASH AND CASH EQUIVALENTS (Continued)

B. Investments

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 certificates of deposit.

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 certificates of deposit.

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 2015 tax levy becomes an enforceable lien against the property on January 1, 2015. 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. Since the 2015 levy will be collected in fiscal year 2017 and is intended to finance the 2017 fiscal year, the levy has been recorded as a receivable and deferred inflow of resources.

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. RECEIVABLES

The following receivables are included in other receivables on the statement of net position at April 30, 2016:

Income tax receivable	\$ 66,084
Sales and use tax receivable	109,508
Video gaming tax receivable	7,887
Fines receivable	2,603
Interest receivable	785
Motor fuel tax allotment receivable	<u>9,440</u>
Total Governmental activities	196,307
Sewer accounts receivable	<u>95,618</u>
Total primary government	<u>\$ 291,925</u>

5. CAPITAL ASSETS

A. Governmental Activities

Capital asset activity for the year ending April 30, 2016 consists of the following:

	<u>Balance</u> <u>May 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2016</u>
Capital assets not being depreciated				
Land	\$ 958,000	\$ -	\$ -	\$ 958,000
Construction in progress	<u>1,485,355</u>	<u>1,579,463</u>	<u>-</u>	<u>3,064,818</u>
	<u>2,443,355</u>	<u>1,579,463</u>	<u>-</u>	<u>4,022,818</u>
Other capital assets				
Buildings	750,502	-	-	750,502
Vehicles	571,838	15,000	-	586,838
Equipment	586,982	5,123	-	592,105
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>\$ 5,951,871</u>	<u>\$ 20,123</u>	<u>\$ -</u>	<u>\$ 5,971,994</u>

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. CAPITAL ASSETS (Continued)

A. Governmental Activities (Continued)

	<u>Balance</u> <u>May 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2016</u>
Less accumulated depreciation for:				
Buildings	\$ 223,277	\$ 18,763	\$ -	\$ 242,040
Vehicles	446,252	47,496	-	493,748
Equipment	433,969	33,757	-	467,726
Computers	15,475	-	-	15,475
Infrastructure	<u>690,317</u>	<u>100,652</u>	<u>-</u>	<u>790,969</u>
Total accumulated depreciation	<u>1,809,290</u>	<u>200,668</u>	<u>-</u>	<u>2,009,958</u>
Total capital assets being depreciated, net	<u>4,142,581</u>	<u>(180,545)</u>	<u>-</u>	<u>3,962,036</u>
Total capital assets, net of accumulated depreciation	<u>\$ 6,585,936</u>	<u>\$ 1,398,918</u>	<u>\$ -</u>	<u>\$ 7,984,854</u>

B. Business-type Activities

Capital asset activity for the year ending April 30, 2016 consists of the following:

	<u>Balance</u> <u>May 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2016</u>
Sewer plant treatment facility	\$ 2,359,500	\$ -	\$ -	\$ 2,359,500
Vehicle	89,793	-	-	89,793
Equipment	<u>13,399</u>	<u>-</u>	<u>-</u>	<u>13,399</u>
Total capital assets	<u>2,462,692</u>	<u>-</u>	<u>-</u>	<u>2,462,692</u>
Less accumulated depreciation for:				
Sewer plant treatment facility	1,545,267	58,988	-	1,604,255
Vehicle	46,517	14,658	-	61,175
Equipment	<u>9,622</u>	<u>925</u>	<u>-</u>	<u>10,547</u>
Total accumulated depreciation	<u>1,601,406</u>	<u>74,571</u>	<u>-</u>	<u>1,675,977</u>
Total capital assets, net of accumulated depreciation	<u>\$ 861,286</u>	<u>\$ (74,571)</u>	<u>\$ -</u>	<u>\$ 786,715</u>

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

5. CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 19,919
Public safety	35,129
Streets and public works	132,358
Culture and recreation	<u>13,262</u>
Total depreciation expense – governmental activities	<u>\$ 200,668</u>
Business-type activities:	
Sewer	\$ <u>74,571</u>
Total depreciation expense – business-type activities	<u>\$ 74,571</u>

6. RISK MANAGEMENT ASSOCIATION

The Village is exposed to various risks of loss including, but not limited to, general liability, property casualty, workers compensation and public official liability. To limit exposure to these risks, the Village participates in the Illinois Municipal League Risk Management Association (IMLRMA). The Village pays an annual premium to IMLRMA for its coverage. 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, 2016.

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

7. 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, 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 \$19,470 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.

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. LONG TERM DEBT

Governmental Activities

Notes Payable

In 2012 the Village entered into an agreement with a financial institution to finance the purchase of a police vehicle. The Village borrowed \$27,560 at an interest rate of 1.49% to be paid in monthly payments of \$477 beginning March 6, 2013 with a final payment due February 6, 2018. The principal balance as of April 30, 2016 was \$10,352.

In 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 payments of \$1,771 beginning February 9, 2012 with a final payment due January 9, 2017. The principal balance as of April 30, 2016 was \$15,705.

In 2014 the Village entered into an agreement with a financial institution to finance the purchase of a police vehicle. The Village borrowed \$23,000 at an interest rate of 1.99% to be paid in monthly payments of \$403 beginning November 28, 2013 with a final payment due October 28, 2018. The principal balance as of April 30, 2016 was \$11,780.

In 2014 the Village entered into an agreement with a financial institution to finance the purchase of a vehicle for street and public works. The Village borrowed \$35,000 at an interest rate of 1.99% to be paid in monthly payments of \$613 beginning November 29, 2013 with a final payment due October 29, 2018. The principal balance as of April 30, 2016 was \$17,925.

In 2015 the Village entered into an agreement with a financial institution to finance the purchase of a mower for street and public works. The Village borrowed \$13,422 at an interest rate of 2.50% to be paid in monthly payments of \$388 beginning September 26, 2014 with a final payment due August 26, 2017. The principal balance as of April 30, 2016 was \$6,088.

The assets and related obligations of the notes payable are accounted for as governmental activities. 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>
2017	\$ 37,578	\$ 959	\$ 38,537
2018	18,225	290	18,515
2019	<u>6,047</u>	<u>35</u>	<u>6,082</u>
Total	<u>\$ 61,850</u>	<u>\$ 1,284</u>	<u>\$ 63,134</u>

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. LONG TERM DEBT (Continued)

Governmental Activities – 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 matured in fiscal year 2010, however the bond has not been paid as of the fiscal year ending April 30, 2015 as no tax incremental revenue has been received. During fiscal year 2016, the registered owner of the bonds released and forever discharged the Village from any and all payments, claims or obligations arising from the bonds and acknowledges that the bonds are forever cancelled as if never issued. Therefore, the Village removed the \$147,840 TIF bond payable and the \$322,500 accrued interest from the Statement of Net Position as of April 30, 2016.

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>
2017	\$ 138,000	\$ 58,080	\$ 196,080
2018	148,000	49,800	197,800
2019	156,000	40,920	196,920
2020	165,000	31,560	196,560
2021	175,000	21,660	196,660
2022	<u>186,000</u>	<u>11,160</u>	<u>197,160</u>
Total	<u>\$ 968,000</u>	<u>\$ 213,180</u>	<u>\$ 1,181,180</u>

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. LONG TERM DEBT (Continued)

Governmental Activities – Continued

Tax Increment Financing Payable Bonds – Continued

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>
2017	\$ 292,000	\$ 81,225	\$ 373,225
2018	201,000	72,585	273,585
2019	210,000	63,540	273,540
2020	220,000	54,090	274,090
2021	229,000	44,190	273,190
2022-2024	<u>753,000</u>	<u>68,760</u>	<u>821,760</u>
Total	<u>\$ 1,905,000</u>	<u>\$ 384,390</u>	<u>\$ 2,289,390</u>

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, 2016 is \$454,916.

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

8. LONG TERM DEBT (Continued)

Governmental Activities – Continued

Changes in Long-Term Liabilities

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

	<u>Balances</u> <u>May 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>April 30</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
TIF bonds	\$ 3,150,840	\$ -	\$ 277,840	\$ 2,873,000	\$ 430,000
TIF note payable	454,916	-	-	454,916	-
Notes payable	103,492	-	41,642	61,850	37,578
Other commitments	20,000	-	20,000	-	-
Compensated absences payable	<u>40,833</u>	<u>34,861</u>	<u>46,372</u>	<u>29,322</u>	<u>13,738</u>
Governmental activity – long-term liabilities	<u>\$ 3,770,081</u>	<u>\$ 34,861</u>	<u>\$ 385,854</u>	<u>\$ 3,419,088</u>	<u>\$ 481,316</u>
Business-type activities:					
Compensated absences payable	<u>\$ 12,771</u>	<u>\$ 8,144</u>	<u>\$ 6,158</u>	<u>\$ 14,757</u>	<u>\$ 5,131</u>
Business-type activity long-term liabilities	<u>\$ 12,771</u>	<u>\$ 8,144</u>	<u>\$ 6,158</u>	<u>\$ 14,757</u>	<u>\$ 5,131</u>

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 bonds were paid off in fiscal year 2016.

Economic Development Revenue Bonds, Series 2016

In April 2016, the Village issued Economic Development Revenue Bonds (Village Health Care Project), Series 2016 to provide financial assistance to a private-sector entity for the financing of the cost of acquisition, purchase, construction, reconstruction, improvement, betterment or extension related to the new facilities. As of April 30, 2016, the principal amount payable under these bonds was \$4,000,000. Neither the Village, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement.

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

10. INTERFUND BALANCES

Interfund receivable and payable balances at April 30, 2016 consist of:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund:		
TIF Fund	\$ 60,997	\$ 49,172
Motor Fuel Tax	23,067	41
Sewer	<u>133,351</u>	<u>-</u>
	<u>217,415</u>	<u>49,213</u>
TIF Fund:		
General Fund	49,172	60,997
TIF Fund	<u>15,000</u>	<u>15,000</u>
	<u>64,172</u>	<u>75,997</u>
Motor Fuel Tax:		
General Fund	<u>41</u>	<u>23,067</u>
Sewer Fund:		
General Fund	<u>-</u>	<u>133,351</u>
Total interfund receivables/payables	<u>\$ 281,628</u>	<u>\$ 281,628</u>

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

- \$49,172 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, 2016.
- \$60,997 due from the TIF Fund to the General Fund. The balance consists of TIF expenditures paid by the General Fund, but not yet repaid by the TIF Fund at April 30, 2016.
- \$23,067 due from the Motor Fuel Tax Fund to the General Fund. The balance consists of MFT expenditures paid by the General Fund, but not yet repaid by the Motor Fuel Tax Fund at April 30, 2016.
- \$133,351 due from the Sewer Fund to the General Fund. The balance consists of salary expenditures and Sewer Fund expenditures paid by the General Fund, but not yet repaid by the Sewer Fund at April 30, 2016.
- \$15,000 due from the Route 66 TIF to the Original TIF District. The balance consists 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 for a total commitment of \$85,000. In December 2015, the agreement was amended and the parties agreed that the remaining amount owed of \$20,000 would be reduced to \$17,000 with a final payment issued in February 2016.

The Village has three construction contract commitments relating to TIF projects. The total outstanding construction commitments of the Village as of April 30, 2016 are \$842,954.

12. DEVELOPMENT ASSISTANCE

The Village has entered into agreements with private organizations to encourage economic development in the Village. The agreements are noted as follows:

- 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. Rebates of \$144,332 have been paid to the organization as of April 30, 2016.
- 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, 2016.
- One agreement provides for rebating 50% of the incremental property taxes generated by the organization. Rebates of \$58,553 have been paid to the organization as of April 30, 2016. The agreement also provides for the designation of a business district with a 1% Business District Retailers' Occupation Tax, 1% Business District Service Occupation Tax, and a 1% Hotel Operators' Occupation Tax to be used to reimburse the developer. The business district was established in September 2015 with \$46 of taxes received as of April 30, 2016.

VILLAGE OF SHERMAN, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

13. PRIOR PERIOD ADJUSTMENT

The Village has restated beginning net position as of May 1, 2015 to correct an understatement of accounts payable.

	Tax Incremental Financing Fund	Governmental Activities
Net position, May 1, (as previously reported)	\$ 1,357,564	\$ 4,729,213
Restated for Understated accounts payable	<u>(82,723)</u>	<u>(82,723)</u>
Net position, May 1 (as restated)	<u>\$ 1,274,841</u>	<u>\$ 4,646,490</u>

14. SUBSEQUENT EVENTS

The Village issued the General Obligation Debt Certificates, Series 2016 for \$1,600,000 in September 2016 for the purpose of financing the costs of acquiring, constructing, and installing certain capital improvements for a municipally-owned park within the Village. The purchase price for the certificates shall be paid in multiple advances as funds are drawn by the Village on or before April 30, 2017. The maturity schedule includes annual principal payments of \$320,000 commencing on December 1, 2017 through December 1, 2021. Interest is 2.25% and interest payments are due December 1 of each year commencing December 1, 2016.

The Village issued the General Obligation Bonds, Series 2016A, Series 2016B, and Series 2016C for \$1,500,000 in October 2016 for the purpose of financing construction of street improvements within the Village. The maturity schedules includes semi-annual principal payments on May 1 and November 1 and commencing on November 1, 2017 and maturing on November 1, 2031. Interest is 2.40% with an adjustment on November 1, 2016 to a rate equal to the most recent Five Year Treasury Constant Maturity plus 1.50% with a maximum rate of 5.50%. Interest payments are due May 1 and November 1 of year each commencing November 1, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF SHERMAN, ILLINOIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

For the Year Ended April 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/ (Under)</u>
REVENUES				
Property taxes	\$ 62,574	\$ 62,574	\$ 62,334	\$ (240)
Road and bridge taxes	43,000	43,000	43,542	542
Sales and use taxes	511,321	511,321	513,979	2,658
Personal property replacement taxes	354	354	359	5
Income taxes	410,652	410,652	442,916	32,264
Video gaming tax	25,200	25,200	35,663	10,463
Franchise fees	46,000	46,000	47,027	1,027
Licenses	19,300	19,300	24,500	5,200
Building permits	15,000	15,000	20,451	5,451
Fines	20,000	20,000	17,324	(2,676)
Charges for services	9,984	9,984	9,984	-
Investment income	56	56	424	368
Miscellaneous	20,000	20,000	12,239	(7,761)
Total revenues	<u>1,183,441</u>	<u>1,183,441</u>	<u>1,230,742</u>	<u>47,301</u>
EXPENDITURES				
General government				
Finance:				
Insurance	75,250	75,250	55,239	(20,011)
Auditing	7,375	7,375	6,600	(775)
Finance total	<u>82,625</u>	<u>82,625</u>	<u>61,839</u>	<u>(20,786)</u>
Legal:				
Attorney	46,250	46,250	30,463	(15,787)
Legal total	<u>46,250</u>	<u>46,250</u>	<u>30,463</u>	<u>(15,787)</u>
Village clerk:				
Salary	10,400	10,400	8,413	(1,987)
Payroll expenditures	1,691	1,691	1,280	(411)
Dues and membership	875	875	225	(650)
Village clerk total	<u>12,966</u>	<u>12,966</u>	<u>9,918</u>	<u>(3,048)</u>

(Continued)

See accompanying Independent Auditor's Report.

VILLAGE OF SHERMAN, ILLINOIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

For the Year Ended April 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/ (Under)</u>
Village Hall:				
Salaries	\$ 107,125	\$ 107,125	\$ 81,371	\$ (25,754)
Payroll expenditures	9,575	9,575	7,008	(2,567)
Telecommunications	6,625	6,625	4,866	(1,759)
Office equipment	1,250	1,250	667	(583)
Supplies/labor	3,250	3,250	1,949	(1,301)
Printing	3,250	3,250	2,422	(828)
Postage	875	875	732	(143)
Training	5,000	5,000	1,914	(3,086)
Dues and membership	17,250	17,250	19,571	2,321
Utilities	15,000	15,000	9,776	(5,224)
Miscellaneous	188	188	495	307
Building maintenance	3,750	3,750	2,772	(978)
Recycling program	720	720	528	(192)
Community events	15,000	15,000	16,421	1,421
Village hall total	<u>188,858</u>	<u>188,858</u>	<u>150,492</u>	<u>(38,366)</u>
Contingency				
Contingency	<u>992,281</u>	<u>992,281</u>	<u>53,894</u>	<u>(938,387)</u>
Contingency total	<u>992,281</u>	<u>992,281</u>	<u>53,894</u>	<u>(938,387)</u>
General government total	<u>1,322,980</u>	<u>1,322,980</u>	<u>306,606</u>	<u>(1,016,374)</u>
Public Safety:				
Public health and safety:				
Salaries	3,375	3,375	2,700	(675)
Payroll expenditures	281	281	207	(74)
Animal control	1,625	1,625	821	(804)
ESDA	2,500	2,500	2,223	(277)
Electronic alert system	500	500	507	7
Equipment management	313	313	25	(288)
Miscellaneous	125	125	-	(125)
Public health safety total	<u>8,719</u>	<u>8,719</u>	<u>6,483</u>	<u>(2,236)</u>

(Continued)

See accompanying Independent Auditor's Report.

VILLAGE OF SHERMAN, ILLINOIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

For the Year Ended April 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/ (Under)</u>
Police:				
Salaries	\$ 400,000	\$ 400,000	\$ 299,950	\$ (100,050)
Payroll expenditures	78,750	78,750	55,820	(22,930)
Telecommunications	28,750	28,750	15,477	(13,273)
Gasoline	35,000	35,000	11,645	(23,355)
Equipment maintenance	14,000	14,000	12,653	(1,347)
Building maintenance	1,500	1,500	1,047	(453)
Training	5,625	5,625	1,254	(4,371)
Ammunition	5,000	5,000	1,153	(3,847)
Uniforms	18,125	18,125	15,967	(2,158)
Neighborhood watch	1,250	1,250	208	(1,042)
Teen court	1,250	1,250	-	(1,250)
Supplies	9,375	9,375	24,601	15,226
Utilities	7,500	7,500	6,428	(1,072)
Police total	<u>606,125</u>	<u>606,125</u>	<u>446,203</u>	<u>(159,922)</u>
Total public safety	<u>614,844</u>	<u>614,844</u>	<u>452,686</u>	<u>(162,158)</u>
Streets and Public Works				
Streets and alleys:				
Salaries	139,250	139,250	105,490	(33,760)
Payroll expenditures	26,075	26,075	21,631	(4,444)
Gas and oil	12,500	12,500	5,461	(7,039)
Diesel fuel	4,500	4,500	1,421	(3,079)
Street maintenance	43,750	43,750	103	(43,647)
Equipment maintenance and repair	10,000	10,000	12,894	2,894
Telephone	4,125	4,125	3,461	(664)
Equipment storage	1,750	1,750	1,400	(350)
Miscellaneous/supplies	5,000	5,000	3,521	(1,479)
Clean-up day	4,375	4,375	3,600	(775)
Streets and alleys total	<u>251,325</u>	<u>251,325</u>	<u>158,982</u>	<u>(92,343)</u>
Engineering:				
Engineer	<u>68,750</u>	<u>68,750</u>	<u>68,936</u>	<u>186</u>
Engineering total	<u>68,750</u>	<u>68,750</u>	<u>68,936</u>	<u>186</u>
Streets and Public Works total	<u>320,075</u>	<u>320,075</u>	<u>227,918</u>	<u>(92,157)</u>

(Continued)

See accompanying Independent Auditor's Report.

VILLAGE OF SHERMAN, ILLINOIS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

For the Year Ended April 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/ (Under)</u>
Culture and Recreation				
Parks and recreation:				
Gas and oil	\$ 125	\$ 125	\$ -	\$ (125)
Diesel fuel	3,125	3,125	1,306	(1,819)
Fertilizer	500	500	-	(500)
Equipment supplies	1,875	1,875	5,029	3,154
Park improvements	1,875	1,875	5,311	3,436
Parks and recreation total	<u>7,500</u>	<u>7,500</u>	<u>11,646</u>	<u>4,146</u>
Culture and recreation total	<u>7,500</u>	<u>7,500</u>	<u>11,646</u>	<u>4,146</u>
Debt Service				
Debt Service:				
Capital lease principal	54,780	54,780	41,643	(13,137)
Capital lease interest	-	-	2,199	2,199
Debt service total	<u>54,780</u>	<u>54,780</u>	<u>43,842</u>	<u>(10,938)</u>
Capital outlay				
Police	34,375	34,375	2,301	(32,074)
Parks and recreation	12,500	12,500	5,065	(7,435)
Capital outlay total	<u>46,875</u>	<u>46,875</u>	<u>7,366</u>	<u>(39,509)</u>
Total expenditures paid	<u>2,367,054</u>	<u>2,367,054</u>	<u>1,050,064</u>	<u>(1,316,990)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,183,613)</u>	<u>\$ (1,183,613)</u>	180,678	<u>\$ 1,364,291</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS - NET CHANGE RESULTING FROM RECORDING ACCOUNTS RECEIVABLE, PAYABLE, AND OTHER ACCRUED ITEMS			(28,871)	
FUND BALANCE, BEGINNING OF YEAR			<u>697,111</u>	
FUND BALANCE, END OF YEAR			<u>\$ 848,918</u>	

(Concluded)

See accompanying Independent Auditor's Report.

VILLAGE OF SHERMAN, ILLINOIS

TAX INCREMENT FINANCING FUND

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

For the Year Ended April 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/ (Under)</u>
REVENUES				
Property taxes	\$ 1,294,400	\$ 1,294,400	\$ 1,315,688	\$ 21,288
Investment income	770	770	1,831	1,061
Sales tax	67,079	67,079	68,688	1,609
Miscellaneous	-	-	250,000	250,000
Bond Proceeds	1,500,000	1,500,000	-	(1,500,000)
Total revenues	<u>2,862,249</u>	<u>2,862,249</u>	<u>1,636,207</u>	<u>(1,226,042)</u>
EXPENDITURES				
Economic Development:				
Salaries	61,450	61,450	70,242	8,792
Attorney fees	10,000	10,000	13,145	3,145
Administration	10,000	10,000	6,712	(3,288)
Engineering	50,000	50,000	20,032	(29,968)
Contractual agreements	-	-	144,812	144,812
Surplus distribution	-	-	499,272	499,272
Debt Service:				
Principal	231,000	231,000	130,000	(101,000)
Interest	151,605	151,605	152,796	1,191
Capital Outlay	2,758,500	2,758,500	1,296,727	(1,461,773)
Total expenditures	<u>3,272,555</u>	<u>3,272,555</u>	<u>2,333,738</u>	<u>(938,817)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (410,306)</u>	<u>\$ (410,306)</u>	(697,531)	<u>\$ (287,225)</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS - NET CHANGE RESULTING FROM RECORDING ACCOUNTS RECEIVABLE, PAYABLE, AND OTHER ACCRUED ITEMS			<u>(739,666)</u>	
FUND BALANCE, BEGINNING OF YEAR			1,357,564	
Prior period adjustment			<u>(82,723)</u>	
FUND BALANCE, BEGINNING OF YEAR - RESTATED			<u>1,274,841</u>	
FUND BALANCE (DEFICIT), END OF YEAR			<u>\$ (162,356)</u>	

See accompanying Independent Auditor's Report.

VILLAGE OF SHERMAN, ILLINOIS

MOTOR FUEL TAX FUND

BUDGETARY COMPARISON SCHEDULE - CASH BASIS

For the Year Ended April 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over/ (Under)</u>
REVENUES				
Motor fuel tax	\$ 98,722	\$ 98,722	\$ 156,803	\$ 58,081
Investment income	30	30	318	288
Total revenues	<u>98,752</u>	<u>98,752</u>	<u>157,121</u>	<u>58,369</u>
EXPENDITURES				
Streets and Public Works:				
Snow removal, patching, mowing	3,125	3,125	894	(2,231)
Highway maintenance program	13,750	13,750	583	(13,167)
Miscellaneous projects	10,125	10,125	5,085	(5,040)
Street lighting	87,500	87,500	99,795	12,295
Signal maintenance	8,375	8,375	2,653	(5,722)
Total expenditures	<u>122,875</u>	<u>122,875</u>	<u>109,010</u>	<u>(13,865)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (24,123)</u>	<u>\$ (24,123)</u>	48,111	<u>\$ 72,234</u>
RECONCILIATION TO MODIFIED ACCRUAL BASIS - NET CHANGE RESULTING FROM RECORDING ACCOUNTS RECEIVABLE, PAYABLE, AND OTHER ACCRUED ITEMS			(27,572)	
FUND BALANCE, BEGINNING OF YEAR			<u>230,889</u>	
FUND BALANCE, END OF YEAR			<u>\$ 251,428</u>	

See accompanying Independent Auditor's Report.

VILLAGE OF SHERMAN, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2015

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, Tax Increment Financing 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, 2016 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, 2016:

General Fund	
Village Hall due and membership	\$ 2,321
Village Hall miscellaneous	307
Village Hall community events	1,421
Public safety electronic alert system	7
Police supplies	15,226
Streets and alleys equipment maintenance and repair	2,894
Engineering	186
Culture and recreation equipment supplies	3,154
Culture and recreation park improvements	3,436
Capital lease interest	2,199

VILLAGE OF SHERMAN, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Continued)

April 30, 2015

3. EXCESS OVER BUDGET (Continued)

Tax Increment Financing Fund

Salaries	\$	8,792
Attorney fees		3,145
Contractual agreements		144,812
Surplus distribution		499,272
Debt Service interest		1,191

Motor Fuel Tax Fund

Street lighting		12,295
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SUPPLEMENTARY INFORMATION

VILLAGE OF SHERMAN, ILLINOIS

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND**

For the Year Ended April 30, 2016

	<u>Balances, May 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances, April 30, 2016</u>
ASSETS				
Cash and cash equivalents	\$ 108,645	\$ 148,364	\$ 257,009	\$ -
Property tax receivable	125,903	-	125,903	-
TOTAL ASSETS	<u>\$ 234,548</u>	<u>\$ 148,364</u>	<u>\$ 382,912</u>	<u>\$ -</u>
LIABILITIES				
Due to bondholders	<u>\$ 234,548</u>	<u>\$ 148,364</u>	<u>\$ 382,912</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>\$ 234,548</u>	<u>\$ 148,364</u>	<u>\$ 382,912</u>	<u>\$ -</u>

COMBINING SUBFUND STATEMENTS

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

April 30, 2016

	<u>Original TIF District</u>	<u>Route 66 TIF District</u>	<u>Rail Pointe TIF District</u>	<u>Total TIF Fund</u>
ASSETS				
Cash and cash equivalents	\$ 246,844	\$ 133,345	\$ 92,464	\$ 472,653
Investments	-	-	123,703	123,703
Property tax receivable	999,000	286,000	55,000	1,340,000
Due from other funds	20,266	43,896	10	64,172
Total assets	<u>\$ 1,266,110</u>	<u>\$ 463,241</u>	<u>\$ 271,177</u>	<u>\$ 2,000,528</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 745,836	\$ -	\$ -	\$ 745,836
Accrued payroll	1,051	-	-	1,051
Due to other funds	60,997	15,000	-	75,997
Total liabilities	<u>807,884</u>	<u>15,000</u>	<u>-</u>	<u>822,884</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	999,000	286,000	55,000	1,340,000
Total deferred inflows of resources	<u>999,000</u>	<u>286,000</u>	<u>55,000</u>	<u>1,340,000</u>
Total liabilities and deferred inflows of resources	<u>1,806,884</u>	<u>301,000</u>	<u>55,000</u>	<u>2,162,884</u>
Fund balances (deficit):				
Retricted for economic development	-	162,241	216,177	378,418
Unassigned	(540,774)	-	-	(540,774)
Total fund (deficit) balances	<u>(540,774)</u>	<u>162,241</u>	<u>216,177</u>	<u>(162,356)</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,266,110</u>	<u>\$ 463,241</u>	<u>\$ 271,177</u>	<u>\$ 2,000,528</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, 2016

	<u>Original TIF District</u>	<u>Route 66 TIF District</u>	<u>Rail Pointe TIF District</u>	<u>Total TIF Fund</u>
REVENUES				
Property taxes	\$ 998,544	\$ 285,765	\$ 55,044	\$ 1,339,353
Investment income	1,079	138	614	1,831
Sales tax	-	68,678	10	68,688
Total revenues	<u>999,623</u>	<u>354,581</u>	<u>55,668</u>	<u>1,409,872</u>
EXPENDITURES				
Salaries	69,302	-	-	69,302
Attorney fees	14,715	-	-	14,715
Administration	6,600	2	110	6,712
Engineering	28,459	-	-	28,459
Contractual agreements	86,259	-	58,553	144,812
Surplus distribution	499,272	-	-	499,272
Bond payments				
Principal	-	130,000	-	130,000
Interest	-	152,796	-	152,796
Infrastructure improvements	<u>1,801,001</u>	<u>-</u>	<u>-</u>	<u>1,801,001</u>
Total expenditures	<u>2,505,608</u>	<u>282,798</u>	<u>58,663</u>	<u>2,847,069</u>
NET CHANGE IN FUND BALANCE	<u>(1,505,985)</u>	<u>71,783</u>	<u>(2,995)</u>	<u>(1,437,197)</u>
FUND BALANCE, BEGINNING OF YEAR	1,047,934	90,458	219,172	1,357,564
Prior period adjustments	<u>(82,723)</u>	<u>-</u>	<u>-</u>	<u>(82,723)</u>
FUND BALANCE, BEGINNING OF OF THE YEAR - RESTATED	<u>965,211</u>	<u>90,458</u>	<u>219,172</u>	<u>1,274,841</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ (540,774)</u>	<u>\$ 162,241</u>	<u>\$ 216,177</u>	<u>\$ (162,356)</u>

See independent Auditor's Report.

**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, 2016. 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, 2016, 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 LLP

Springfield, Illinois
December 19, 2016