

TOWN OF CORTLAND, ILLINOIS
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
April 30, 2010

TOWN OF CORTLAND, ILLINOIS
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Board of Trustees
Town of Cortland, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Cortland, Illinois as of and for the year ended April 30, 2010, which collectively comprise the Town of Cortland, Illinois' basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of Cortland, 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, the Town of Cortland, Illinois prepares its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, the accompanying basic financial statements are not intended to present financial position and changes in financial position in conformity with generally accepted accounting principles.

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Town of Cortland, Illinois, as of April 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with the modified cash basis of accounting described in Note 1.

The Management's Discussion and Analysis and the other 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 the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cortland, Illinois' basic financial statements. The combining and individual fund financial statements and supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Cortland, Illinois. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Schuch LLP".

Aurora, Illinois
October 13, 2010

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

TOWN OF CORTLAND, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2010

This section of the Town of Cortland's Annual Financial Report (AFR) presents our discussion and analysis of the Town's financial activities during the fiscal year ended April 30, 2010. This should be read in conjunction with the Town's financial statements which follow this section.

FINANCIAL HIGHLIGHTS (see pages 3, 8, and 22 of the Financial Statements for more information)

- Net asset position - The Town's total net assets at April 30, 2010, were \$41,504,495, a decrease of \$551,608 during the year.
- Governmental activity summary – Net assets for governmental activities decreased by \$1,646,840 during the year.
- Business-type activity summary – Net assets for business-type activities increased by \$1,095,232 during the year.
- General Fund summary – The Town's General Fund balance decreased \$458,293 during the year.
- New capital – Net capital and infrastructure assets increased by \$1,303,981.
- New debt – No new debt was incurred by the Town during FY 10.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Cortland's financial section of the AFR. The financial section of the AFR includes four components: 1) management's discussion and analysis, 2) the basic financial statements, 3) required supplementary information, and; 4) additional supplementary information. The basic financial statements include two kinds of statements that present different views of the Town: government-wide financial statements and fund financial statements. The basic financial statements also include notes to the financial statements.

Government-wide financial statements provide both short- and long-term information about the Town's overall financial status.

Fund financial statements focus on individual parts of the Town government, reporting Town operations in more detail than the government-wide financial statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by the required supplementary information section that further explains and supports the information in the financial statements.

In addition to all of the required financial statement elements, we have provided sections for combining statements to provide detail on non-major funds, for additional supplementary information, and for statistical information.

The following table summarizes the major features of the Town’s financial statements.

Description	Fund Statements			
	Government-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Town government (except fiduciary funds) and the Town’s component unit	Activities of the Town that are not proprietary or fiduciary such as public safety	Activities the Town operates similar to private business such as the sewer and water systems	Activities in which the Town is agent of another’s resources such as special service areas
Required financial statements	<ul style="list-style-type: none"> - Statement of net assets - Statement of activities 	<ul style="list-style-type: none"> - Statement of Assets, Liabilities, and Fund Balances - Statement of revenues collected, expenditures paid, and changes in fund balances 	<ul style="list-style-type: none"> - Statement of net assets - Statement of revenues collected, expenses paid, and changes in net assets - Statement of cash flows 	<ul style="list-style-type: none"> - Statement of fiduciary net assets
Accounting basis	Modified cash	Cash	Cash	Cash
Measurement focus	Economic resources	Current financial resources	Economic resources	Economic resources
Type of asset and liability information	All assets and liabilities arising from modified cash transactions; both financial and capital, short and long-term	Assets expected to be used and liabilities that come due during the year or shortly thereafter; no capital assets	All assets and liabilities arising from cash transactions; both financial and capital, short and long-term	All assets and liabilities arising from cash transactions; both short and long-term. Does not currently contain capital assets
Type of inflow and outflow information	All revenues and expenses during the year recorded when cash is received or paid except for capital asset reporting	All revenues and expenditures during the year recorded when cash is received or paid	All revenues and expenses during the year recorded when cash is received or paid	All additions and deductions during the year recorded when cash is received or paid

Government-Wide Statements

The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. The focus of the Statement of Net Assets (the “Unrestricted Net Assets”) is designed to disclose bottom line results for the Town and its governmental and business-type activities. This statement combines and consolidates governmental fund’s current financial resources (short-term spendable resources) with capital assets and long term obligations using the modified cash basis of accounting and economic resources measurement focus.

The Statement of Activities is focused on both the gross and net cost of various activities (including governmental and business-type), which are supported by the government’s general taxes and other resources. This is intended to summarize and simplify the user’s analysis of the cost of various governmental services and/or subsidy to various business-type activities.

The governmental activities reflect the Town’s basic services, including administration, financial services, police, and public works. Property taxes, local utility and telecommunications taxes, and shared state tax distributions finance the majority of these services. The business-type activities reflect private sector type operations, where the fee for service typically covers all or most of the cost of operation.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on Major Funds, rather than fund types.

Governmental funds are presented on a sources and uses of liquid resources basis. This is the manner in which the budget is typically developed. Governmental funds provide a current resources (short-term) view that helps determine whether there are more or fewer current financial resources available to spend for Town operations.

Proprietary funds account for services that are generally fully supported by user fees charged to customers. Proprietary funds are presented on a total economic resources basis. Proprietary fund statements, like government-wide statements, provide both short and long term financial information.

Fiduciary Funds are presented for certain activities where the Town's role is that of an agent. While Fiduciary Funds represent agent responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. Therefore, these assets are not presented as part of the Government-Wide Financial Statements.

While the Total column on the Business-type Fund Financial Statements is the same as the Business-type column on the Government-Wide Financial Statement, the Governmental Funds Total column requires reconciliation because of the different measurement focus (current financial resources/cash versus total economic resources/modified cash) which is reflected on the page following each statement. The flow of current financial resources will reflect bond proceeds, proceeds from sales of capital asset disposals, and interfund transfers as other financial sources as well as capital outlay expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the Governmental Activities column in the Government-wide statements.

Infrastructure Assets

Historically, a government's largest group of assets (infrastructure – streets, storm sewers, etc.) had not been reported nor depreciated in governmental financial statements. GASB 34 requires that these assets be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to either (1) depreciate these assets over their estimated useful life or (2) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system (the modified approach) which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The Town has elected to depreciate assets over their useful life. If a project is considered maintenance – a recurring cost that does not extend the asset's original useful life or expand its capacity – the cost of the project will be expensed. An "overlay" of a street will be considered maintenance whereas a "rebuild" of a street will be capitalized.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

In accordance with GASB Statement No. 34, a comparative analysis of Government-wide information is presented.

NET ASSETS

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets (see page 3 of the Financial Statements):

Table 1
Statement of Net Assets
As of April 30, 2009 and 2010

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Primary Government</i>	
	<i>2009</i>	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>	<i>2010</i>
	<i>Current and Other Assets</i>	\$ 8,955,515	\$ 7,145,942	\$ 1,416,778	\$ 1,192,561	\$ 10,372,293
<i>Capital Assets</i>	7,718,848	7,921,320	25,079,948	26,181,457	32,798,796	34,102,777
<i>Total Assets</i>	\$ 16,674,363	\$ 15,067,262	\$ 26,496,726	\$ 27,374,018	\$ 43,171,089	\$ 42,441,280
<i>Other Liabilities</i>	\$ 374,883	\$ 533,825	\$ 1,440	\$ 1,360	\$ 376,323	\$ 535,185
<i>Long-Term Liabilities</i>	119,203	-	619,460	401,600	738,663	401,600
<i>Total Liabilities</i>	\$ 494,086	\$ 533,825	\$ 620,900	\$ 402,960	\$ 1,114,986	\$ 936,785
<i>Net Assets:</i>						
<i>Invested in capital assets</i>	\$ 7,599,645	\$ 7,921,320	\$ 24,460,488	\$ 25,779,857	\$ 32,060,133	\$ 33,701,177
<i>Restricted</i>	8,008,895	6,330,266	-	135,600	8,008,895	6,465,866
<i>Unrestricted</i>	571,737	281,851	1,415,338	1,055,601	1,987,075	1,337,452
<i>Total Net Assets</i>	\$ 16,180,277	\$ 14,533,437	\$ 25,875,826	\$ 26,971,058	\$ 42,056,103	\$ 41,504,495

Normal Impacts-Net Assets

There are six common (basic) types of transactions that will generally affect the comparability of the Statement of Net Assets summary presentation.

Net Results Of Activities – Impacts (increases/decreases) current assets and unrestricted net assets.

Borrowing For Capital – Increases current assets and long-term debt.

Spending Borrowed Proceeds On New Capital – Reduces current assets and increases capital assets. Also, an increase in invested in capital assets and an increase in related net debt will not change the invested in capital assets, net of debt.

Normal Impacts-Net Assets (Continued)

Spending Of Non-borrowed Current Assets On New Capital – (a) Reduces current assets and increases capital assets; and (b) reduces unrestricted net assets and increases invested in capital assets, net of debt.

Principal Payment On Debt – (a) Reduces current assets and reduces long-term debt; and, (b) reduces unrestricted net assets and increases invested in capital assets, net of debt.

Reduction Of Capital Assets Through Depreciation – Reduces capital assets and invested in capital assets, net of debt.

Current Year Impacts-Net Assets

Overall Net Assets decreased from \$42,056,103 to \$41,504,495. The decline of \$551,608 is attributable to various factors including depreciation expense being realized on full value of improvements, decrease in new subdivision infrastructure improvement acceptance and decrease in available operating cash. Net Assets relating to governmental activities decreased by \$1,646,840 and ended the year at \$14,533,437. The Town's unrestricted net assets, cash available for daily operations, decreased 50% to \$281,851.

Net Assets from business type activities increased by \$1,095,232 to \$26,971,038. Unrestricted net assets, cash available for daily operations, decreased 25% to \$1,055,601. Business type activities represent sewer and water services provided to residents of the Town. Annual costs for these services were approximately \$1,522,344 (see page 11 of the Financial Statements).

During this fiscal year, work was continued on the Town's new well and construction of the new 1,000,000 gallon water tower. This infrastructure is being funded in part by bonds that will be repaid by landowners in newly annexed areas (SSAs #4 through #8), pre-paid with the issuance of building permits as home construction occurs. Town funding for the project during the year totaled \$1,348,110.

While the Town made several capital expenditures during the fiscal year including the purchase of a new truck/snow plow, road repair equipment and paid down debt, the focus during the latter half of the year was cash flows relating to funding daily operations of the Town. As noted above relating to cash available for operations, cash levels are down as much as 50% from the prior year leaving virtually no cushion for unexpected expenditures.

The Town continued to perform subdivision work, funded from performance bond proceeds, in the Nature's Crossing subdivision. In addition, the Town continues to evaluate any needed improvements in other unfinished subdivisions including Chestnut Grove, Robinson Farm, New Hope Park and Coventry Townhome Subdivisions.

CHANGES IN NET ASSETS

Statement of Changes In Net Assets

The following chart reflects the condensed Statement of Changes In Net Assets (see page 4 and 5 of the Financial Statements).

Table 2
Changes in Net Assets
For the Fiscal Year Ended April 30, 2009 and 2010

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total Primary Government</i>	
	<i>2009</i>	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>	<i>2010</i>
REVENUES						
<i>Program Revenues:</i>						
<i>Charges for Services</i>	\$ 128,150	\$ 106,075	\$ 860,020	\$ 872,414	\$ 988,170	\$ 978,489
<i>Operating grants</i>	113,164	108,323	-	-	113,164	108,323
<i>Capital grants</i>	1,215,147	181,343	-	176,025	1,215,147	357,368
<i>General Revenues:</i>						
<i>Property Taxes</i>	501,245	546,039	-	-	501,245	546,039
<i>Other Taxes</i>	928,137	767,260	-	-	928,137	767,260
<i>Investment Income</i>	156,029	22,434	28,524	14,837	184,553	37,271
<i>Other</i>	4,835,167	11,083	4,909,807	1,554,300	9,744,974	1,565,383
Total Revenues	<u>\$ 7,877,039</u>	<u>\$ 1,742,557</u>	<u>\$ 5,798,351</u>	<u>\$ 2,617,576</u>	<u>\$13,675,390</u>	<u>\$ 4,360,133</u>
EXPENSES						
<i>General Administration</i>	\$ 1,592,536	\$ 739,391	\$ -	\$ -	\$ 1,592,536	\$ 739,391
<i>Public Safety</i>	441,057	477,401	-	-	441,057	477,401
<i>Operations and Maintenance</i>	777,186	666,450	-	-	777,186	666,450
<i>Planning, zoning and Engineering</i>	211,124	155,916	-	-	211,124	155,916
<i>Sewer Development</i>	1,881,126	1,348,110	-	-	1,881,126	1,348,110
<i>Interest</i>	7,341	2,129	-	-	7,341	2,129
<i>Sewer</i>	-	-	1,245,426	868,246	1,245,426	868,246
<i>Water</i>	-	-	1,053,334	654,098	1,053,334	654,098
Total Expenses	<u>\$ 4,910,370</u>	<u>\$ 3,389,397</u>	<u>\$ 2,298,760</u>	<u>\$ 1,522,344</u>	<u>\$ 7,209,130</u>	<u>\$ 4,911,741</u>
Change in Net Assets	<u>\$ 2,966,669</u>	<u>(\$ 1,646,840)</u>	<u>\$ 3,499,591</u>	<u>\$1,095,232</u>	<u>\$ 6,466,260</u>	<u>(\$551,608)</u>

Normal Impacts-Changes In Net Assets

Reflected below are eight common (basic) impacts on revenues and expenses.

Revenues:

Economic Condition – Reflects a declining, stable or growing economic environment and has a substantial impact on state income, sales, telecommunications and utility tax revenues as well as public spending habits for items such as building permits and user fees including volumes of usage.

Increase/Decrease In Town Approved Rates – While certain tax rates are set by statute, the Town Board has authority to impose and periodically increase/decrease rates (water, sewer, building permit fees, etc.).

Changing Patterns In Intergovernmental And Grant Revenue (both recurring and non-recurring) – Certain recurring revenues (state shared revenues, etc.) may experience significant changes periodically while non-recurring (or one-time) grants are less predictable and often distorting in their impact on year to year comparisons.

Market Impacts On Investment Income – The Town’s investments are handled conservatively through local banks and the Illinois Funds. With interest rates at an unheard of low, investment income has decreased from the previous year.

Expenses:

Changes In Programs – Within the functional expense categories (General Administration, Public Safety, Operations and Maintenance, etc.) individual programs may be added, deleted or expanded to meet changing community needs.

Changes In Authorized Personnel – Changes in service demand may cause the Town Board to increase/decrease authorized staffing.

Salary Increases (annual adjustments and other increases) – The Town strives to maintain a competitive salary range position in the marketplace.

Inflation – while overall inflation appears to be modest, the Town is a major consumer of certain commodities and services which typically experience inflation at a rate that can be significantly different from CPI. Examples of such items include insurance, fuel, electricity, and operating supplies.

Current Year Impacts – Changes In Net Assets

Governmental Activities

Revenues:

Revenues from governmental activities totaled \$1,742,557. Income levels for the year reflect the change in the economic climate: little new development activity (infrastructure acceptance) and a decline in core revenues, i.e. Property Taxes, Sales Tax, Income Tax. Core revenue declined by \$116,083 for the year with a major portion of the shortfall attributable to slow payments by the State of Illinois. Investment income has substantially declined representing the low levels of available cash and low investment rate market.

Expenses:

Expenses for governmental activities totaled \$3,389,397. The largest single expense was for final capital outlays from the Sheaffer SSA funds. Following that, the larger expenses include Personnel Services and Planning, Zoning, and Engineering costs.

Current Year Impacts – Changes In Net Assets (Continued)

Business-Type Activities (see page 11 of the Financial Statements)

Revenues:

Revenues from business-type activities totaled \$878,141 for operating revenues and \$391,325 for non-operating revenues (connection fees, reimbursements, investment income, etc.).

Expenses:

Expenses for business-type activities totaled \$1,522,344 for operating expenses. This total includes \$20,406 for non-operating expenses (interest expense).

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (see page 7 and 32-33 of the Financial Statements)
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For the fiscal year ended April 30, 2010, the governmental funds reflect a combined fund balance of \$6,612,117, a decrease of \$1,968,515 from the prior year. This is due primarily to the drawdown of SSA funds.

General Fund Budgetary Highlights

<i>General Fund</i>	<i>FY 10 Original Budget</i>	<i>FY10 Amended Budget</i>	<i>FY 10 Actual</i>
<i>Revenues</i>			
<i>Taxes</i>	\$ 1,233,825	\$ 1,144,325	\$ 1,057,032
<i>Building Permits</i>	36,500	56,500	66,926
<i>Contributions</i>	23,000	23,000	25,440
<i>Other</i>	58,750	69,600	64,034
Total	\$ 1,352,075	\$ 1,293,425	\$ 1,213,432
<i>Expenditures</i>			
Total	\$ (2,228,018)	\$ (2,344,890)	\$ (2,003,725)
<i>Other financing sources</i>			
<i>Proceeds from Loan</i>	\$ -	\$ -	\$ -
<i>Transfers In</i>	316,900	316,900	331,900
<i>Proceeds fr. Sale of Cap. As</i>	20,000	-	100
Change in Fund Balance	\$ (539,043)	\$ (734,565)	\$ (458,293)

General Fund revenues lagged budget expectations by \$138,642 for the fiscal year. The primary driver of the shortfall is the State of Illinois slow payment of income taxes. The State lagged 5-months behind in payments (approx. \$180,000) at the year-end.

Housing starts slowed to a very low level during the second half of the year, but activity early in the year increased permit revenue to \$30,000 over the budgeted level. Franchise fees lagged budget because of timing of receipt of payments. All other revenue categories met or exceeded budgeted levels.

The last quarter of the fiscal year saw expenditure restraints be placed for all General Fund spending. These constraints, along with postponing construction of a new Public Works facility, assisted in maintaining Total Expenditures at \$224,292 below budgeted levels. This favorable variance offset the shortfall in revenue.

During fiscal year 2010, the Town Board approved two amendments to the budget. The amendments were necessary primarily to transfer expenses between budget lines as well as to account for new revenues and their related expenses and expenses/reimbursements relating to the construction of the Sheaffer sewage treatment plant and the new well and water tower. The budget was also increased for expenses relating to developer default, the severe winter weather, vehicle/equipment repairs, and unanticipated utility costs at the new sewage treatment plant.

CAPITAL ASSET AND DEBT ADMINISTRATION
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Capital Assets (see Notes to Financial Statements #4)

At the end of Fiscal Year 2010, the Town had invested \$34,102,777 in a variety of capital assets and infrastructure, as reflected in the following schedule.

**Table 3
Governmental Funds
Change in Net Capital Assets**

	<i>Balance May 1, 2009</i>	<i>Net Additions/ Deletions</i>	<i>Balance April 30, 2010</i>
Non-Depreciable Assets			
Land	\$ 435,441	\$ -	\$ 435,441
Right of way	2,347,520	-	2,347,520
Depreciable Capital Assets			
Buildings and Improvements	110,744	-	110,744
Vehicles	453,304	114,987	568,291
Machinery and Equipment	207,467	12,818	220,285
Infrastructure	4,790,962	299,034	5,089,996
Accumulated Depreciation on Capital Assets	(626,590)	(224,367)	(850,957)
Totals	\$ 7,718,848	\$ 202,472	\$ 7,921,320

**Business-Type Funds
Change in Net Capital Assets**

	<i>Balance May 1, 2009</i>	<i>Net Additions/ Deletions</i>	<i>Balance April 30, 2010</i>
Non-Depreciable Assets			
Land	\$ 1,149,775	\$ -	\$ 1,149,775
Construction in progress	1,838,052	1,404,340	3,242,392
Depreciable Capital Assets			
Plant in service	24,533,405	331,062	24,864,467
Machinery and Equipment	458,717	120,597	579,314
Accumulated Depreciation on Capital Assets	(2,900,001)	(754,490)	(3,654,491)
Totals	\$ 25,079,948	\$ 1,101,509	\$ 26,181,457

This year's additions were final payouts for the Sheaffer System sewer treatment plant, construction in progress at the 4th well and 2nd water tower (not yet completed), purchase of a truck and snow plow, and purchase of a road repair machine.

There were no significant retirements or deletions during the year other than depreciation.

Debt Outstanding (see Notes to Financial Statements #5)

In 2005, the Town issued debt certificates for the purchase of the property known as the Herrmann Property. As of April 30, 2010, the Town owes \$401,600. Repayment of these debt certificates is from the sewer fund.

As of April 30, 2010, the balance of the Special Service Area #1 bonds total \$5,507,000. The bonds do not constitute an indebtedness of the Town.

As of April 30, 2010, the balance of the Special Service Area bonds for the Sheaffer project totals \$23,365,000. The bonds do not constitute an indebtedness of the Town.

As of April 30, 2010, the balance of the Special Service Area bonds for the Richland Trails project totals \$8,850,000. The bonds do not constitute an indebtedness of the Town.

The Town has issued Industrial Revenue Bonds (IRBs) to provide financial assistance to private organizations for the construction and acquisition of industrial and commercial improvements deemed to be in the public interest. The Town is not obligated in any manner for the repayment of the bonds. The original principal issued on the IRBs was \$9,250,000.

The Town's total legal general obligation debt limit is \$6,626,255 (see page 56 of the Financial Statements).

ECONOMIC FACTORS

Aside from contributions and reimbursements, which are largely unpredictable, the Town's largest source of revenue is from property tax. Increases in property tax revenues are held at the combined rate of the Consumer Price Index (maximum of 5%) and the percentage of new property, which results in significant growth in revenues only following development. With the expected future residential growth there is potential for additional revenues for many capital projects (as required by annexation agreements) and property tax.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Michael Lamz, Treasurer, Town of Cortland, 59 South Somonauk Road, P.O. Box 519, Cortland, Illinois 60112-0519.

TOWN OF CORTLAND, ILLINOIS

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

April 30, 2010

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Cortland
	Activities	Activities		Community Library
ASSETS				
Cash and investments	\$ 7,058,723	\$ 1,192,561	\$ 8,251,284	\$ 37,212
Notes receivable	87,219	-	87,219	-
Capital assets not being depreciated	2,782,961	4,392,167	7,175,128	-
Capital assets (net of accumulated depreciation)	5,138,359	21,789,290	26,927,649	63,223
Total assets	15,067,262	27,374,018	42,441,280	100,435
LIABILITIES				
Customer deposits	532,171	1,360	533,531	-
Payroll tax withholding	1,654	-	1,654	1,571
Long-term liabilities				
Due within one year	-	226,235	226,235	-
Due in more than one year	-	175,365	175,365	-
Total liabilities	533,825	402,960	936,785	1,571
NET ASSETS				
Invested in capital assets, net of related debt	7,921,320	25,779,857	33,701,177	63,223
Restricted				
Parks	16,946	-	16,946	-
Capital improvements	6,086,378	-	6,086,378	-
Highways and streets	71,172	-	71,172	-
Economic development	155,770	-	155,770	-
Radium removal	-	135,600	135,600	-
Unrestricted	281,851	1,055,601	1,337,452	35,641
TOTAL NET ASSETS	\$ 14,533,437	\$ 26,971,058	\$ 41,504,495	\$ 98,864

See accompanying notes to financial statements.

TOWN OF CORTLAND, ILLINOIS

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended April 30, 2010

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
PRIMARY GOVERNMENT				
Governmental Activities				
General administration	\$ 739,391	\$ 72,222	\$ -	\$ -
Public safety	477,401	25,978	1,600	-
Operations and maintenance	666,450	4,525	106,723	46,403
Planning, zoning and engineering	155,916	3,350	-	14,940
Sewer development	1,348,110	-	-	120,000
Interest	2,129	-	-	-
Total governmental activities	<u>3,389,397</u>	<u>106,075</u>	<u>108,323</u>	<u>181,343</u>
Business-Type Activities				
Sewer	868,246	523,028	-	-
Water	654,098	349,386	-	176,025
Total business-type activities	<u>1,522,344</u>	<u>872,414</u>	<u>-</u>	<u>176,025</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 4,911,741</u>	<u>\$ 978,489</u>	<u>\$ 108,323</u>	<u>\$ 357,368</u>
COMPONENT UNIT				
Cortland Community Library	<u>\$ 259,824</u>	<u>\$ 2,644</u>	<u>\$ 15,911</u>	<u>\$ -</u>

Net (Expense) Revenue and Change in Net Assets				
				Component Unit
Primary Government			Cortland Community Library	
Governmental Activities	Business-Type Activities	Total		
\$ (667,169)	\$ -	\$ (667,169)	\$ -	
(449,823)	-	(449,823)	-	
(508,799)	-	(508,799)	-	
(137,626)	-	(137,626)	-	
(1,228,110)	-	(1,228,110)	-	
(2,129)	-	(2,129)	-	
(2,993,656)	-	(2,993,656)	-	
-	(345,218)	(345,218)	-	
-	(128,687)	(128,687)	-	
-	(473,905)	(473,905)	-	
(2,993,656)	(473,905)	(3,467,561)	-	
-	-	-	(241,269)	
General Revenues				
Taxes				
Property and replacement	546,039	-	546,039	249,580
Sales and local use	222,210	-	222,210	-
Income	255,623	-	255,623	-
Simplified telecommunication	141,672	-	141,672	-
Utility	147,755	-	147,755	-
Investment income	22,434	14,837	37,271	707
Miscellaneous	11,083	206,190	217,273	2,125
Contributions	-	1,348,110	1,348,110	-
Total	1,346,816	1,569,137	2,915,953	252,412
CHANGE IN NET ASSETS	(1,646,840)	1,095,232	(551,608)	11,143
NET ASSETS, MAY 1	16,180,277	25,875,826	42,056,103	87,721
NET ASSETS, APRIL 30	\$ 14,533,437	\$ 26,971,058	\$ 41,504,495	\$ 98,864

See accompanying notes to financial statements.

TOWN OF CORTLAND, ILLINOIS

STATEMENT OF ASSETS, LIABILITIES AND
FUND BALANCES ARISING FROM CASH BASIS
GOVERNMENTAL FUNDS

April 30, 2010

	General	Capital Improvements	Special Service Areas #4-8	Special Service Areas #9-10	Nonmajor Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 1,082,034	\$ 267,204	\$ 3,842	\$ 5,556,493	\$ 149,150	\$ 7,058,723
Note receivable	-	-	-	-	87,219	87,219
TOTAL ASSETS	\$ 1,082,034	\$ 267,204	\$ 3,842	\$ 5,556,493	\$ 236,369	\$ 7,145,942
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Customer deposits	\$ 532,171	\$ -	\$ -	\$ -	\$ -	\$ 532,171
Payroll withholdings	1,654	-	-	-	-	1,654
Total liabilities	533,825	-	-	-	-	533,825
FUND BALANCES						
Reserved for note receivable	-	-	-	-	87,219	87,219
Reserved for parks	16,946	-	-	-	-	16,946
Reserved for capital improvements	516,616	-	3,842	5,556,493	9,427	6,086,378
Reserved for highways and streets	-	-	-	-	71,172	71,172
Reserved for economic development	-	-	-	-	68,551	68,551
Unreserved - special revenue	-	267,204	-	-	-	267,204
Unreserved	14,647	-	-	-	-	14,647
Total fund balances	548,209	267,204	3,842	5,556,493	236,369	6,612,117
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,082,034	\$ 267,204	\$ 3,842	\$ 5,556,493	\$ 236,369	\$ 7,145,942

See accompanying notes to financial statements.

TOWN OF CORTLAND, ILLINOIS

RECONCILIATION OF FUND BALANCES ARISING FROM CASH TRANSACTIONS
OF GOVERNMENTAL FUNDS TO THE GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

April 30, 2010

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 6,612,117
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	<u>7,921,320</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 14,533,437</u></u>

See accompanying notes to financial statements.

TOWN OF CORTLAND, ILLINOIS

STATEMENT OF REVENUES COLLECTED, EXPENDITURES
PAID AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS

For the Year Ended April 30, 2010

	General	Capital Improvements	Special Service Areas #4-8	Special Service Areas #9-10	Nonmajor Governmental Funds	Total
REVENUES COLLECTED						
Taxes	\$ 1,057,032	\$ 256,268	\$ -	\$ -	\$ 99,156	\$ 1,412,456
Building permits	66,926	-	-	-	-	66,926
Fines	25,978	-	-	-	-	25,978
Grant revenue	9,167	-	-	-	-	9,167
Franchise fees	2,370	-	-	-	-	2,370
Park development fees	300	-	-	-	-	300
Contributions	25,440	-	-	-	22,970	48,410
Contributions from property owners	-	-	120,000	23,433	-	143,433
Investment income	15,136	3,237	438	3,039	584	22,434
Miscellaneous income	11,083	-	-	-	-	11,083
Total revenues collected	1,213,432	259,505	120,438	26,472	122,710	1,742,557
EXPENDITURES PAID						
Current						
General administration	471,320	-	183,899	26,604	14,336	696,159
Public safety	460,469	-	-	-	-	460,469
Operations and maintenance	346,123	-	-	-	68,853	414,976
Planning, zoning and engineering	155,916	-	-	-	-	155,916
Capital outlay	448,565	65,645	1,348,110	-	-	1,862,320
Debt service	121,332	-	-	-	-	121,332
Total expenditures paid	2,003,725	65,645	1,532,009	26,604	83,189	3,711,172
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID						
	(790,293)	193,860	(1,411,571)	(132)	39,521	(1,968,615)
OTHER FINANCING SOURCES (USES)						
Transfers in	331,900	-	-	-	-	331,900
Transfers (out)	-	(331,900)	-	-	-	(331,900)
Proceeds from sale of capital assets	100	-	-	-	-	100
Total other financing sources (uses)	332,000	(331,900)	-	-	-	100
NET CHANGE IN FUND BALANCES						
	(458,293)	(138,040)	(1,411,571)	(132)	39,521	(1,968,515)
FUND BALANCES, MAY 1						
	1,006,502	405,244	1,415,413	5,556,625	196,848	8,580,632
FUND BALANCES, APRIL 30						
	\$ 548,209	\$ 267,204	\$ 3,842	\$ 5,556,493	\$ 236,369	\$ 6,612,117

See accompanying notes to financial statements.

TOWN OF CORTLAND, ILLINOIS

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

For the Year Ended April 30, 2010

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (1,968,515)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures; however, they are capitalized and depreciated in the statement of activities	426,839
Depreciation on capital assets is reported as an expense in the statement of activities	(224,367)
The repayment of long-term debt is reported as an expenditure when due in governmental funds but as a reduction of principal outstanding in the statement of activities	<u>119,203</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (1,646,840)</u></u>

See accompanying notes to financial statements.

TOWN OF CORTLAND, ILLINOIS

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
 PROPRIETARY FUNDS

April 30, 2010

	Sewer	Water	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 398,346	\$ 794,215	\$ 1,192,561
Total current assets	398,346	794,215	1,192,561
CAPITAL ASSETS			
Capital assets not being depreciated			
Land	1,129,775	20,000	1,149,775
Construction in progress	-	3,242,392	3,242,392
Total capital assets not being depreciated	1,129,775	3,262,392	4,392,167
Capital assets being depreciated			
Plant in service	15,707,503	9,156,964	24,864,467
Equipment	359,186	220,128	579,314
Total capital assets being depreciated	16,066,689	9,377,092	25,443,781
Less accumulated depreciation	1,960,986	1,693,505	3,654,491
Net capital assets being depreciated	14,105,703	7,683,587	21,789,290
Net capital assets	15,235,478	10,945,979	26,181,457
Total assets	15,633,824	11,740,194	27,374,018
CURRENT LIABILITIES			
Customer deposits	-	1,360	1,360
Debt certificates payable	226,235	-	226,235
Total current liabilities	226,235	1,360	227,595
LONG-TERM LIABILITIES			
Debt certificates payable	175,365	-	175,365
Total long-term liabilities	175,365	-	175,365
Total liabilities	401,600	1,360	402,960
NET ASSETS			
Invested in capital assets, net of related debt	14,833,878	10,945,979	25,779,857
Restricted for radium removal	-	135,600	135,600
Unrestricted	398,346	657,255	1,055,601
TOTAL NET ASSETS	\$ 15,232,224	\$ 11,738,834	\$ 26,971,058

See accompanying notes to financial statements.

TOWN OF CORTLAND, ILLINOIS

STATEMENT OF REVENUES COLLECTED, EXPENSES PAID
AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS

For the Year Ended April 30, 2010

	Sewer	Water	Total
OPERATING REVENUES COLLECTED			
Charges for services	\$ 508,803	\$ 337,386	\$ 846,189
Meter sales	-	8,500	8,500
Miscellaneous	21,088	2,364	23,452
Total operating revenues collected	529,891	348,250	878,141
OPERATING EXPENSES			
Personnel services	44,764	104,576	149,340
Commodities	6,673	59,858	66,531
Contractual services	314,902	214,844	529,746
Other	1,726	105	1,831
Depreciation	479,775	274,715	754,490
Total operating expenses	847,840	654,098	1,501,938
OPERATING INCOME (LOSS)	(317,949)	(305,848)	(623,797)
NONOPERATING REVENUES COLLECTED (EXPENSES)			
Connection fees	3,500	3,500	7,000
Reimbursements	65,966	116,772	182,738
Grants	-	176,025	176,025
Investment income	6,157	8,680	14,837
Interest expense	(20,406)	-	(20,406)
Rental income	10,725	-	10,725
Total nonoperating revenues collected (expenses)	65,942	304,977	370,919
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	(252,007)	(871)	(252,878)
CONTRIBUTIONS	204,787	1,143,323	1,348,110
CHANGE IN NET ASSETS	(47,220)	1,142,452	1,095,232
NET ASSETS, MAY 1	15,279,444	10,596,382	25,875,826
NET ASSETS, APRIL 30	\$ 15,232,224	\$ 11,738,834	\$ 26,971,058

See accompanying notes to financial statements.

TOWN OF CORTLAND, ILLINOIS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

For the Year Ended April 30, 2010

	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 544,116	\$ 351,670	\$ 895,786
Payments to employees	(44,764)	(104,576)	(149,340)
Payments to suppliers	(323,301)	(274,807)	(598,108)
Net cash from operating activities	176,051	(27,713)	148,338
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Reimbursements	65,966	116,772	182,738
Net cash from noncapital financing activities	65,966	116,772	182,738
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	6,157	8,680	14,837
Net cash from investing activities	6,157	8,680	14,837
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(217,860)	-	(217,860)
Interest paid on long-term debt	(20,406)	-	(20,406)
Grant received	-	176,025	176,025
Purchase of capital assets	(246,872)	(261,017)	(507,889)
Net cash from capital and related financing activities	(485,138)	(84,992)	(570,130)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(236,964)	12,747	(224,217)
CASH AND CASH EQUIVALENTS, MAY 1	635,310	781,468	1,416,778
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 398,346	\$ 794,215	\$ 1,192,561

(This statement is continued on the following page.)

TOWN OF CORTLAND, ILLINOIS

STATEMENT OF CASH FLOWS (Continued)
 PROPRIETARY FUNDS

For the Year Ended April 30, 2010

	Sewer	Water	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (317,949)	\$ (305,848)	\$ (623,797)
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Depreciation	479,775	274,715	754,490
Connection fees	3,500	3,500	7,000
Rental income	10,725	-	10,725
Increase (decrease) in Customer deposits	-	(80)	(80)
Total adjustments	494,000	278,135	772,135
NET CASH FROM OPERATING ACTIVITIES	\$ 176,051	\$ (27,713)	\$ 148,338
SCHEDULE OF NONCASH TRANSACTIONS			
Contributions	\$ 204,787	\$ 1,143,323	\$ 1,348,110
TOTAL NONCASH TRANSACTIONS	\$ 204,787	\$ 1,143,323	\$ 1,348,110

See accompanying notes to financial statements.

TOWN OF CORTLAND, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS

April 30, 2010

	<u>Agency Fund</u>
ASSETS	
Cash	<u>\$ 3,335,001</u>
TOTAL ASSETS	<u><u>\$ 3,335,001</u></u>
LIABILITIES	
Due to bondholders	<u>\$ 3,335,001</u>
TOTAL LIABILITIES	<u><u>\$ 3,335,001</u></u>

See accompanying notes to financial statements.

TOWN OF CORTLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

April 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Cortland, Illinois (the Town) 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)), except as disclosed in Note 1d. 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 Town's accounting policies are described below.

a. Reporting Entity

The Town is a municipal corporation governed by an elected President and Board of Trustees. As required by generally accepted accounting principles, these financial statements present the Town (the primary government) and its component unit. In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was based upon the significance of its operational or financial relationship with the primary government.

Discretely Presented Component Unit

The component unit column in the basic financial statements includes the financial data of the Town's Component Unit, Cortland Community Library. It is reported in a separate column to emphasize that it is legally separate from the Town.

The Cortland Community Library

The Cortland Community Library (the Library) operates and maintains the government's public library facilities. The Library's board is elected by the voters of the Town. The Library may not issue bonded debt and its annual budget and property tax levy request are subject to the Town Board's approval.

b. Fund Accounting

The Town uses funds to report on its financial position and the changes in its financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting (Continued)

A fund is a separate accounting entity with a self-balancing set of accounts. The minimum number of funds are maintained consistent with legal and managerial requirements. Funds are classified into the following categories: governmental, proprietary and fiduciary.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general capital assets (capital projects funds) and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities That Use Proprietary Fund Accounting*, the Town has chosen to apply all GASB pronouncements as well as those FASB pronouncements issued on or before November 30, 1989 to account for its enterprise funds.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. The Town utilizes agency funds to account for funds received and reserved for debt service on the noncommitment debt.

c. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program 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 and (2) grants and shared revenues 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.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The Capital Improvement Fund is a Special Revenue fund used to fund capital improvements of the town. It is primarily funded by utility and simplified telecommunications taxes.

The SSA #4-8 Fund, a capital projects fund, is used to account for the capital outlay and improvements in the Town's Special Service Areas #4, 5, 6, 7 and 8.

The SSA #9-10 Fund, a capital projects fund, is used to account for the capital outlay and improvements in the Town's Special Service Areas #9 and 10.

The Town reports the following major proprietary funds:

The Water Fund accounts for the water billings and expenses incurred for providing those services to residents.

The Sewer Fund accounts for the sewer billings and expenses incurred for providing those services to residents.

Additionally, the Town reports the Special Service Areas Fund responsible for noncommitment debt repayment as an agency fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and using the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Revenues are recorded at the time of receipt by the Town. Expenses are recorded when the funds are disbursed. Depreciation of capital assets has also been shown on the government-wide financial statements. Accordingly, the financial statements are not intended to present financial position and changes in financial position in conformity with accounting principles generally accepted in the United States of America.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. Revenues are recorded at the time of the receipt by the Town. Expenditures are recorded when the funds are disbursed except for employee health insurance which is recorded as incurred.

e. Cash and Cash Equivalents

For purposes of cash flows, the Town considers liquid deposits or investments with a maturity of three months or less when purchased to be cash equivalents.

f. Investments

Investments in nonnegotiable certificates of deposit and other investments with a maturity of less than one year when purchased are stated at cost. Investments with a maturity of one year or greater when purchased are reported at fair value.

g. Capital Assets

Capital assets are recorded as expenditures at the time of purchase. Capital assets, which include property, plant, equipment and infrastructure assets (e.g., storm sewers and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Infrastructure assets are reported prospectively as of May 1, 2004. Capital assets are defined by the Town as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

TOWN OF CORTLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value or service capacity of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Water distribution system	35 - 40
Water equipment	5 - 10
Sewer equipment	5 - 10
Sewerage system	30 - 60
Buildings and building improvements	7 - 50
Vehicles, machinery and equipment	5
Infrastructure	50

h. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

i. Net Assets/Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, if any, represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. "Invested in capital assets, net of related debt," represents the Town's investment in the book value of capital assets, less any outstanding debt that was issued to construct or acquire the capital asset. Net assets of the Town have not been restricted as a result of enabling legislation enacted by the Town.

2. PROPERTY TAX CALENDAR

The following information gives significant dates on the property tax calendar of the Town.

- The property tax lien date is January 1.
- The annual tax levy ordinance for 2009 was passed December 14, 2009.
- Property taxes are due to the County Collector in two installments, June and September.
- Significant amounts of property taxes for 2009 will be distributed to the Town during May through November 2010.

3. CASH AND INVESTMENTS

The Town's investment policy allows the Town to invest in any investments allowable under state statutes. Statutes authorize the Town to make deposits/invest 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 agreements 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 Illinois Funds.

It is the policy of the Town to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Town and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objectives of the policy are legality, safety (preservation of capital and protection of investment principal), liquidity and yield.

Illinois Funds is an 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 Funds' share price, the price for which the investment could be sold.

Town Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Town's deposits may not be returned to it. The Town's investment policy requires pledging of collateral of all bank balances in excess of federal depository insurance with the collateral evidenced by a written agreement.

TOWN OF CORTLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

3. CASH AND INVESTMENTS (Continued)

Town Investments

The following table presents the investments and maturities of the Town's debt securities as of April 30, 2010:

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1-5	6-10	Greater than 10
Illinois Funds	\$ 137,437	\$ 137,437	\$ -	\$ -	\$ -
Money market mutual funds	8,904,763	8,904,763	-	-	-
TOTAL	\$ 9,042,200	\$ 9,042,200	\$ -	\$ -	\$ -

In accordance with its investment policy, the Town limits its exposure to interest rate risk by structuring the portfolio to match cash flow demands. The investment policy limits the maximum maturity length of investments to two years from date of purchase, unless matched to a specific cash flow. Investments of reserved funds may be purchased with maturities exceeding two years if they are made to coincide with cash flow needs.

The Town's investment policy does not address credit risk. The Town 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 external investment pools that are internally diversified and by diversifying investments to the best of the Town's ability. The money market mutual funds and Illinois Funds are rated AAA.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the investment, the Town will not be able to recover the value of its investments that are in possession of an outside party. To limit its exposure, the Town's investment policy requires all security transactions that are exposed to custodial credit risk to be processed on a delivery versus payment (DVP) basis with the underlying investments held by an independent third-party custodian designated by the treasurer and evidenced by safekeeping receipts. Illinois Funds and the money market mutual fund are not subject to custodial credit risk.

Concentration of credit risk - The Town's investment policy requires diversification to the best of its abilities. Diversification can be by type of investment, institution and length of maturity.

TOWN OF CORTLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS

Capital asset activity, resulting from modified cash transactions, for the year ended April 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 435,441	\$ -	\$ -	\$ 435,441
Right of way	2,347,520	-	-	2,347,520
Total capital assets not being depreciated	2,782,961	-	-	2,782,961
Capital assets being depreciated				
Buildings and improvements	110,744	-	-	110,744
Vehicles	453,304	114,987	-	568,291
Machinery and equipment	207,467	12,818	-	220,285
Infrastructure	4,790,962	299,034	-	5,089,996
Total capital assets being depreciated	5,562,477	426,839	-	5,989,316
Less accumulated depreciation for				
Buildings and improvements	78,414	9,872	-	88,286
Vehicles	281,653	79,003	-	360,656
Machinery and equipment	116,487	33,692	-	150,179
Infrastructure	150,036	101,800	-	251,836
Total accumulated depreciation	626,590	224,367	-	850,957
Total capital assets being depreciated, net	4,935,887	202,472	-	5,138,359
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET				
	\$ 7,718,848	\$ 202,472	\$ -	\$ 7,921,320
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,149,775	\$ -	\$ -	\$ 1,149,775
Construction in progress	1,838,052	1,404,340	-	3,242,392
Total capital assets not being depreciated	2,987,827	1,404,340	-	4,392,167
Capital assets being depreciated				
Plants in service	24,533,405	331,062	-	24,864,467
Machinery and equipment	458,717	120,597	-	579,314
Total capital assets being depreciated	24,992,122	451,659	-	25,443,781
Less accumulated depreciation for				
Plants in service	2,560,624	721,174	-	3,281,798
Machinery and equipment	339,377	33,316	-	372,693
Total accumulated depreciation	2,900,001	754,490	-	3,654,491
Total capital assets being depreciated, net	22,092,121	(302,831)	-	21,789,290
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET				
	\$ 25,079,948	\$ 1,101,509	\$ -	\$ 26,181,457

TOWN OF CORTLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS (Continued)

4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES

General government	\$ 348
Public safety	15,702
Operations and maintenance	<u>208,317</u>

TOTAL DEPRECIATION EXPENSE -
GOVERNMENTAL ACTIVITIES

\$ 224,367

5. LONG-TERM DEBT

Long-term debt payable at April 30, 2010, is comprised of the following issues:

a. Ford Pickup Truck Note Payable

A note payable dated July 14, 2006 for \$30,000 was issued for the purchase of a Ford F-350 pickup truck with a snow plow. The note was repaid over a period of three years with semi-annual payments of \$5,490 with an interest rate of 5.388%. The note was retired during the year ended April 30, 2010.

b. International Dump Truck Note Payable

A note payable dated November 29, 2007 for \$116,000 was issued for the purchase of a 2008 International Dump Truck. The note was repaid over a period of five years with semiannual payments of \$13,255 with an interest rate of 4.930%. The note was retired during the year ended April 30, 2010.

c. John Deere Tractor

A note payable dated October 25, 2007 for \$26,020 was issued for the purchase of a John Deere 2520 Tractor. The note was repaid over a period of five years with semiannual payments of \$2,973 with an interest rate of 4.930%. The note was retired during the year ended April 30, 2010.

d. 2005A General Obligation Debt Certificates

General obligation debt certificates dated January 27, 2005 for \$1,120,000 were issued for the purchase of irrigation land for sewer treatment facilities. The certificates are to be repaid over a period of seven years with quarterly payments ranging from \$7,546 to \$59,569 with an interest rate of 3.79%. The certificates are general obligation in nature but are recorded in the sewer fund and will be retired out of this fund. Debt service requirements to maturity on the certificates are as follows:

TOWN OF CORTLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

5. LONG-TERM DEBT (Continued)

d. 2005A General Obligation Debt Certificates (Continued)

Fiscal Year	Principal	Interest	Total
2011	\$ 226,235	\$ 12,031	\$ 238,266
2012	175,365	3,334	178,699
TOTAL DEBT CERTIFICATES	\$ 401,600	\$ 15,365	\$ 416,965

e. Change in Long-Term Liabilities

During the fiscal year the following changes occurred in liabilities reported in the governmental long-term liabilities:

	Balances May 1	Issuances	Retirements	Balances April 30	Current Portion
Ford pickup truck note payable	\$ 5,331	\$ -	\$ 5,331	\$ -	\$ -
International Dump Truck	94,989	-	94,989	-	-
John Deere Tractor	18,883	-	18,883	-	-
TOTAL GOVERNMENTAL LONG-TERM LIABILITIES	\$ 119,203	\$ -	\$ 119,203	\$ -	\$ -

During the fiscal year the following changes occurred in long-term liabilities reported in the business-type activities:

	Balances May 1	Issuances	Retirements	Balances April 30	Current Portion
Debt certificates	\$ 619,460	\$ -	\$ 217,860	\$ 401,600	\$ 226,235
TOTAL BUSINESS-TYPE LONG-TERM LIABILITIES	\$ 619,460	\$ -	\$ 217,860	\$ 401,600	\$ 226,235

f. Special Service Area Bonds

During the fiscal year ended April 30, 2003, the Town issued \$5,000,000 Special Service Area #1 bonds, dated October 31, 2002. During the fiscal year ended April 30, 2007, the Town issued the Series 2007 \$5,730,000 Special Service Area #1 Refunding Bonds dated April 2, 2007, which were used to refund through an in-substance defeasance the \$5,000,000 Special Service Area #1 Bonds. The bonds are payable solely from the special service area tax levied upon the properties located in the special service area and do not constitute an indebtedness of the Town. The Town, through its trustee, is acting solely as paying agent in receiving the taxes from the County and remitting principal and interest payments to the bond holders. Accordingly, these bonds are not reported as a liability in the Town's financial statements. As of April 30, 2010, \$5,507,000 of the bonds are outstanding.

5. LONG-TERM DEBT (Continued)

f. Special Service Area Bonds (Continued)

On May 5, 2006, the Town issued \$23,845,000 Special Tax Revenue Bonds, Series 2006 (Sheaffer System Project). The bonds are payable solely from the special service area tax levied upon the properties located in the special service area or payments made at the time of building permit and do not constitute an indebtedness of the Town. The Town, through its trustee, is acting solely as paying agent in receiving the taxes from the County and payments made at the time of building permit and remitting them to the bond holders. Interest is due on March 1 and September 1 of the year commencing on September 1, 2006. Principal payments are due on March 1 commencing on March 1, 2014 and maturing March 1, 2017. As of April 30, 2010, \$23,365,000 of the bonds are outstanding.

On June 15, 2007, the Town issued \$5,335,000 and \$5,000,000 Special Tax Revenue Bonds, Series 2007-1 and 2007-2, respectively, known as the Richland Trails Project. The bonds are payable solely from the special service area tax levied upon the properties located in the special service area or payments made at the time of building permit and do not constitute an indebtedness of the Town. The Town, through its trustee, is acting solely as paying agent in receiving the taxes from the County and payments made at the time of building permit and remitting them to the bond holders. Interest is due on March 1 and September 1 of the year commencing on September 1, 2007. Principal payments are due on March 1 commencing on March 1, 2011. The bonds mature on March 1, 2037 and March 1, 2014 respectively. As of April 30, 2010, \$8,850,000 of the bonds are outstanding.

g. Conduit Debt

The Town has issued Industrial Revenue Bonds (IRBs) to provide financial assistance to private organizations for the construction and acquisition of industrial and commercial improvements deemed to be in the public interest. The bonds are secured solely by the property financed and are payable solely from the payments received on the underlying mortgage loans on the property. The Town is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds outstanding are not reported as liability in these financial statements. The original principal issued on the IRBs was \$9,250,000.

TOWN OF CORTLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

6. INTERFUND TRANSFERS

Individual fund transfers are as follows:

	Transfers In	Transfers Out
General	\$ 331,900	\$ -
Capital Improvements	-	331,900
	\$ 331,900	\$ 331,900
TOTAL	\$ 331,900	\$ 331,900

The purpose of significant transfers are as follows:

The transfer of \$331,900 during the year from Capital Improvements Fund to the General Fund was to finance equipment and capital costs made out of the General Fund. It will not be repaid.

7. RISK MANAGEMENT

The Town participates in the Illinois Municipal League Risk Management Association for liability and workers' compensation insurance. The Town's policy is to record any related expenditures in the year in which they are notified and pay the assessment. The Town is not aware of any additional assessments that may be owed as of April 30, 2010. The Town purchases third-party indemnity insurance for employee health.

8. CONTINGENT LIABILITIES

Grants

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Litigation

The Town is subject to various types of litigation throughout the year. On August 23, 2010, a jury returned a verdict against the Town indicating that the Town was in breach of contract with a local developer. The Town is in the process of appealing this decision. It is not certain what amount, if any, the Town will be responsible for nor has a timeline for payment been established. No liability has been recorded on the financial statements under the modified cash basis of accounting.

TOWN OF CORTLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

9. COMMUNITY DEVELOPMENT ASSISTANCE PROGRAM LOAN

The Town provides financing for qualified recipients under the Community Development Assistance Program (CDAP). Principal balances outstanding as of April 30, 2010 total \$87,219. Of this amount, \$87,219 is receivable from two loans with the same company. The company has filed for bankruptcy. The Town's attorney is currently researching collection options for the Town. The Town anticipates the loans to be received in full; therefore, an allowance has not been established. Minimum future receipts due from recipients under this program are as follows:

For the Year Ending April 30,	Principal	Interest	Total
2011	\$ 87,219	\$ 5,910	\$ 93,129
TOTAL	\$ 87,219	\$ 5,910	\$ 93,129

10. OPERATING LEASE

The Town leases building space for its Police Department. A lease agreement was entered into during the year ended April 30, 2010 for the period February 1, 2009 through January 31, 2014. Total rent expense incurred for the year ended April 30, 2010 was \$11,964. Projected future minimum lease payments are as follows:

For the Year Ending April 30,	Rent Expense
2011	\$ 12,462
2012	13,020
2013	13,602
2014	10,539
TOTAL	\$ 49,623

11. ILLINOIS MUNICIPAL RETIREMENT FUND

The Town's defined benefit pension plan, Illinois Municipal Retirement Fund (IMRF), provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF is an agent multiple-employer pension plan that acts as a common investment and administrative agent for local governments and school districts in Illinois. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole but not by individual employer. That report may be obtained by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523.

TOWN OF CORTLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

11. ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Pension benefits vest after eight years of service. Participating members who retire at or after age 55 with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3% of their final rate of earnings, for each year of credited service up to 15 years, and 2% for each year thereafter. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

Employees participating in IMRF are required to contribute 4.50% of their annual covered salary. The member rate is established by state statute. The Town is required to contribute at an actuarially determined rate. The employer rate for calendar year 2009 was 10.54% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees.

For April 30, 2010, the Town's annual pension cost of \$81,218 was equal to the Town's required and actual contributions. The required contribution was determined as part of the December 31, 2007 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 0.40% to 10.00% per year, (c) 3.00% per year cost-of-living adjustments and (d) 3.00% postretirement benefit increases. Both (a) and (b) included an inflation component of 4.00%. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2009 was 27 years.

Employer annual pension cost (APC), actual contributions and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the APC and the contributions actually made.

For Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	\$ 69,690	100.00%	\$ -
2009	75,225	100.00%	-
2010	81,218	100.00%	-

The funded status of the plan as of December 31, 2009, based on actuarial valuations performed as of the same date, is as follows. The actuarial assumptions used to determine the funded status of the plan are the same actuarial assumptions used to determine the employer APC of the plan as disclosed above:

TOWN OF CORTLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

11. ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

	Illinois Municipal Retirement
Actuarial accrued liability (AAL)	\$ 1,066,616
Actuarial value of plan assets	712,161
Unfunded actuarial accrued liability (UAAL)	354,455
Funded ratio (actuarial value of plan assets/AAL)	66.77%
Covered payroll (active plan members)	\$ 694,673
UAAL as a percentage of covered payroll	51.02%

See the schedules of funding progress in the required supplementary information immediately following the notes to financial statements for additional information related to the funded status of the plan.

12. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

In addition to providing the pension benefits described, the Town provides postemployment health care benefits (OPEB) for retired employees through a single-employer defined benefit plan (the Plan). The benefits, benefit levels, employee contributions and employer contributions are governed by the Town and can be amended by the Town through its personnel manual. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the Plan. The Plan does not issue a separate report. The activity of the Plan is reported in the Town's governmental and business-type activities.

b. Benefits Provided

The Town provides pre and post-Medicare postretirement health insurance to retirees, their spouses and dependents (enrolled at time of employee's retirement). To be eligible for benefits, the employee must qualify for retirement under the Town's retirement plan. The retirees pay the blended premium. Upon a retiree becoming eligible for Medicare, the amount payable under the Town's health plan will be reduced by the amount payable under Medicare for those expenses that are covered under both.

TOWN OF CORTLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

c. Membership

At April 30, 2010, membership consisted of:

Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to benefits but not yet receiving them	-
Active employees	<u>15</u>
 TOTAL	 <u>16</u>
 Participating employers	 <u>1</u>

d. Funding Policy

The Town is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the Plan until retirement.

e. Annual OPEB Costs and Net OPEB Obligation

The Town first had an actuarial valuation performed for the Plan as of April 30, 2009 to determine the funded status of the Plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended April 30, 2010. The Town's annual OPEB cost (expense) of \$1,601 was equal to the ARC for the fiscal year, as the transition liability was set at zero as of April 30, 2009. The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2010 was as follows (information for two previous years is not available as an actuarial valuation was performed for the first time as of April 30, 2009):

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2010	\$ 1,601	\$ 2,255	140.85%	\$ (654)

TOWN OF CORTLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation (Continued)

The net OPEB obligation as of April 30, 2010 was calculated as follows:

Annual required contribution	\$ 1,601
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
	<hr/>
Annual OPEB cost	1,601
Contributions made	2,255
	<hr/>
Increase in net OPEB obligation	(654)
Net OPEB obligation, beginning of year	-
	<hr/>
NET OPEB OBLIGATION, END OF YEAR	<u>\$ (654)</u>

Funded Status and Funding Progress: The funded status of the Plan as of April 30, 2010 was as follows:

Actuarial accrued liability (AAL)	\$ 12,477
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	12,477
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	\$ 694,673
UAAL as a percentage of covered payroll	1.80%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions - projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

e. Annual OPEB Costs and Net OPEB Obligation (Continued)

In the April 30, 2010, actuarial valuation, the entry-age normal actuarial cost method was used. The actuarial assumptions included no investment rate of return and an initial healthcare cost trend rate of 8.0% with an ultimate healthcare inflation rate of 6.0%. Both rates include a 3.0% inflation assumption and 5.0% wage inflation assumption. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2010 was 30 years.

13. COMPONENT UNIT - CORTLAND COMMUNITY LIBRARY

a. Deposits

Statutes authorize the Library to make deposits/invest 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 agreements 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 Illinois Funds. The Library does not have its own investment policy.

Library Deposits with Financial Institutions

Custodial credit risk for deposits with financial institutions is the risk that in the event of a bank's failure, the Library's deposits may not be returned to it.

TOWN OF CORTLAND, ILLINOIS
 NOTES TO FINANCIAL STATEMENTS (Continued)

13. COMPONENT UNIT - CORTLAND COMMUNITY LIBRARY (Continued)

b. Capital Assets

Capital asset activity for the Library, resulting from modified cash transactions, for the year ended April 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
None	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated				
Buildings and improvements	95,000	15,835	-	110,835
Total capital assets being depreciated	95,000	15,835	-	110,835
Less accumulated depreciation for				
Buildings and improvements	41,429	6,183	-	47,612
Total accumulated depreciation	41,429	6,183	-	47,612
Total capital assets being depreciated, net	53,571	9,652	-	63,223
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 53,571	\$ 9,652	\$ -	\$ 63,223

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CORTLAND, ILLINOIS

SCHEDULE OF REVENUES COLLECTED, EXPENDITURES PAID
AND CHANGES IN FUND BALANCE - CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended April 30, 2010

	Original Budget	Final Budget	Actual
REVENUES COLLECTED			
Taxes collected			
Property tax	\$ 538,200	\$ 538,200	\$ 537,247
Replacement tax	1,675	1,675	1,530
Sales and local use tax	297,500	224,000	222,210
State income tax	358,000	340,000	255,623
Road and bridge tax	7,250	7,250	7,262
Utility tax	31,200	33,200	33,160
Total taxes collected	1,233,825	1,144,325	1,057,032
Building permits	36,500	56,500	66,926
Fines	26,750	26,750	25,978
Grant revenue	-	1,600	9,167
Franchise fees	15,000	15,000	2,370
Park development fees	200	200	300
Contributions	23,000	23,000	25,440
Investment income	15,100	15,100	15,136
Miscellaneous income	1,700	10,950	11,083
Total revenues collected	1,352,075	1,293,425	1,213,432
EXPENDITURES PAID			
Current			
General administration			
Personnel services	325,000	347,400	316,620
Commodities	16,800	15,300	21,784
Contractual services	138,600	82,100	126,303
Other expenditures	2,200	2,700	6,613
Total general administration	482,600	447,500	471,320
Public safety			
Personnel services	336,800	350,800	350,797
Commodities	22,682	18,482	15,783
Contractual services	79,630	96,955	93,252
Other expenditures	9,500	9,500	637
Total public safety	448,612	475,737	460,469

(This schedule is continued on the following page.)

TOWN OF CORTLAND, ILLINOIS

SCHEDULE OF REVENUES COLLECTED, EXPENDITURES PAID
AND CHANGES IN FUND BALANCE - CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND (Continued)

For the Year Ended April 30, 2010

	Original Budget	Final Budget	Actual
EXPENDITURES PAID (Continued)			
Current (Continued)			
Operations and maintenance			
Personnel services	\$ 157,324	\$ 157,324	\$ 189,304
Commodities	19,500	15,000	13,969
Contractual services	116,600	119,375	140,862
Capital outlay	30,709	30,909	1,988
Total operations and maintenance	324,133	322,608	346,123
Planning, zoning and engineering			
Contractual services	226,000	201,000	155,916
Total planning, zoning and engineering	226,000	201,000	155,916
Capital outlay	625,273	776,645	448,565
Debt service	121,400	121,400	121,332
Total expenditures paid	2,228,018	2,344,890	2,003,725
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID	(875,943)	(1,051,465)	(790,293)
OTHER FINANCING SOURCES (USES)			
Transfers in	316,900	316,900	331,900
Proceeds from sale of capital assets	20,000	-	100
Total other financing sources (uses)	336,900	316,900	332,000
NET CHANGE IN FUND BALANCE	\$ (539,043)	\$ (734,565)	(458,293)
FUND BALANCE, MAY 1			1,006,502
FUND BALANCE, APRIL 30			\$ 548,209

(See independent auditor's report.)

TOWN OF CORTLAND, ILLINOIS

SCHEDULE OF REVENUES COLLECTED, EXPENDITURES PAID
AND CHANGES IN FUND BALANCE - CASH BASIS - BUDGET AND ACTUAL
CAPITAL IMPROVEMENTS FUND

For the Year Ended April 30, 2010

	Original Budget	Final Budget	Actual
REVENUES COLLECTED			
Taxes collected			
Utility taxes - electricity	\$ 91,600	\$ 86,600	\$ 86,551
Utility taxes - gas	62,000	52,500	61,205
Utility taxes - telephone	105,500	120,000	108,512
Total taxes collected	259,100	259,100	256,268
Investment income	3,200	3,200	3,237
Total revenues collected	262,300	262,300	259,505
EXPENDITURES PAID			
Capital outlay			
Office equipment	16,650	16,650	18,247
Drainage construction	13,500	20,000	21,530
Handicap access	6,000	6,000	6,325
Emergency preparedness	5,000	5,000	1,330
Other	76,800	69,300	18,213
Total capital outlay	117,950	116,950	65,645
Total expenditures paid	117,950	116,950	65,645
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID	144,350	145,350	193,860
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(316,900)	(316,900)	(331,900)
Total other financing sources (uses)	(316,900)	(316,900)	(331,900)
NET CHANGE IN FUND BALANCE	<u>\$ (172,550)</u>	<u>\$ (171,550)</u>	(138,040)
FUND BALANCE, MAY 1			<u>405,244</u>
FUND BALANCE, APRIL 30			<u>\$ 267,204</u>

(See independent auditor's report.)

TOWN OF CORTLAND, ILLINOIS
 SCHEDULE OF FUNDING PROGRESS
 ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2010

Actuarial Valuation Date December 31,	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2004	\$ 275,017	\$ 439,904	62.52%	\$ 164,887	\$ 365,150	45.16%
2005	355,897	578,893	61.48%	222,996	433,667	51.42%
2006	456,482	697,239	65.47%	240,757	527,581	45.63%
2007	512,197	780,533	65.62%	268,336	635,283	42.24%
2008	592,444	934,784	63.38%	342,340	692,677	49.42%
2009	712,161	1,066,616	66.77%	354,455	694,673	51.02%

(See independent auditor's report.)

TOWN OF CORTLAND, ILLINOIS
 SCHEDULE OF FUNDING PROGRESS
 OTHER POSTEMPLOYMENT BENEFIT FUND

April 30, 2010

Actuarial Valuation Date April 30,	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL) Entry-Age	(3) Funded Ratio (1) / (2)	(4) Unfunded AAL (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2010	\$ -	\$ 12,477	0.00%	\$ 12,477	\$ 694,673	1.80%

(See independent auditor's report.)

TOWN OF CORTLAND, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2010

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2005	\$ 39,743	\$ 39,743	100.00%
2006	45,275	45,275	100.00%
2007	59,722	59,722	100.00%
2008	69,690	69,690	100.00%
2009	75,225	75,225	100.00%
2010	81,218	81,218	100.00%

(See independent auditor's report.)

TOWN OF CORTLAND, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT FUND

April 30, 2010

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2010	\$ 2,255	\$ 1,601	140.85%

(See independent auditor's report.)

TOWN OF CORTLAND, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2010

BUDGETS AND BUDGETARY ACCOUNTING

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The budgets are adopted on a cash basis of accounting which is not consistent with generally accepted accounting principles (GAAP).
2. The Town, each year prior to April 30 of the fiscal year, must file and pass the budget for the fiscal year ended April 30. This budget can be subsequently amended by a two-thirds vote of the Trustees. The amounts shown in the applicable statements under the budget column reflect amendments, if any, that have been adopted since the original budget was passed.
3. The budget basis shown in the applicable budget versus actual statements for proprietary funds differs from the financial statements basis by principal reductions in debt and amounts capitalized as capital assets.
4. Budgets are adopted and formal budgetary integration is employed as a control device during the year at the line-item level for the General Fund, Special Revenue Funds and Enterprise Funds.
5. All budgets lapse at the end of the year for which the budgets were adopted.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

TOWN OF CORTLAND, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES PAID -
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended April 30, 2010

	Original Budget	Final Budget	Actual
CURRENT			
General administration			
Personnel services			
Salaries - elected officials	\$ 84,300	\$ 86,300	\$ 86,547
Salaries - town officers	37,600	80,600	79,775
Salaries - clerical workers	79,100	79,100	76,041
Payroll taxes	27,200	29,900	18,605
IMRF contribution	34,000	34,900	21,688
Employee health insurance	62,800	36,600	33,964
Total personnel services	<u>325,000</u>	<u>347,400</u>	<u>316,620</u>
Commodities			
Office expense	-	-	11
Office supplies	2,000	2,000	1,958
Office equipment and maintenance	11,300	9,800	15,955
Copies and printing	3,500	3,500	3,860
Total commodities	<u>16,800</u>	<u>15,300</u>	<u>21,784</u>
Contractual services			
Legal	150,000	100,000	94,040
Audit	6,000	6,000	3,996
Insurance	14,800	12,800	4,500
Street lighting	17,200	17,200	30,922
Postage	3,500	2,500	2,185
Telephone	6,500	8,000	5,582
Dues and subscriptions	2,400	2,400	2,122
Travel and training	38,200	33,200	19,029
Less reimbursement	(100,000)	(100,000)	(36,073)
Total contractual services	<u>138,600</u>	<u>82,100</u>	<u>126,303</u>
Other expenditures	<u>2,200</u>	<u>2,700</u>	<u>6,613</u>
Total general administration	<u>482,600</u>	<u>447,500</u>	<u>471,320</u>
Public safety			
Personnel services			
Salaries - police officers	248,800	265,800	268,977
Salaries - clerical	2,200	2,700	3,570
Payroll taxes	19,300	20,800	20,786
IMRF contribution	23,800	23,800	21,802
Employee health insurance	40,700	35,700	33,381
Uniforms	2,000	2,000	2,281
Total personnel services	<u>336,800</u>	<u>350,800</u>	<u>350,797</u>

(This schedule is continued on the following pages.)

TOWN OF CORTLAND, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES PAID -
BUDGET AND ACTUAL - GENERAL FUND (Continued)

For the Year Ended April 30, 2010

	Original Budget	Final Budget	Actual
CURRENT (Continued)			
Public safety (Continued)			
Commodities			
Gas and petroleum	\$ 18,000	\$ 14,500	\$ 12,935
Office supplies	800	800	647
Office equipment and maintenance	2,000	1,300	1,026
Copies and printing	750	750	-
DUI prevention	1,132	1,132	1,175
Total commodities	<u>22,682</u>	<u>18,482</u>	<u>15,783</u>
Contractual services			
Maintenance and operations - vehicles and equipment	22,400	33,300	31,254
Maintenance and operations - police office	1,000	1,000	526
Vehicle storage	-	1,275	1,275
Legal	500	500	-
Insurance	7,050	10,600	10,580
Telephone	2,900	3,600	3,578
Utilities	1,200	1,200	1,000
Telecommunications services	29,260	29,260	29,260
Travel and training	2,500	2,500	2,146
Dues and subscriptions	600	1,500	1,429
Postage	250	250	240
Office lease	11,970	11,970	11,964
Total contractual services	<u>79,630</u>	<u>96,955</u>	<u>93,252</u>
Other expenditures	<u>9,500</u>	<u>9,500</u>	<u>637</u>
Total public safety	<u>448,612</u>	<u>475,737</u>	<u>460,469</u>
Operations and maintenance			
Personnel services			
Salaries - maintenance and operations	153,700	153,700	153,490
Payroll taxes	-	-	11,742
IMRF contribution	-	-	15,720
Employee health insurance	-	-	6,516
Uniforms	2,874	2,874	1,411
Drug and alcohol program	750	750	425
Total personnel services	<u>157,324</u>	<u>157,324</u>	<u>189,304</u>
Commodities			
Gas and petroleum	<u>19,500</u>	<u>15,000</u>	<u>13,969</u>
Contractual services			
Maintenance and operation - garage	5,500	5,500	9,493
Maintenance and operation - town hall	16,600	16,600	18,479
Maintenance and operation - streets	36,900	36,900	28,079
Maintenance and operation - storm sewer	3,500	5,000	3,739
Maintenance and operation - maintenance vehicles	25,600	25,600	25,781
Maintenance and operation - parks	8,600	8,600	11,036

(This schedule is continued on the following page.)

TOWN OF CORTLAND, ILLINOIS

SCHEDULE OF DETAILED EXPENDITURES PAID -
BUDGET AND ACTUAL - GENERAL FUND (Continued)

For the Year Ended April 30, 2010

	Original Budget	Final Budget	Actual
CURRENT (Continued)			
Operations and maintenance (Continued)			
Contractual services (Continued)			
Contracted maintenance	\$ 16,500	\$ 16,500	\$ 16,100
Legal	-	-	5,646
Abatement	1,000	1,000	-
Insurance	-	-	12,582
Office supplies	-	-	236
Telephone	-	-	3,322
Travel and training	-	-	2,008
Office equipment and maintenance	-	-	223
Storage building lease	2,400	3,675	3,675
Miscellaneous	-	-	463
Total contractual services	116,600	119,375	140,862
Capital outlay			
Equipment and vehicles	-	2,000	1,161
Park development	30,709	28,909	827
Total capital outlay	30,709	30,909	1,988
Total operations and maintenance	324,133	322,608	346,123
Planning, zoning and engineering			
Contractual services			
Engineering	125,000	85,000	39,062
Zoning administration	101,000	116,000	65,671
Building inspection fees	-	-	51,183
Total contractual services	226,000	201,000	155,916
Total planning, zoning and engineering	226,000	201,000	155,916
CAPITAL OUTLAY			
Subdivision improvements	439,773	439,773	299,034
Vehicle	110,500	115,000	115,087
Equipment	15,000	15,000	12,818
Public Works building	60,000	206,872	21,626
Total capital outlay	625,273	776,645	448,565
DEBT SERVICE			
Principal	119,200	119,200	119,203
Interest	2,200	2,200	2,129
Total debt service	121,400	121,400	121,332
TOTAL EXPENDITURES	\$ 2,228,018	\$ 2,344,890	\$ 2,003,725

(See independent auditor's report.)

NONMAJOR GOVERNMENTAL FUNDS

TOWN OF CORTLAND, ILLINOIS

COMBINING SCHEDULE OF ASSETS, LIABILITIES AND
FUND BALANCES ARISING FROM CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS

April 30, 2010

	Special Revenue		Capital Projects	Total
	Motor Fuel Tax	Economic Development	Special Service Area #1	Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 71,172	\$ 68,551	\$ 9,427	\$ 149,150
Note receivable	-	87,219	-	87,219
TOTAL ASSETS	\$ 71,172	\$ 155,770	\$ 9,427	\$ 236,369
LIABILITIES AND FUND BALANCES				
LIABILITIES				
None	\$ -	\$ -	\$ -	\$ -
FUND BALANCES				
Reserved for note receivable	-	87,219	-	87,219
Reserved for capital improvements	-	-	9,427	9,427
Reserved for highways and streets	71,172	-	-	71,172
Reserved for economic development	-	68,551	-	68,551
Total fund balances	71,172	155,770	9,427	236,369
TOTAL LIABILITIES AND FUND BALANCES	\$ 71,172	\$ 155,770	\$ 9,427	\$ 236,369

(See independent auditor's report.)

TOWN OF CORTLAND, ILLINOIS

COMBINING SCHEDULE OF REVENUES COLLECTED, EXPENDITURES
PAID AND CHANGES IN FUND BALANCES - CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended April 30, 2010

	Special Revenue		Capital Projects	Total
	Motor Fuel Tax	Economic Development	Special Service Area #1	Nonmajor Governmental Funds
REVENUES COLLECTED				
Taxes	\$ 99,156	\$ -	\$ -	\$ 99,156
Contributions	-	-	22,970	22,970
Investment income	491	92	1	584
Total revenues collected	99,647	92	22,971	122,710
EXPENDITURES PAID				
Current				
General administration	-	-	14,336	14,336
Operations and maintenance	68,853	-	-	68,853
Total expenditures paid	68,853	-	14,336	83,189
NET CHANGE IN FUND BALANCES	30,794	92	8,635	39,521
FUND BALANCES, MAY 1	40,378	155,678	792	196,848
FUND BALANCES, APRIL 30	\$ 71,172	\$ 155,770	\$ 9,427	\$ 236,369

(See independent auditor's report.)

TOWN OF CORTLAND, ILLINOIS

SCHEDULE OF REVENUES COLLECTED, EXPENDITURES PAID
AND CHANGES IN FUND BALANCE - CASH BASIS - BUDGET AND ACTUAL
MOTOR FUEL TAX FUND

For the Year Ended April 30, 2010

	Final Budget	Actual
REVENUES COLLECTED		
Taxes collected		
Motor fuel tax	\$ 99,000	\$ 99,156
Investment income	500	491
	<u>99,500</u>	<u>99,647</u>
EXPENDITURES PAID		
Current		
Operations and maintenance	101,100	68,853
	<u>101,100</u>	<u>68,853</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,600)</u>	30,794
FUND BALANCE, MAY 1		<u>40,378</u>
FUND BALANCE, APRIL 30		<u>\$ 71,172</u>

(See independent auditor's report.)

TOWN OF CORTLAND, ILLINOIS

SCHEDULE OF REVENUES COLLECTED, EXPENDITURES PAID
AND CHANGES IN FUND BALANCE - CASH BASIS - BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT FUND

For the Year Ended April 30, 2010

	Final Budget	Actual
REVENUES COLLECTED		
Investment income	\$ 22,400	\$ 92
Total revenues collected	<u>22,400</u>	<u>92</u>
EXPENDITURES PAID		
General administration	-	-
Total expenditures paid	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 22,400</u>	92
FUND BALANCE, MAY 1		<u>155,678</u>
FUND BALANCE, APRIL 30		<u>\$ 155,770</u>

(See independent auditor's report.)

MAJOR ENTERPRISE FUNDS

TOWN OF CORTLAND, ILLINOIS

SCHEDULE OF REVENUES COLLECTED, EXPENSES PAID
AND CHANGES IN NET ASSETS - BUDGETARY BASIS -
BUDGET AND ACTUAL - SEWER FUND

For the Year Ended April 30, 2010

	Final Budget	Actual
OPERATING REVENUES COLLECTED		
Charges for services	\$ 499,000	\$ 508,803
Miscellaneous	20,800	21,088
Total operating revenues collected	<u>519,800</u>	<u>529,891</u>
OPERATING EXPENSES PAID		
Personnel services	55,200	44,764
Commodities	12,200	6,673
Contractual services	327,300	313,342
Other	12,300	1,726
Capital outlay	1,037,000	248,432
Total operating expenses paid	<u>1,444,000</u>	<u>614,937</u>
OPERATING INCOME (LOSS)	<u>(924,200)</u>	<u>(85,046)</u>
NONOPERATING REVENUES COLLECTED (EXPENSES)		
Connection fees	3,500	3,500
Reimbursements	-	65,966
Investment income	7,000	6,157
Principal payments	(257,000)	(217,860)
Interest expense	(84,800)	(20,406)
Rental income	1,310,000	10,725
Total nonoperating revenues collected (expenses)	<u>978,700</u>	<u>(151,918)</u>
NET INCOME (LOSS), BUDGETARY BASIS	<u>\$ 54,500</u>	<u>(236,964)</u>
Adjustments to modified cash basis		
Principal payments		217,860
Depreciation expense		(479,775)
Capital outlay capitalized		246,872
Contributions		204,787
Total adjustments to modified cash basis		<u>189,744</u>
CHANGE IN NET ASSETS		(47,220)
NET ASSETS, MAY 1		<u>15,279,444</u>
NET ASSETS, APRIL 30		<u>\$ 15,232,224</u>

(See independent auditor's report.)

TOWN OF CORTLAND, ILLINOIS

SCHEDULE OF REVENUES COLLECTED, EXPENSES PAID
AND CHANGES IN NET ASSETS - BUDGETARY BASIS -
BUDGET AND ACTUAL - WATER FUND

For the Year Ended April 30, 2010

	Final Budget	Actual
OPERATING REVENUES COLLECTED		
Charges for services	\$ 336,000	\$ 337,386
Meter sales	7,500	8,500
Miscellaneous	2,000	2,364
Total operating revenues collected	<u>345,500</u>	<u>348,250</u>
OPERATING EXPENSES		
Personnel services	124,500	104,576
Commodities	71,000	59,858
Contractual services	210,700	207,500
Other	11,000	105
Capital outlay	550,000	268,361
Total operating expenses	<u>967,200</u>	<u>640,400</u>
OPERATING INCOME (LOSS)	<u>(621,700)</u>	<u>(292,150)</u>
NONOPERATING REVENUES COLLECTED		
Connection fees	3,500	3,500
Reimbursements	-	116,772
Grants	120,000	176,025
Investment income	9,700	8,680
Total nonoperating revenues collected	<u>133,200</u>	<u>304,977</u>
NET INCOME (LOSS), BUDGETARY BASIS	<u>\$ (488,500)</u>	<u>12,827</u>
Adjustments to modified cash basis		
Gain on disposal of capital assets		-
Depreciation expense		(274,715)
Capital outlay capitalized		261,017
Contributions		<u>1,143,323</u>
Total adjustment to modified cash basis		<u>1,129,625</u>
CHANGE IN NET ASSETS		1,142,452
NET ASSETS, MAY 1		<u>10,596,382</u>
NET ASSETS, APRIL 30		<u>\$ 11,738,834</u>

(See independent auditor's report.)

AGENCY FUNDS

TOWN OF CORTLAND, ILLINOIS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the Year Ended April 30, 2010

	Total			Balance April 30
	Balance May 1	Increases	Decreases	
TOTAL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 3,723,335	\$ 3,310,084	\$ 3,698,418	\$ 3,335,001
TOTAL ASSETS	\$ 3,723,335	\$ 3,310,084	\$ 3,698,418	\$ 3,335,001
LIABILITIES				
Due to bondholders	\$ 3,723,335	\$ 3,310,084	\$ 3,698,418	\$ 3,335,001
TOTAL LIABILITIES	\$ 3,723,335	\$ 3,310,084	\$ 3,698,418	\$ 3,335,001
SPECIAL SERVICE AREA #1				
ASSETS				
Cash and cash equivalents	\$ 366,018	\$ 331,162	\$ 375,558	\$ 321,622
TOTAL ASSETS	\$ 366,018	\$ 331,162	\$ 375,558	\$ 321,622
LIABILITIES				
Due to bondholders	\$ 366,018	\$ 331,162	\$ 375,558	\$ 321,622
TOTAL LIABILITIES	\$ 366,018	\$ 331,162	\$ 375,558	\$ 321,622
SPECIAL SERVICE AREAS #4-8				
ASSETS				
Cash and cash equivalents	\$ 1,896,421	\$ 2,118,742	\$ 1,911,777	\$ 2,103,386
TOTAL ASSETS	\$ 1,896,421	\$ 2,118,742	\$ 1,911,777	\$ 2,103,386
LIABILITIES				
Due to bondholders	\$ 1,896,421	\$ 2,118,742	\$ 1,911,777	\$ 2,103,386
TOTAL LIABILITIES	\$ 1,896,421	\$ 2,118,742	\$ 1,911,777	\$ 2,103,386
SPECIAL SERVICE AREAS #9-10				
ASSETS				
Cash and cash equivalents	\$ 1,460,896	\$ 860,180	\$ 1,411,083	\$ 909,993
TOTAL ASSETS	\$ 1,460,896	\$ 860,180	\$ 1,411,083	\$ 909,993
LIABILITIES				
Due to bondholders	\$ 1,460,896	\$ 860,180	\$ 1,411,083	\$ 909,993
TOTAL LIABILITIES	\$ 1,460,896	\$ 860,180	\$ 1,411,083	\$ 909,993

(See independent auditor's report.)

COMPONENT UNIT - CORTLAND COMMUNITY LIBRARY

TOWN OF CORTLAND, ILLINOIS
 COMPONENT UNIT
 CORTLAND COMMUNITY LIBRARY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS -
 AND STATEMENT OF ASSETS, LIABILITIES AND
 FUND BALANCES ARISING FROM CASH BASIS

April 30, 2010

	<u>Cortland Community Library</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and cash equivalents	\$ 37,212	\$ -	\$ 37,212
Capital assets (net of accumulated depreciation)	-	63,223	63,223
TOTAL ASSETS	\$ 37,212	\$ 63,223	\$ 100,435
LIABILITIES AND FUND BALANCES/NET ASSETS			
LIABILITIES			
Payroll tax withholding	\$ 1,571	\$ -	\$ 1,571
Total liabilities	1,571	-	1,571
FUND BALANCES/NET ASSETS			
Net assets			
Invested in capital assets	-	63,223	63,223
Fund balances/net assets			
Unreserved - undesignated	35,641	-	35,641
Total fund balances/net assets	35,641	63,223	98,864
TOTAL LIABILITIES AND FUND BALANCES/NET ASSETS	\$ 37,212	\$ 63,223	\$ 100,435

(See independent auditor's report.)

TOWN OF CORTLAND, ILLINOIS
 COMPONENT UNIT
 CORTLAND COMMUNITY LIBRARY

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS -
 AND STATEMENT OF REVENUES COLLECTED,
 EXPENDITURES PAID AND CHANGES IN FUND BALANCE - CASH BASIS

For the Year Ended April 30, 2010

	General	Adjustments	Statement of Activities
REVENUES			
Taxes	\$ 249,580	\$ -	\$ 249,580
Fines	2,644	-	2,644
Grant revenue	12,225	-	12,225
Contributions	3,686	-	3,686
Investment income	707	-	707
Miscellaneous income	2,125	-	2,125
Total revenues	270,967	-	270,967
EXPENDITURES			
Current			
Culture and recreation	253,413	6,183	259,596
Capital outlay	16,063	(15,835)	228
Total expenditures	269,476	(9,652)	259,824
NET CHANGE IN FUND BALANCES/ NET ASSETS	1,491	9,652	11,143
FUND BALANCES/NET ASSETS, MAY 1	34,150	53,571	87,721
FUND BALANCES/NET ASSETS, APRIL 30	\$ 35,641	\$ 63,223	\$ 98,864

(See independent auditor's report.)

SUPPLEMENTAL SCHEDULES

TOWN OF CORTLAND, ILLINOIS

SCHEDULE OF ASSESSED VALUATIONS, TAX RATES,
TAX EXTENSIONS AND TAX COLLECTIONS

Last Ten Levy Years

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
ASSESSED VALUATIONS										
DeKalb County	\$ 81,482,372	\$ 76,396,856	\$ 68,242,687	\$ 57,665,131	\$ 50,462,813	\$ 41,641,222	\$ 35,421,329	\$ 29,122,713	\$ 26,374,343	\$ 24,483,366
TAX RATES										
Town										
Corporate	.4913	.5098	.5129	.5400	.5380	.5523	.5900	.6268	.6357	.6382
IMRF	.0604	.0668	.0696	.0669	.0674	.0784	.0821	.0664	.0681	.0684
Social security	.0540	.0551	.0586	.0669	.0694	.0793	.0658	.0791	.0802	.0805
Police protection	.0736	.0728	.0733	.0772	.0750	.0750	.0697	.0750	.0745	.0750
Total Town	.6793	.7045	.7144	.7510	.7498	.7850	.8076	.8473	.8585	.8621
Library										
Library maintenance	.0074	.0079	.0073	.0081	.0159	.0169	.0200	.0191	.0200	.0195
Library	.2896	.2958	.2931	.2832	.1496	.1409	.1500	.1500	.1500	.1500
Library IMRF	.0074	.0079	.0095	.0162	.0050	.0090	.0056	.0049	.0019	.0064
Library audit	.0019	.0020	.0022	.0065	.0050	.0034	.0034	.0039	.0038	.0029
Library working cash	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0407	.0500	.0471
Library tort judgments, liability	.0049	.0052	.0088	.0097	.0059	.0158	.0127	.0089	.0095	.0084
Library social security	.0079	.0085	.0088	.0162	.0079	.0135	.0085	.0066	.0019	.0093
Total Library	.3191	.3273	.3297	.3399	.1893	.1995	.2002	.2341	.2371	.2436
TOTAL TAX RATE	.9984	1.0318	1.0441	1.0909	.9391	.9845	1.0078	1.0814	1.0956	1.1057
TAX EXTENSIONS										
Town										
Corporate	\$ 400,307	\$ 389,479	\$ 350,003	\$ 311,426	\$ 271,500	\$ 230,001	\$ 208,997	\$ 182,532	\$ 167,662	\$ 156,750
IMRF	49,207	51,018	47,504	38,567	34,002	32,651	29,077	19,343	17,969	16,750
Social security	44,000	42,056	40,004	38,567	35,001	33,001	23,318	23,024	21,147	19,750
Police protection	60,004	55,647	50,001	44,494	37,847	31,231	24,678	21,842	19,638	18,400
Total Town	553,518	538,200	487,512	433,054	378,350	326,884	286,070	246,741	226,416	211,650

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
TAX EXTENSIONS (Continued)										
Library										
Library maintenance	\$ 6,005	\$ 6,005	\$ 5,002	\$ 4,653	\$ 8,003	\$ 7,037	\$ 7,084	\$ 5,548	\$ 5,275	\$ 4,900
Library	236,006	226,005	200,006	163,307	75,502	58,652	53,132	43,684	39,562	36,700
Library IMRF	6,005	6,005	6,504	9,342	2,503	3,760	2,001	1,433	501	1,555
Library audit	1,507	1,505	1,501	3,737	2,523	1,412	1,201	1,147	1,002	700
Library working cash	-	-	-	-	-	-	-	11,844	13,187	12,300
Library tort judgments, liability	4,001	4,003	6,005	5,605	3,003	6,579	4,502	2,577	2,500	2,075
Library social security	6,502	6,501	6,005	9,342	4,002	5,634	3,000	1,908	501	2,285
Total Library	260,026	250,024	225,023	195,986	95,536	83,074	70,920	68,141	62,528	60,515
TOTAL TAX EXTENSIONS	\$ 813,544	\$ 788,224	\$ 712,535	\$ 629,040	\$ 473,886	\$ 409,958	\$ 356,990	\$ 314,882	\$ 288,944	\$ 272,165
TAX COLLECTIONS										
Town										
Corporate	\$ -	\$ 388,789	\$ 349,895	\$ 310,725	\$ 270,832	\$ 229,557	\$ 208,311	\$ 182,467	\$ 167,639	\$ 156,373
IMRF	-	50,927	47,489	38,480	33,918	32,588	28,982	19,336	17,966	16,751
Social security	-	41,982	39,991	38,480	34,915	32,937	23,241	23,016	21,144	19,729
Police protection	-	55,549	49,986	44,394	37,754	31,171	24,597	21,834	19,636	18,377
Total Town	-	537,247	487,361	432,079	377,419	326,253	285,131	246,653	226,385	211,230
Library										
Library maintenance	-	5,994	4,999	4,643	7,984	7,024	7,061	5,545	5,274	4,775
Library	-	225,604	199,868	162,940	75,317	58,538	52,958	43,662	39,556	36,755
Library IMRF	-	5,994	6,499	9,321	2,497	3,753	1,995	1,432	501	1,570
Library audit	-	1,502	1,500	3,728	2,517	1,409	1,197	1,147	1,002	710
Library working cash	-	-	-	-	-	-	-	11,838	13,185	11,537
Library tort judgments, liability	-	3,996	6,001	5,592	2,995	6,567	4,487	2,576	2,500	2,059
Library social security	-	6,490	6,001	9,321	3,992	5,623	2,990	1,907	501	2,280
Total Library	-	249,580	224,868	195,545	95,302	82,914	70,688	68,107	62,519	59,686
TOTAL TAX COLLECTIONS AS OF APRIL 30	\$ -	\$ 786,827	\$ 712,229	\$ 627,624	\$ 472,721	\$ 409,167	\$ 355,819	\$ 314,760	\$ 288,904	\$ 270,916
PERCENTAGE OF EXTENSIONS COLLECTED AS OF APRIL 30	0.00%	99.82%	99.96%	99.77%	99.75%	99.81%	99.67%	99.96%	99.99%	99.54%

(See independent auditor's report.)

TOWN OF CORTLAND, ILLINOIS
SCHEDULE OF LEGAL DEBT MARGIN

April 30, 2010

ASSESSED VALUATION (2009 Latest Year Available)	<u>\$ 81,482,372</u>
STATUTORY DEBT LIMITATION (8.625% of assessed valuation)	<u>\$ 7,027,855</u>
TOTAL DEBT	
Sewer debt certificate	<u>401,600</u>
Total debt	<u>401,600</u>
LEGAL DEBT MARGIN	<u>\$ 6,626,255</u>

(See independent auditor's report.)