

TOWN OF CORTLAND, ILLINOIS

ANNUAL FINANCIAL REPORT

For the Year Ended
April 30, 2012



Certified Public Accountants & Advisors

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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, 2012, 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with the modified cash basis of accounting described in Note 1.

The Town of Cortland, Illinois adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the year ended April 30, 2012. The statement changed the classifications of governmental fund balances and clarified the definitions of existing fund types. The adoption of this statement had no effect on any of the Town of Cortland, Illinois' governmental funds' assets or liabilities nor was there any effect to the total amount of any of the Town of Cortland, Illinois' governmental fund balances as of and for the year ended April 30, 2012.

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

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 schedules and supplemental information, as 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 combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The supplemental information listed in the table of contents was not audited by us and, accordingly, we do not express an opinion or provide any assurance on them.



Naperville, Illinois
October 26, 2012

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

TOWN OF CORTLAND, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2012

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, 2012. This should be read in conjunction with the Town's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- Net asset position - The Town's total net assets at April 30, 2012, were \$36,911,644, a decrease of \$5,246,442 during the year.
- Governmental activity summary – Net assets for governmental activities decreased by \$4,669,163 during the year.
- Business-type activity summary – Net assets for business-type activities decreased by \$577,279 during the year.
- General Fund summary – The Town's General Fund balance increased \$85,495 during the year.
- New capital – Net capital and infrastructure assets decreased by \$480,945.
- New debt – New debt totaled \$432,200 for the year.

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	Government-Wide Statements	Fund 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	Modified 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, 2011 and 2012

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Primary Government</i>	
	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>
<i>Current and Other Assets</i>	\$ 7,200,659	\$ 2,648,992	\$ 874,426	\$ 928,289	\$ 8,075,085	\$ 3,577,281
<i>Capital Assets</i>	8,820,168	9,145,770	26,259,786	25,453,239	35,079,954	34,599,009
<i>Total Assets</i>	\$ 16,020,827	\$ 11,794,762	\$ 27,134,212	\$ 26,381,528	\$ 43,155,039	\$ 38,176,290
<i>Other Liabilities</i>	\$ 551,732	\$ 572,045	\$ 1,360	\$ 1,320	\$ 553,092	\$ 573,365
<i>Long-Term Liabilities</i>	268,496	691,281	175,365	-	443,861	691,281
<i>Total Liabilities</i>	\$ 820,228	\$ 1,263,326	\$ 176,725	\$ 1,320	\$ 996,953	\$ 1,264,646
<i>Net Assets:</i>						
<i>Invested in capital assets</i>	\$ 8,551,672	\$ 8,454,489	\$ 26,084,421	\$ 25,453,239	\$ 34,636,093	\$ 33,907,728
<i>Restricted</i>	6,332,983	1,642,302	135,600	135,600	6,468,583	1,777,902
<i>Unrestricted</i>	315,944	434,645	737,466	791,369	1,053,410	1,226,014
<i>Total Net Assets</i>	\$ 15,200,599	\$ 10,531,436	\$ 26,957,487	\$ 26,380,208	\$ 42,158,086	\$ 36,911,644

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 \$42,158,086 to \$36,911,644. The decrease of \$4,571,980 in governmental activities is mainly related to the capital expenditures in the Special Service Areas Funds #9 and 10 of \$4,553,328. Net Assets relating to governmental activities decreased by \$4,669,163 and ended the year at \$10,531,436. The Town's unrestricted net assets, cash available for daily operations, increased 38% to \$434,645

Net Assets from business type activities decreased by \$577,279 to \$26,380,208. This decrease is largely attributed to depreciation recorded on capital assets of \$855,483. Unrestricted net assets, cash available for daily operations, increased 7.3% to \$791,369. Business type activities represent sewer and water services provided to residents of the Town. Annual operating costs for these services were approximately \$1,464,332 (see page 11 of the Financial Statements).

While the Town made several capital expenditures during the fiscal year, the focus during the entire year was expense control. Success has been partially achieved with a slight increase in available Town operating funds. While expenditure control is a continual emphasis, the Town is attempting to build working cash reserves relating to many aspects of the Town.

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, 2011 and 2012

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total Primary Government</i>	
	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>	<i>2012</i>
REVENUES						
<i>Program Revenues:</i>						
<i>Charges for Services</i>	\$ 69,141	\$ 61,355	\$ 866,712	\$ 861,066	\$ 935,853	\$ 922,421
<i>Operating grants</i>	117,676	126,577	-	-	117,676	126,577
<i>Capital grants</i>	209,963	141,973	-	-	209,963	141,973
<i>General Revenues:</i>						
<i>Property Taxes</i>	562,207	590,306	-	-	562,207	590,306
<i>Other Taxes</i>	867,882	928,871	-	-	867,882	928,871
<i>Investment Income</i>	6,790	4,017	5,388	1,866	12,178	5,883
<i>Other</i>	771,316	33,327	605,909	24,121	1,377,225	57,448
Total Revenues	<u>\$ 2,604,975</u>	<u>\$ 1,886,426</u>	<u>\$ 1,478,009</u>	<u>\$ 887,053</u>	<u>\$ 4,082,984</u>	<u>\$ 2,773,479</u>
EXPENSES						
<i>General Administration</i>	\$ 824,113	\$ 658,326	\$ -	\$ -	\$ 824,113	\$ 658,326
<i>Public Safety</i>	411,061	463,297	-	-	411,061	463,297
<i>Operations and Maintenance</i>	681,237	682,262	-	-	681,237	682,262
<i>Planning, zoning and Engineering</i>	21,164	27,770	-	-	21,164	27,770
<i>Economic Development</i>	-	49,196	-	-	-	49,196
<i>Sewer Development</i>	-	4,663,328	-	-	-	4,663,328
<i>Interest</i>	238	11,410	-	-	238	11,410
<i>Sewer</i>	-	-	820,400	735,728	820,400	735,728
<i>Water</i>	-	-	671,180	728,604	671,180	728,604
Total Expenses	<u>\$ 1,937,813</u>	<u>\$ 6,555,589</u>	<u>\$ 1,491,580</u>	<u>\$ 1,464,332</u>	<u>\$ 3,429,393</u>	<u>\$ 8,019,921</u>
Change in Net Assets	<u>\$ 667,162</u>	<u>\$ (4,669,163)</u>	<u>\$ (13,571)</u>	<u>\$ (577,279)</u>	<u>\$ 653,591</u>	<u>\$ (5,246,442)</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.

Normal Impacts-Changes In Net Assets (Continued)

Revenues: (Continued)

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 \$1,886,426. Sales Tax Revenue increased by \$121,457 over the prior year. Other income decreased significantly as the prior year included capital contributions of infrastructure of \$768,465. Interest income has remained very low representing the low levels of available cash and low investment rate market.

Expenses:

Expenses for governmental activities totaled \$6,555,589. The largest single expenditure was the sewer development infrastructure costs paid from Special Service Fund #9-10 of \$4,663,328. Following that, the larger expenses include Personnel Services and Public Safety costs. Finally, there were economic development costs of \$49,196 for the new Tax Increment Financing District.

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 \$874,462 for operating revenues and \$12,591 for non-operating revenues (connection fees, reimbursements, investment income, etc.).

Expenses:

Expenses for business-type activities totaled \$1,464,332 for operating expenses. This total includes \$3,334 for non-operating expenses (interest expense).

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

For the fiscal year ended April 30, 2012, the governmental funds reflect a combined fund balance of \$2,076,947, a decrease of \$4,571,980 from the prior year.

General Fund Budgetary Highlights

<i>General Fund</i>	<i>FY12 Original Budget</i>	<i>FY12 Amended Budget</i>	<i>FY 12 Actual</i>
<i>Revenues</i>			
<i>Taxes</i>	\$ 1,193,900	\$ 1,293,900	\$ 1,289,091
<i>Building Permits</i>	33,000	33,000	29,482
<i>Contributions</i>	15,000	15,000	14,642
<i>Other</i>	26,900	26,900	28,559
Total	\$ 1,268,800	\$ 1,368,800	\$ 1,361,774
<i>Expenditures</i>	\$ (1,600,825)	\$ (1,933,584)	\$ (1,866,023)
Revenues over Expenditures	\$ (332,025)	\$ (564,784)	\$ (504,249)
<i>Other financing sources</i>			
<i>Proceeds from Loan</i>	\$ -	\$ 432,200	\$ 432,200
<i>Transfers In</i>	282,575	154,208	150,000
<i>Proceeds fr. Sale of Cap. As</i>	2,500	2,500	7,544
Change in Fund Balance	\$ (46,950)	\$ 24,124	\$ 85,495

General Fund revenues exceeded original budget expectations by \$92,974 for the fiscal year, in large part because of \$101,087 in sales tax increases over the original budget. The entire fiscal year saw expenditure restraints in place for all General Fund spending. A portion of the decreased operating expenditures partially funded the build out of the new Streets and Maintenance facility and the remainder of \$432,200 was borrowed.

For fiscal year 2012, the Town Board approved one amendment to the budget. The amendment reflected the build out of the new Streets and Maintenance facility, increase revenues and various other line item adjustments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets (see Notes to Financial Statements #4)

At the end of Fiscal Year 2012, the Town had invested \$34,599,009 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, 2011</i>	<i>Net Additions/ Deletions</i>	<i>Balance April 30, 2012</i>
Non-Depreciable Assets			
<i>Land</i>	\$ 435,441	\$ -	\$ 435,441
<i>Right of way</i>	2,829,120	-	2,829,120
<i>Construction in Progress</i>	-	507,494	507,494
Depreciable Capital Assets			
<i>Buildings and Improvements</i>	427,744	-	427,744
<i>Vehicles</i>	575,088	(6,852)	568,236
<i>Machinery and Equipment</i>	220,285	11,844	232,129
<i>Infrastructure</i>	5,376,861	-	5,376,861
<i>Accumulated Depreciation on Capital Assets</i>	(1,044,371)	(186,884)	(1,231,255)
Totals	\$ 8,820,168	\$ 325,602	\$ 9,145,770

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

	<i>Balance May 1, 2011</i>	<i>Net Additions/ Deletions</i>	<i>Balance April 30, 2012</i>
Non-Depreciable Assets			
<i>Land</i>	\$ 1,149,775	\$ -	\$ 1,149,775
<i>Construction in progress</i>	3,457,531	(3,457,531)	-
Depreciable Capital Assets			
<i>Plant in service</i>	25,449,068	3,480,164	28,929,232
<i>Machinery and Equipment</i>	627,022	26,303	653,325
<i>Accumulated Depreciation on Capital Assets</i>	(4,423,610)	(855,483)	(5,279,093)
Totals	\$ 26,259,786	\$ (806,547)	\$ 25,453,239

This year's additions were the build out of the new Streets and Maintenance facility.

Debt Outstanding (see Notes to Financial Statements #5)

On December 28, 2010, the Town obtained a note payable for \$16,637 for the purchase of a 1997 Ford Lift Truck. As of April 30, 2012 the Town owes \$9,518.

On December 6, 2011, the Town obtained a note payable for \$30,600 for the purchase of a 2012 Ford Police vehicle. As of April 30, 2012 the Town owes \$26,563.

Debt Outstanding (see Notes to Financial Statements #5) (Continued)

On March 2, 2011, the Town obtained a note payable for \$655,200 for the purchase and renovation of a new Streets and Maintenance Building. As of April 30, 2012 the Town owes \$655,200.

The Town's total legal general obligation debt limit is \$5,433,065 (see page 59 of the Financial Statements).

As of April 30, 2012, the balance of the Special Service Area #1 bonds total \$5,268,000. The bonds do not constitute an indebtedness of the Town.

As of April 30, 2012, 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, 2012, the balance of the Special Service Area bonds for the Richland Trails project totals \$8,252,000. 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.

ECONOMIC FACTORS

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% with a 3% CPI for the 2012 tax levy) and the percentage of new property, which results in significant growth in revenues only following development. Trends from the prior fiscal year indicate that very little development will take place in the upcoming year or possibly many years to follow. The trend prohibits growth of the revenue base.

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 Mark Davenport, 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, 2012

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Cortland
	Activities	Activities		Community Library
ASSETS				
Cash and investments	\$ 2,561,773	\$ 928,289	\$ 3,490,062	\$ 46,005
Notes receivable	87,219	-	87,219	-
Capital assets not being depreciated	3,772,055	1,149,775	4,921,830	-
Capital assets (net of accumulated depreciation)	5,373,715	24,303,464	29,677,179	50,857
Total assets	11,794,762	26,381,528	38,176,290	96,862
LIABILITIES				
Customer deposits	572,045	1,320	573,365	-
Long-term liabilities				
Due within one year	36,824	-	36,824	-
Due in more than one year	654,457	-	654,457	-
Total liabilities	1,263,326	1,320	1,264,646	-
NET ASSETS				
Invested in capital assets, net of related debt	8,454,489	25,453,239	33,907,728	50,857
Restricted				
Parks	16,946	-	16,946	-
Capital improvements	410,661	-	410,661	-
Special service areas	906,668	-	906,668	-
Debt service	49,180	-	49,180	-
Highways and streets	102,940	-	102,940	-
Economic development	155,907	-	155,907	-
Radium removal	-	135,600	135,600	-
Unrestricted	434,645	791,369	1,226,014	46,005
TOTAL NET ASSETS	\$ 10,531,436	\$ 26,380,208	\$ 36,911,644	\$ 96,862

See accompanying notes to financial statements.

TOWN OF CORTLAND, ILLINOIS

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended April 30, 2012

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
PRIMARY GOVERNMENT				
Governmental Activities				
General administration	\$ 658,326	\$ 40,031	\$ -	\$ -
Public safety	463,297	17,231	-	-
Operations and maintenance	682,262	1,075	126,577	41,973
Planning, zoning and engineering	27,770	3,018	-	-
Economic development	49,196	-	-	-
Sewer development	4,663,328	-	-	100,000
Interest	11,410	-	-	-
Total governmental activities	6,555,589	61,355	126,577	141,973
Business-Type Activities				
Sewer	735,728	527,436	-	-
Water	728,604	333,630	-	-
Total business-type activities	1,464,332	861,066	-	-
TOTAL PRIMARY GOVERNMENT	\$ 8,019,921	\$ 922,421	\$ 126,577	\$ 141,973
COMPONENT UNIT				
Cortland Community Library	\$ 270,204	\$ -	\$ 9,898	\$ -

				Net (Expense) Revenue and Change in Net Assets				
			Primary Government		Component Unit			
			Governmental	Business-Type	Total	Cortland Community Library		
			Activities	Activities	Total	Library		
	\$	(618,295)	\$	-	\$	(618,295)	\$	-
		(446,066)		-		(446,066)		-
		(512,637)		-		(512,637)		-
		(24,752)		-		(24,752)		-
		(49,196)		-		(49,196)		-
		(4,563,328)		-		(4,563,328)		-
		(11,410)		-		(11,410)		-
		(6,225,684)		-		(6,176,488)		-
		-		(208,292)		(208,292)		-
		-		(394,974)		(394,974)		-
		-		(603,266)		(603,266)		-
		(6,225,684)		(603,266)		(6,828,950)		-
		-		-		-		(260,306)
General Revenues								
Taxes								
Property and replacement		590,306		-		590,306		257,639
Sales and local use		400,064		-		400,064		-
Income		296,687		-		296,687		-
Simplified telecommunication		94,552		-		94,552		-
Utility		137,568		-		137,568		-
Investment income		4,017		1,866		5,883		93
Miscellaneous		33,327		24,121		57,448		3,792
Total		1,556,521		25,987		1,582,508		261,524
CHANGE IN NET ASSETS		(4,669,163)		(577,279)		(5,246,442)		1,218
NET ASSETS, MAY 1		15,200,599		26,957,487		42,158,086		95,644
NET ASSETS, APRIL 30	\$	10,531,436	\$	26,380,208	\$	36,911,644	\$	96,862

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, 2012

	General	Capital Improvements	Special Service Areas #9-10	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 1,135,179	\$ 348,298	\$ 889,807	\$ 188,489	\$ 2,561,773
Note receivable	-	-	-	87,219	87,219
Due from other funds	19,196	-	-	-	19,196
TOTAL ASSETS	\$ 1,154,375	\$ 348,298	\$ 889,807	\$ 275,708	\$ 2,668,188
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Customer deposits	\$ 572,045	\$ -	\$ -	\$ -	\$ 572,045
Due to other funds	-	-	-	19,196	19,196
Total liabilities	572,045	-	-	19,196	591,241
FUND BALANCES					
Restricted					
Parks	16,946	-	-	-	16,946
Capital improvements	410,661	-	-	-	410,661
Special service areas	-	-	889,807	16,861	906,668
Debt service	49,180	-	-	-	49,180
Highways and streets	-	-	-	102,940	102,940
Economic development	-	-	-	155,907	155,907
Unrestricted					
Assigned for capital improvements	-	348,298	-	-	348,298
Unassigned	105,543	-	-	(19,196)	86,347
Total fund balances	582,330	348,298	889,807	256,512	2,076,947
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,154,375	\$ 348,298	\$ 889,807	\$ 275,708	\$ 2,668,188

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, 2012

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 2,076,947
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	9,145,770
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(691,281)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 10,531,436</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, 2012

	General	Capital Improvements	Special Service Areas #9-10	Nonmajor Governmental Funds	Total
REVENUES COLLECTED					
Taxes	\$ 1,289,091	\$ 230,086	\$ -	\$ 121,244	\$ 1,640,421
Intergovernmental	5,333	-	-	-	5,333
Building permits	29,482	-	-	-	29,482
Fines	17,231	-	-	-	17,231
Franchise fees	12,192	-	-	-	12,192
Contributions	2,450	-	-	120,097	122,547
Contributions from property owners	-	-	21,876	-	21,876
Investment income	2,668	844	210	295	4,017
Miscellaneous income	3,327	-	-	30,000	33,327
Total revenues collected	1,361,774	230,930	22,086	271,636	1,886,426
EXPENDITURES PAID					
Current					
General administration	442,545	-	29,621	158,159	630,325
Public safety	490,010	-	-	-	490,010
Operations and maintenance	345,690	-	-	100,794	446,484
Planning, zoning and engineering	27,770	-	-	-	27,770
Economic development	-	-	-	49,196	49,196
Capital outlay	539,183	31,029	4,663,328	-	5,233,540
Debt service					
Principal	9,415	-	-	-	9,415
Interest	11,410	-	-	-	11,410
Total expenditures paid	1,866,023	31,029	4,692,949	308,149	6,898,150
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID					
	(504,249)	199,901	(4,670,863)	(36,513)	(5,011,724)
OTHER FINANCING SOURCES (USES)					
Transfers in	150,000	-	-	-	150,000
Transfers (out)	-	(150,000)	-	-	(150,000)
Loan proceeds	432,200	-	-	-	432,200
Proceeds from sale of capital assets	7,544	-	-	-	7,544
Total other financing sources (uses)	589,744	(150,000)	-	-	439,744
NET CHANGE IN FUND BALANCES	85,495	49,901	(4,670,863)	(36,513)	(4,571,980)
FUND BALANCES, MAY 1	496,835	298,397	5,560,670	293,025	6,648,927
FUND BALANCES, APRIL 30	\$ 582,330	\$ 348,298	\$ 889,807	\$ 256,512	\$ 2,076,947

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, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (4,571,980)
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	550,439
Depreciation on capital assets is reported as an expense in the statement of activities	(224,837)
The issuance of long-term debt is reported as an other financing source in governmental funds, but as an increase in liabilities on the statement of net assets	(432,200)
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>9,415</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (4,669,163)</u></u>

See accompanying notes to financial statements.

TOWN OF CORTLAND, ILLINOIS

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
 PROPRIETARY FUNDS

April 30, 2012

	Sewer	Water	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 417,900	\$ 510,389	\$ 928,289
Total current assets	417,900	510,389	928,289
CAPITAL ASSETS			
Capital assets not being depreciated			
Land	1,129,775	20,000	1,149,775
Construction in progress	-	-	-
Total capital assets not being depreciated	1,129,775	20,000	1,149,775
Capital assets being depreciated			
Plant in service	16,026,920	12,902,312	28,929,232
Equipment	433,197	220,128	653,325
Total capital assets being depreciated	16,460,117	13,122,440	29,582,557
Less accumulated depreciation	2,940,975	2,338,118	5,279,093
Net capital assets being depreciated	13,519,142	10,784,322	24,303,464
Net capital assets	14,648,917	10,804,322	25,453,239
Total assets	15,066,817	11,314,711	26,381,528
CURRENT LIABILITIES			
Customer deposits	-	1,320	1,320
Total current liabilities	-	1,320	1,320
Total liabilities	-	1,320	1,320
NET ASSETS			
Invested in capital assets, net of related debt	14,648,917	10,804,322	25,453,239
Restricted for radium removal	-	135,600	135,600
Unrestricted	417,900	373,469	791,369
TOTAL NET ASSETS	\$ 15,066,817	\$ 11,313,391	\$ 26,380,208

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, 2012

	Sewer	Water	Total
OPERATING REVENUES COLLECTED			
Charges for services	\$ 516,711	\$ 330,191	\$ 846,902
Meter sales	-	3,439	3,439
Miscellaneous	21,293	2,828	24,121
Total operating revenues collected	538,004	336,458	874,462
OPERATING EXPENSES			
Personnel services	48,056	104,628	152,684
Commodities	23,496	51,387	74,883
Contractual services	167,463	207,984	375,447
Other	2,501	-	2,501
Depreciation	490,878	364,605	855,483
Total operating expenses	732,394	728,604	1,460,998
OPERATING INCOME (LOSS)	(194,390)	(392,146)	(586,536)
NONOPERATING REVENUES COLLECTED (EXPENSES)			
Investment income	675	1,191	1,866
Interest expense	(3,334)	-	(3,334)
Rental income	10,725	-	10,725
Total nonoperating revenues collected (expenses)	8,066	1,191	9,257
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	(186,324)	(390,955)	(577,279)
CONTRIBUTIONS	-	-	-
CHANGE IN NET ASSETS	(186,324)	(390,955)	(577,279)
NET ASSETS, MAY 1	15,253,141	11,704,346	26,957,487
NET ASSETS, APRIL 30	\$ 15,066,817	\$ 11,313,391	\$ 26,380,208

See accompanying notes to financial statements.

TOWN OF CORTLAND, ILLINOIS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

For the Year Ended April 30, 2012

	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 548,729	\$ 336,418	\$ 885,147
Payments to employees	(48,056)	(104,628)	(152,684)
Payments to suppliers	(193,460)	(259,371)	(452,831)
Net cash from operating activities	307,213	(27,581)	279,632
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
None	-	-	-
Net cash from noncapital financing activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	675	1,191	1,866
Net cash from investing activities	675	1,191	1,866
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(175,365)	-	(175,365)
Interest paid on long-term debt	(3,334)	-	(3,334)
Purchase of capital assets	(48,936)	-	(48,936)
Net cash from capital and related financing activities	(227,635)	-	(227,635)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	80,253	(26,390)	53,863
CASH AND CASH EQUIVALENTS, MAY 1	337,647	536,779	874,426
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 417,900	\$ 510,389	\$ 928,289

(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, 2012

	Sewer	Water	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (194,390)	\$ (392,146)	\$ (586,536)
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Depreciation	490,878	364,605	855,483
Rental income	10,725	-	10,725
Decrease in customer deposits	-	(40)	(40)
Total adjustments	501,603	364,565	866,168
NET CASH FROM OPERATING ACTIVITIES	\$ 307,213	\$ (27,581)	\$ 279,632
SCHEDULE OF NONCASH TRANSACTIONS			
Contributions	\$ -	\$ -	\$ -
TOTAL NONCASH TRANSACTIONS	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

TOWN OF CORTLAND, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS

April 30, 2012

	<u>Agency Fund</u>
ASSETS	
Cash	<u>\$ 1,598,019</u>
TOTAL ASSETS	<u><u>\$ 1,598,019</u></u>
LIABILITIES	
Due to bondholders	<u>\$ 1,598,019</u>
TOTAL LIABILITIES	<u><u>\$ 1,598,019</u></u>

See accompanying notes to financial statements.

TOWN OF CORTLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

April 30, 2012

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 the Town's general activities including the collection and disbursement of restricted or committed monies (special revenue funds), the funds committed, restricted or assigned for the acquisition or construction of capital assets (capital projects funds) and the funds committed, restricted or assigned for the servicing of 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 accounted for in another fund.

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

The Special Service Area (SSA) #9-10 Fund, a capital projects fund, is used to account for the capital outlay and improvements in the Town's SSA #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, intangible assets (e.g. easements and software) 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 \$10,000 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/amortized 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
Software	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 nonspendable fund balance for amounts that are either not spendable in form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for a specific purpose, or externally imposed by outside entities. None of the restricted fund balance result from enabling legislation adopted by the Town. Committed fund balance is constrained by formal actions of the Town's Board of Trustees, which is considered the Town's highest level of decision making authority. Formal actions include resolutions and ordinances approved by the Board. Assigned fund balance represents amounts constrained by the Town's intent to use them for a specific purpose. Any residual fund balance of the General Fund is reported as unassigned.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Net Assets/Fund Balance (Continued)

The Town's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending the Town considers committed funds to be expended first followed by assigned and then unassigned funds. The TIF Fund reports a deficit fund balance of \$(19,196) as of April 30, 2012.

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 2011 was passed December 12, 2011.
- Property taxes are due to the County Collector in two installments, June and September.
- Significant amounts of property taxes for 2011 will be distributed to the Town during May through November 2012.

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.

3. CASH AND INVESTMENTS (Continued)

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 and held at an independent third party in the name of the Town.

Town Investments

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, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 435,441	\$ -	\$ -	\$ 435,441
Construction in progress	-	507,494	-	507,494
Right of way	2,829,120	-	-	2,829,120
Total capital assets not being depreciated	3,264,561	507,494	-	3,772,055
Capital assets being depreciated				
Buildings and improvements	427,744	-	-	427,744
Vehicles	575,088	31,101	37,953	568,236
Machinery and equipment	220,285	11,844	-	232,129
Infrastructure	5,376,861	-	-	5,376,861
Total capital assets being depreciated	6,599,978	42,945	37,953	6,604,970
Less accumulated depreciation for				
Buildings and improvements	93,736	11,791	-	105,527
Vehicles	411,591	75,315	37,953	448,953
Machinery and equipment	179,671	30,194	-	209,865
Infrastructure	359,373	107,537	-	466,910
Total accumulated depreciation	1,044,371	224,837	37,953	1,231,255
Total capital assets being depreciated, net	5,555,607	(181,892)	-	5,373,715
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET				
	\$ 8,820,168	\$ 325,602	\$ -	\$ 9,145,770
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,149,775	\$ -	\$ -	\$ 1,149,775
Construction in progress	3,457,531	-	3,457,531	-
Total capital assets not being depreciated	4,607,306	-	3,457,531	1,149,775
Capital assets being depreciated				
Plants in service	25,449,068	3,480,164	-	28,929,232
Machinery and equipment	627,022	26,303	-	653,325
Total capital assets being depreciated	26,076,090	3,506,467	-	29,582,557
Less accumulated depreciation for				
Plants in service	4,015,685	819,048	-	4,834,733
Machinery and equipment	407,925	36,435	-	444,360
Total accumulated depreciation	4,423,610	855,483	-	5,279,093
Total capital assets being depreciated, net	21,652,480	2,650,984	-	24,303,464
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET				
	\$ 26,259,786	\$ 2,650,984	\$ 3,457,531	\$ 25,453,239

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	20,400
Operations and maintenance	<u>204,089</u>
 TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	 <u>\$ 224,837</u>

5. LONG-TERM DEBT

Long-term debt payable at April 30, 2012, is comprised of the following issues:

a. Building Note Payable

A note payable dated March 2, 2011 for \$655,200 was issued for the purchase and renovation of a new building. As of April 30, 2012, the Town has drawn down the entire \$655,200 of the note. The note will be repaid in semiannual payments of \$24,717 through June 30, 2020 with one final payment due December 30, 2020 repaying the remaining balance of the loan. Interest accrues at a rate of 4.30%.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 21,233	\$ 27,946	\$ 49,179
2014	22,156	27,023	49,179
2015	23,119	26,061	49,180
2016	24,124	25,056	49,180
2017	25,105	24,075	49,180
2018	26,264	22,916	49,180
2019	27,405	21,775	49,180
2020	28,596	20,584	49,180
2021	<u>457,198</u>	<u>19,396</u>	<u>476,594</u>
 TOTAL	 <u>\$ 655,200</u>	 <u>\$ 214,832</u>	 <u>\$ 870,032</u>

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

5. LONG-TERM DEBT (Continued)

b. Lift Truck Loan

A loan dated December 28, 2010 for \$16,637 was issued for the purchase of a 1997 Ford Lift Truck. The note will be repaid over three years with monthly payments of \$495 with an interest rate of 4.50% maturing December 28, 2013.

Fiscal Year	Principal	Interest	Total
2013	\$ 5,627	\$ 312	\$ 5,939
2014	3,891	67	3,958
TOTAL	\$ 9,518	\$ 379	\$ 9,897

c. Police Truck Loan

A loan dated December 6, 2011 for \$30,600 was issued for the purchase of a 2012 Ford Expedition. The note will be repaid over three years with monthly payments of \$914 with an interest rate of 3.95% maturing December 6, 2014.

Fiscal Year	Principal	Interest	Total
2013	\$ 9,964	\$ 870	\$ 10,834
2014	10,364	469	10,833
2015	6,235	82	6,317
TOTAL	\$ 26,563	\$ 1,421	\$ 27,984

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. The certificates have been repaid in full as of April 30, 2012.

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

5. LONG-TERM DEBT (Continued)

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
Building note payable	\$ 253,600	\$ 401,600	\$ -	\$ 655,200	\$ 21,233
Lift truck loan	14,896	-	5,378	9,518	5,627
Police truck loan	-	30,600	4,037	26,563	9,964
TOTAL GOVERNMENTAL LONG-TERM LIABILITIES	\$ 268,496	\$ 432,200	\$ 9,415	\$ 691,281	\$ 36,824

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	\$ 175,365	\$ -	\$ 175,365	\$ -	\$ -
TOTAL BUSINESS-TYPE LONG-TERM LIABILITIES	\$ 175,365	\$ -	\$ 175,365	\$ -	\$ -

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 \$5,730,000 Special Service Area #1 Refunding Bonds, Series 2007 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, 2012, \$5,268,000 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, 2012, \$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, 2012, \$8,252,000 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 ACTIVITY

Individual fund transfers are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 150,000	\$ -
Capital Improvements	-	150,000
TOTAL	\$ 150,000	\$ 150,000

The purpose of significant transfers are as follows:

The transfer of \$150,000 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.

Due to/from amounts between funds of April 30, 2012 are as follows:

	<u>Due From</u>	<u>Due To</u>
General	\$ 19,196	\$ -
Nonmajor Governmental Funds	-	19,196
TOTAL	\$ 19,196	\$ 19,196

The amount due to the General Fund from Nonmajor Governmental Funds is for initial start up costs for the Town's Tax Increment Financing (TIF) District. These amounts will be repaid to the General Fund once incremental revenues are received by the TIF.

7. RISK MANAGEMENT

The Town participates in the Illinois Public Risk Fund for workers' compensation insurance and purchases third party insurance for liability 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, 2012. The Town purchases third party indemnity insurance for employee health. Settled claims have not exceeded coverage for the current or prior two fiscal years.

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.

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

8. CONTINGENT LIABILITIES (Continued)

Litigation

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 amount of the settlement was \$2,133,952. The Town has appealed the verdict, however, the Illinois Supreme Court did not accept the case and the Town is therefore liable for the settlement. No liability has been recorded on the financial statements under the modified cash basis of accounting.

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, 2012 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:

<u>For the Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 87,219	\$ 5,910	\$ 93,129
TOTAL	<u>\$ 87,219</u>	<u>\$ 5,910</u>	<u>\$ 93,129</u>

10. OPERATING LEASE

The Town leases building space for its Police Department. A lease agreement was entered into during the year ended April 30, 2011 for the period February 1, 2009 through January 31, 2014. Total rent expense incurred for the year ended April 30, 2012 was \$13,068. Projected future minimum lease payments are as follows:

<u>For the Year Ending April 30,</u>	<u>Rent Expense</u>
2013	\$ 13,602
2014	<u>10,539</u>
TOTAL	<u>\$ 24,141</u>

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 online at www.imrf.org.

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) 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.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after ten years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with ten 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 rates for calendar year 2011 and 2012 were 11.16% and 11.73%, respectively, of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees.

For April 30, 2012, the Town's annual pension cost of \$86,223 was equal to the Town's required and actual contributions. The required contribution was determined as part of the December 31, 2008 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 of 4.00% per year, attributable to inflation, (c) additional projected salary increases ranging from 0.40% to 10.00% per year depending on age and service, attributable to seniority/merit and (d) postretirement benefit increases of 3% annually. 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 with a 20% corridor between the actuarial and market value of assets. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011 was 30 years.

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

11. ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

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
2010	\$ 81,218	100.00%	\$ -
2011	83,869	100.00%	-
2012	86,223	100.00%	-

The funded status of the plan as of December 31, 2011, 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:

	Illinois Municipal Retirement
Actuarial accrued liability (AAL)	\$ 1,015,117
Actuarial value of plan assets	539,989
Unfunded actuarial accrued liability (UAAL)	475,128
Funded ratio (actuarial value of plan assets/AAL)	53.19%
Covered payroll (active plan members)	\$ 743,660
UAAL as a percentage of covered payroll	63.89%

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.

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

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

b. Benefits Provided

The Town provides pre-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, which is the full cost of insurance.

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's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the last three years was as follows:

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)
April 30, 2011	1,545	5,432	351.56%	(4,541)
April 30, 2012	1,558	5,597	359.24%	(8,580)

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

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

The Town prepares their financial statements on the modified cash basis of accounting and, therefore, does not report the net OPEB obligation (asset) as of April 30, 2012 on their statement of net assets.

The net OPEB obligation as of April 30, 2012 was calculated as follows:

Annual required contribution	\$ 1,634
Interest on net OPEB obligation	(227)
Adjustment to annual required contribution	<u>151</u>
Annual OPEB cost	1,558
Contributions made	<u>5,597</u>
Increase in net OPEB obligation	(4,039)
Net OPEB obligation, beginning of year	<u>(4,541)</u>
NET OPEB OBLIGATION, END OF YEAR	<u><u>\$ (8,580)</u></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.

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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.

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, 2012 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	110,835	-	-	110,835
Total capital assets being depreciated	110,835	-	-	110,835
Less accumulated depreciation for				
Buildings and improvements	53,795	6,183	-	59,978
Total accumulated depreciation	53,795	6,183	-	59,978
Total capital assets being depreciated, net	57,040	(6,183)	-	50,857
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 57,040	\$ (6,183)	\$ -	\$ 50,857

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, 2012

	Original Budget	Final Budget	Actual
REVENUES COLLECTED			
Taxes collected			
Property tax	\$ 580,800	\$ 580,800	\$ 580,132
Replacement tax	1,600	1,600	1,668
Sales and local use tax	280,000	380,000	381,087
State income tax	300,000	300,000	296,687
Road and bridge tax	8,500	8,500	8,505
Utility tax	23,000	23,000	21,012
Total taxes collected	1,193,900	1,293,900	1,289,091
Intergovernmental	-	-	5,333
Building permits	33,000	33,000	29,482
Fines	21,000	21,000	17,231
Franchise fees	14,000	14,000	12,192
Park development fees	-	-	-
Contributions	1,000	1,000	2,450
Investment income	2,300	2,300	2,668
Miscellaneous income	3,600	3,600	3,327
Total revenues collected	1,268,800	1,368,800	1,361,774
EXPENDITURES PAID			
Current			
General administration			
Personnel services	396,300	344,892	344,170
Commodities	21,000	21,000	21,326
Contractual services	192,700	91,979	75,138
Other expenditures	1,000	1,000	1,911
Total general administration	611,000	458,871	442,545
Public safety			
Personnel services	283,500	283,500	283,240
Commodities	38,800	38,800	27,480
Contractual services	84,300	113,728	115,157
Capital outlay	8,000	63,380	63,380
Other expenditures	1,000	1,000	753
Total public safety	415,600	500,408	490,010

(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, 2012

	Original Budget	Final Budget	Actual
EXPENDITURES PAID (Continued)			
Current (Continued)			
Operations and maintenance			
Personnel services	\$ 199,400	\$ 199,400	\$ 198,112
Commodities	20,000	20,000	14,738
Contractual services	159,350	159,350	132,840
Total operations and maintenance	378,750	378,750	345,690
Planning, zoning and engineering			
Contractual services	40,000	40,000	27,770
Total planning, zoning and engineering	40,000	40,000	27,770
Capital outlay	112,200	522,280	539,183
Debt service			
Principal	28,200	18,200	9,415
Interest	15,075	15,075	11,410
Total expenditures paid	1,600,825	1,933,584	1,866,023
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID	(332,025)	(564,784)	(504,249)
OTHER FINANCING SOURCES (USES)			
Transfers in	282,575	154,208	150,000
Loan proceeds	-	432,200	432,200
Proceeds from sale of capital assets	2,500	2,500	7,544
Total other financing sources (uses)	285,075	588,908	589,744
NET CHANGE IN FUND BALANCE	\$ (46,950)	\$ 24,124	85,495
FUND BALANCE, MAY 1			496,835
FUND BALANCE, APRIL 30			\$ 582,330

(See independent auditor's report.)

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

April 30, 2012

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)
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%
2010	393,218	841,565	46.72%	448,347	780,553	57.44%
2011	539,989	1,015,117	53.19%	475,128	743,660	63.89%

(See independent auditor's report.)

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

April 30, 2012

Actuarial Valuation Date April 30,	(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)
2010	\$ -	\$ 12,477	0.00%	\$ 12,477	\$ 692,677	1.80%
2011	N/A	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A	N/A

N/A - Information is not applicable as no actuarial valuation was performed for the year.

(See independent auditor's report.)

TOWN OF CORTLAND, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND

April 30, 2012

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
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%
2011	83,869	83,869	100.00%
2012	86,223	86,223	100.00%

(See independent auditor's report.)

TOWN OF CORTLAND, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT FUND

April 30, 2012

<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%
2011	5,432	1,556	349.10%
2012	5,597	1,634	342.53%

(See independent auditor's report.)

TOWN OF CORTLAND, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2012

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, Capital Projects Funds (except for the Special Service Area #1 and Special Service Areas #4-8) 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, 2012

	Original Budget	Final Budget	Actual
CURRENT			
General administration			
Personnel services			
Salaries - elected officials	\$ 302,700	\$ 302,700	\$ 88,632
Salaries - town officers	-	-	152,579
Salaries - clerical workers	-	-	61,083
Payroll taxes	23,200	23,200	23,125
IMRF contribution	28,800	28,800	29,380
Employee health insurance	41,600	41,600	40,779
Less reimbursement	-	(51,408)	(51,408)
Total personnel services	396,300	344,892	344,170
Commodities			
Office supplies	2,000	2,000	3,226
Office equipment and maintenance	16,000	16,000	13,951
Copies and printing	3,000	3,000	4,149
Total commodities	21,000	21,000	21,326
Contractual services			
Legal	175,000	75,000	37,884
Audit	5,000	5,000	13,859
Insurance	17,000	17,000	20,105
Street lighting	10,000	10,000	-
Postage	2,500	2,500	2,543
Telephone	6,600	6,600	6,605
Dues and subscriptions	1,600	1,600	2,570
Travel and training	-	-	6,761
Less reimbursement	(25,000)	(25,721)	(15,189)
Total contractual services	192,700	91,979	75,138
Other expenditures	1,000	1,000	1,911
Total general administration	611,000	458,871	442,545
Public safety			
Personnel services			
Salaries - police officers	217,200	217,200	226,207
Payroll taxes	16,650	16,650	18,931
IMRF contribution	19,950	19,950	16,903
Employee health insurance	27,700	27,700	20,847
Uniforms	2,000	2,000	352
Total personnel services	283,500	283,500	283,240

(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, 2012

	Original Budget	Final Budget	Actual
CURRENT (Continued)			
Public safety (Continued)			
Commodities			
Gas and petroleum	\$ 16,000	\$ 16,000	\$ 17,044
Office supplies	1,000	1,000	947
Office equipment and maintenance	1,300	1,300	1,090
Copies and printing	-	-	498
Technology upgrades	20,000	20,000	7,901
DUI prevention	500	500	-
Total commodities	<u>38,800</u>	<u>38,800</u>	<u>27,480</u>
Contractual services			
Legal services	1,800	1,800	-
Maintenance and operations - vehicles and equipment	10,000	10,000	12,840
Maintenance and operations - police office	500	500	1,200
Insurance	16,000	16,000	19,660
Telephone	3,750	3,750	3,424
Utilities	1,100	1,100	757
Equipment purchase and maintenance	5,000	5,000	2,891
Telecommunications services	28,500	57,928	57,928
Travel and training	3,000	3,000	1,174
Dues and subscriptions	1,500	1,500	2,198
Postage	250	250	17
Office lease	12,900	12,900	13,068
Total contractual services	<u>84,300</u>	<u>113,728</u>	<u>115,157</u>
Capital outlay	8,000	63,380	63,380
Other expenditures	1,000	1,000	753
Total public safety	<u>415,600</u>	<u>500,408</u>	<u>490,010</u>
Operations and maintenance			
Personnel services			
Salaries - maintenance and operations	160,350	160,350	156,493
Payroll taxes	12,350	12,350	11,972
IMRF contribution	17,250	17,250	17,252
Unemployment benefits	-	-	4,365
Employee health insurance	6,950	6,950	6,949
Uniforms	2,000	2,000	756
Drug and alcohol program	500	500	325
Total personnel services	<u>199,400</u>	<u>199,400</u>	<u>198,112</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, 2012

	Original Budget	Final Budget	Actual
CURRENT (Continued)			
Operations and maintenance (Continued)			
Commodities			
Gas and petroleum	\$ 20,000	\$ 20,000	\$ 14,738
Contractual services			
Maintenance and operation - street lights	2,000	2,000	319
Maintenance and operation - garage	1,000	1,000	2,547
Maintenance and operation - town hall	7,000	7,000	7,015
Maintenance and operation - streets	9,900	9,900	8,230
Maintenance and operation - storm sewer	8,900	8,900	2,234
Maintenance and operation - maintenance vehicles	14,200	14,200	20,313
Maintenance and operation - parks	20,800	20,800	17,128
Maintenance and operation - railroad crossings	1,700	1,700	19
Street lights	33,000	33,000	32,755
Road salt	20,000	20,000	-
Road signs	3,200	3,200	2,622
Tools and hardware	2,700	2,700	1,565
Streets	-	-	6,539
Equipment rental	1,500	1,500	504
Portable equipment rental	2,200	2,200	2,340
Scavenger services	3,000	3,000	2,699
Office equipment and maintenance	-	-	698
Insurance	13,200	13,200	15,121
Office supplies	250	250	252
Postage	100	100	-
Telephone	3,100	3,100	3,101
Utilities	10,000	10,000	6,141
Travel and training	-	-	166
Storage building lease	1,600	1,600	1,800
Miscellaneous	-	-	20
Less reimbursements	-	-	(1,288)
Total contractual services	159,350	159,350	132,840
Total operations and maintenance	378,750	378,750	345,690
Planning, zoning and engineering			
Contractual services			
Engineering	40,000	40,000	15,119
Building inspection fees	-	-	15,261
Less reimbursements	-	-	(2,610)
Total contractual services	40,000	40,000	27,770
Total planning, zoning and engineering	40,000	40,000	27,770

(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, 2012

	Original Budget	Final Budget	Actual
CAPITAL OUTLAY			
Subdivision improvements	\$ 5,000	\$ 23,401	\$ 18,401
Equipment and furniture	21,300	21,300	9,924
Building	-	477,579	510,858
Construction	50,000	-	-
Public Works building	35,900	-	-
	<hr/>		
Total capital outlay	112,200	522,280	539,183
<hr/>			
DEBT SERVICE			
Principal	28,200	18,200	9,415
Interest	15,075	15,075	11,410
	<hr/>		
Total debt service	43,275	33,275	20,825
<hr/>			
TOTAL EXPENDITURES	\$ 1,600,825	\$ 1,933,584	\$ 1,866,023

(See independent auditor's report.)

CAPITAL IMPROVEMENTS FUND

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, 2012

	Original Budget	Final Budget	Actual
REVENUES COLLECTED			
Taxes collected			
Non-home rule sales tax	\$ -	\$ 18,978	\$ 18,978
Utility taxes - electricity	100,000	100,000	94,185
Utility taxes - gas	50,000	50,000	43,383
Utility taxes - telephone	80,000	80,000	73,540
Total taxes collected	230,000	248,978	230,086
Investment income	1,800	1,800	844
Total revenues collected	231,800	250,778	230,930
EXPENDITURES PAID			
Capital outlay			
Office equipment	10,000	10,000	4,338
Handicap access	6,000	6,000	3,826
Town garage improvements	-	-	1,500
Emergency preparedness	5,000	5,000	3,376
Other	90,400	30,400	17,989
Total capital outlay	111,400	51,400	31,029
Debt service			
Principal payments	33,275	-	-
Total expenditures paid	144,675	51,400	31,029
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID	87,125	199,378	199,901
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(203,400)	(154,208)	(150,000)
Total other financing sources (uses)	(203,400)	(154,208)	(150,000)
NET CHANGE IN FUND BALANCE	\$ (116,275)	\$ 45,170	49,901
FUND BALANCE, MAY 1			298,397
FUND BALANCE, APRIL 30			\$ 348,298

(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, 2012

	Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
	Motor Fuel Tax	Economic Development	Tax Increment Financing	Special Service Area #1	Special Service Areas #4-8	
ASSETS						
Cash and cash equivalents	\$ 102,940	\$ 68,688	\$ -	\$ 6,412	\$ 10,449	\$ 188,489
Note receivable	-	87,219	-	-	-	87,219
TOTAL ASSETS	\$ 102,940	\$ 155,907	\$ -	\$ 6,412	\$ 10,449	\$ 275,708
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ 19,196	\$ -	\$ -	\$ 19,196
FUND BALANCES						
Restricted						
Special service areas	-	-	-	6,412	10,449	16,861
Highways and streets	102,940	-	-	-	-	102,940
Economic development	-	155,907	-	-	-	155,907
Unrestricted						
Unassigned - deficit	-	-	(19,196)	-	-	(19,196)
Total fund balances	102,940	155,907	(19,196)	6,412	10,449	256,512
TOTAL LIABILITIES AND FUND BALANCES	\$ 102,940	\$ 155,907	\$ -	\$ 6,412	\$ 10,449	\$ 275,708

(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, 2012

	Special Revenue			Capital Projects		Total Nonmajor Governmental Funds
	Motor Fuel Tax	Economic Development	Tax Increment Financing	Special Service Area #1	Special Service Areas #4-8	
REVENUES COLLECTED						
Taxes	\$ 121,244	\$ -	\$ -	\$ -	\$ -	\$ 121,244
Contributions	-	-	-	20,097	100,000	120,097
Investment income	224	43	-	25	3	295
Miscellaneous income	-	-	30,000	-	-	30,000
Total revenues collected	121,468	43	30,000	20,122	100,003	271,636
EXPENDITURES PAID						
Current						
General administration	-	-	-	13,710	144,449	158,159
Operations and maintenance	100,794	-	-	-	-	100,794
Economic development	-	-	49,196	-	-	49,196
Total expenditures paid	100,794	-	49,196	13,710	144,449	308,149
NET CHANGE IN FUND BALANCES	20,674	43	(19,196)	6,412	(44,446)	(36,513)
FUND BALANCES, MAY 1	82,266	155,864	-	-	54,895	293,025
FUND BALANCES, APRIL 30	\$ 102,940	\$ 155,907	\$ (19,196)	\$ 6,412	\$ 10,449	\$ 256,512

(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, 2012

	Final Budget	Actual
REVENUES COLLECTED		
Taxes collected		
Motor fuel tax	\$ 100,000	\$ 121,244
Investment income	450	224
	<u>100,450</u>	<u>121,468</u>
Total revenues collected		
EXPENDITURES PAID		
Current		
Operations and maintenance	154,600	100,794
	<u>154,600</u>	<u>100,794</u>
Total expenditures paid		
NET CHANGE IN FUND BALANCE	<u>\$ (54,150)</u>	20,674
FUND BALANCE, MAY 1		<u>82,266</u>
FUND BALANCE, APRIL 30		<u>\$ 102,940</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, 2012

	Final Budget	Actual
REVENUES COLLECTED		
Investment income	\$ 90	\$ 43
Total revenues collected	90	43
EXPENDITURES PAID		
None	-	-
Total expenditures paid	-	-
NET CHANGE IN FUND BALANCE	<u>\$ 90</u>	43
FUND BALANCE, MAY 1		<u>155,864</u>
FUND BALANCE, APRIL 30		<u>\$ 155,907</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
TAX INCREMENT FINANCING FUND

For the Year Ended April 30, 2012

	Final Budget	Actual
REVENUES COLLECTED		
Miscellaneous income		
Reimbursements	\$ 30,000	\$ 30,000
Total revenues collected	<u>30,000</u>	<u>30,000</u>
EXPENDITURES PAID		
Current		
Economic Development	<u>49,196</u>	<u>49,196</u>
Total expenditures paid	<u>49,196</u>	<u>49,196</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (19,196)</u></u>	(19,196)
FUND BALANCE, MAY 1		<u>-</u>
FUND BALANCE, APRIL 30		<u><u>\$ (19,196)</u></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, 2012

	Final Budget	Actual
OPERATING REVENUES COLLECTED		
Charges for services	\$ 485,000	\$ 516,711
Miscellaneous	20,000	21,293
Total operating revenues collected	<u>505,000</u>	<u>538,004</u>
OPERATING EXPENSES PAID		
Personnel services	89,600	48,056
Commodities	4,700	23,496
Contractual services	306,584	182,139
Other	2,650	2,501
Capital outlay	40,633	34,260
Total operating expenses paid	<u>444,167</u>	<u>290,452</u>
OPERATING INCOME (LOSS)	<u>60,833</u>	<u>247,552</u>
NONOPERATING REVENUES COLLECTED (EXPENSES)		
Connection fees	4,000	-
Investment income	6,000	675
Principal payments	(175,365)	(175,365)
Interest expense	(3,334)	(3,334)
Rental income	10,500	10,725
Total nonoperating revenues collected (expenses)	<u>(158,199)</u>	<u>(167,299)</u>
NET INCOME (LOSS), BUDGETARY BASIS	<u>\$ (97,366)</u>	<u>80,253</u>
Adjustments to modified cash basis		
Principal payments		175,365
Depreciation expense		(490,878)
Capital outlay capitalized		<u>48,936</u>
Total adjustments to modified cash basis		<u>(266,577)</u>
CHANGE IN NET ASSETS		(186,324)
NET ASSETS, MAY 1		<u>15,253,141</u>
NET ASSETS, APRIL 30		<u>\$ 15,066,817</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, 2012

	Final Budget	Actual
OPERATING REVENUES COLLECTED		
Charges for services	\$ 345,000	\$ 330,191
Meter sales	2,000	3,439
Miscellaneous	2,100	2,828
Total operating revenues collected	349,100	336,458
OPERATING EXPENSES		
Personnel services	137,150	104,628
Commodities	56,750	51,387
Contractual services	242,445	207,984
Other	1,000	-
Capital outlay	15,000	-
Total operating expenses	452,345	363,999
OPERATING INCOME (LOSS)	(103,245)	(27,541)
NONOPERATING REVENUES COLLECTED		
Connection fees	3,500	-
Investment income	3,500	1,191
Total nonoperating revenues collected	7,000	1,191
NET INCOME (LOSS), BUDGETARY BASIS	\$ (96,245)	(26,350)
Adjustments to modified cash basis		
Depreciation expense		(364,605)
Total adjustment to modified cash basis		(364,605)
CHANGE IN NET ASSETS		(390,955)
NET ASSETS, MAY 1		11,704,346
NET ASSETS, APRIL 30		\$ 11,313,391

(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, 2012

	Total			Balance April 30
	Balance May 1	Increases	Decreases	
TOTAL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 2,558,867	\$ 2,271,467	\$ 3,232,315	\$ 1,598,019
TOTAL ASSETS	\$ 2,558,867	\$ 2,271,467	\$ 3,232,315	\$ 1,598,019
LIABILITIES				
Due to bondholders	\$ 2,558,867	\$ 2,271,467	\$ 3,232,315	\$ 1,598,019
TOTAL LIABILITIES	\$ 2,558,867	\$ 2,271,467	\$ 3,232,315	\$ 1,598,019
SPECIAL SERVICE AREA #1				
ASSETS				
Cash and cash equivalents	\$ 336,916	\$ 417,827	\$ 422,343	\$ 332,400
TOTAL ASSETS	\$ 336,916	\$ 417,827	\$ 422,343	\$ 332,400
LIABILITIES				
Due to bondholders	\$ 336,916	\$ 417,827	\$ 422,343	\$ 332,400
TOTAL LIABILITIES	\$ 336,916	\$ 417,827	\$ 422,343	\$ 332,400
SPECIAL SERVICE AREAS #4-8				
ASSETS				
Cash and cash equivalents	\$ 1,357,806	\$ 1,082,982	\$ 2,026,892	\$ 413,896
TOTAL ASSETS	\$ 1,357,806	\$ 1,082,982	\$ 2,026,892	\$ 413,896
LIABILITIES				
Due to bondholders	\$ 1,357,806	\$ 1,082,982	\$ 2,026,892	\$ 413,896
TOTAL LIABILITIES	\$ 1,357,806	\$ 1,082,982	\$ 2,026,892	\$ 413,896
SPECIAL SERVICE AREAS #9-10				
ASSETS				
Cash and cash equivalents	\$ 864,145	\$ 770,658	\$ 783,080	\$ 851,723
TOTAL ASSETS	\$ 864,145	\$ 770,658	\$ 783,080	\$ 851,723
LIABILITIES				
Due to bondholders	\$ 864,145	\$ 770,658	\$ 783,080	\$ 851,723
TOTAL LIABILITIES	\$ 864,145	\$ 770,658	\$ 783,080	\$ 851,723

(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, 2012

	Cortland Community Library	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 46,005	\$ -	\$ 46,005
Capital assets (net of accumulated depreciation)	-	50,857	50,857
TOTAL ASSETS	\$ 46,005	\$ 50,857	\$ 96,862
LIABILITIES AND FUND BALANCES/NET ASSETS			
LIABILITIES			
None	\$ -	\$ -	\$ -
Total liabilities	-	-	-
FUND BALANCES/NET ASSETS			
Net assets			
Invested in capital assets	-	50,857	50,857
Fund balances/net assets			
Unassigned/unrestricted	46,005	-	46,005
Total fund balances/net assets	46,005	50,857	96,862
TOTAL LIABILITIES AND FUND BALANCES/NET ASSETS	\$ 46,005	\$ 50,857	\$ 96,862

(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, 2012

	General	Adjustments	Statement of Activities
REVENUES			
Taxes	\$ 257,639	\$ -	\$ 257,639
Grant revenue	4,048	-	4,048
Contributions	5,850	-	5,850
Investment income	93	-	93
Miscellaneous income	3,792	-	3,792
Total revenues	271,422	-	271,422
EXPENDITURES			
Current			
Culture and recreation	259,088	11,116	270,204
Capital outlay	4,933	(4,933)	-
Total expenditures	264,021	6,183	270,204
NET CHANGE IN FUND BALANCES/ NET ASSETS	7,401	(6,183)	1,218
FUND BALANCES/NET ASSETS, MAY 1	38,604	57,040	95,644
FUND BALANCES/NET ASSETS, APRIL 30	\$ 46,005	\$ 50,857	\$ 96,862

(See independent auditor's report.)

SUPPLEMENTAL INFORMATION

TOWN OF CORTLAND, ILLINOIS

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

Last Ten Levy Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
ASSESSED VALUATIONS										
DeKalb County	\$ 71,006,914	\$ 77,920,413	\$ 81,482,372	\$ 76,396,856	\$ 68,242,687	\$ 57,665,131	\$ 50,462,813	\$ 41,641,222	\$ 35,421,329	\$ 29,122,713
TAX RATES										
Town										
Corporate	.5985	.5345	.4913	.5098	.5129	.5400	.5380	.5523	.5900	.6268
IMRF	.0751	.0678	.0604	.0668	.0696	.0669	.0674	.0784	.0821	.0664
Social security	.0680	.0613	.0540	.0551	.0586	.0669	.0694	.0793	.0658	.0791
Police protection	.0946	.0818	.0736	.0728	.0733	.0772	.0750	.0750	.0697	.0750
Total Town	.8362	.7454	.6793	.7045	.7144	.7510	.7498	.7850	.8076	.8473
Library										
Library maintenance	.0200	.0078	.0074	.0079	.0073	.0081	.0159	.0169	.0200	.0191
Library	.3000	.3000	.2896	.2958	.2931	.2832	.1496	.1409	.1500	.1500
Library IMRF	.0169	.0078	.0074	.0079	.0095	.0162	.0050	.0090	.0056	.0049
Library audit	.0042	.0019	.0019	.0020	.0022	.0065	.0050	.0034	.0034	.0039
Library working cash	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0407
Library tort judgments, liability	.0113	.0052	.0049	.0052	.0088	.0097	.0059	.0158	.0127	.0089
Library social security	.0155	.0083	.0079	.0085	.0088	.0162	.0079	.0135	.0085	.0066
Total Library	.3679	.3310	.3191	.3273	.3297	.3399	.1893	.1995	.2002	.2341
TOTAL TAX RATE	1.2041	1.0764	.9984	1.0318	1.0441	1.0909	.9391	.9845	1.0078	1.0814
TAX EXTENSIONS										
Town										
Corporate	\$ 425,005	\$ 416,531	\$ 400,307	\$ 389,479	\$ 350,003	\$ 311,426	\$ 271,500	\$ 230,001	\$ 208,997	\$ 182,532
IMRF	53,355	52,830	49,207	51,018	47,504	38,567	34,002	32,651	29,077	19,343
Social security	48,306	47,781	44,000	42,056	40,004	38,567	35,001	33,001	23,318	23,024
Police protection	67,151	63,708	60,004	55,647	50,001	44,494	37,847	31,231	24,678	21,842
Total Town	593,817	580,850	553,518	538,200	487,512	433,054	378,350	326,884	286,070	246,741

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
TAX EXTENSIONS (Continued)										
Library										
Library maintenance	\$ 14,201	\$ 6,078	\$ 6,005	\$ 6,005	\$ 5,002	\$ 4,653	\$ 8,003	\$ 7,037	\$ 7,084	\$ 5,548
Library	213,021	233,761	236,006	226,005	200,006	163,307	75,502	58,652	53,132	43,684
Library IMRF	12,000	6,078	6,005	6,005	6,504	9,342	2,503	3,760	2,001	1,433
Library audit	3,004	1,527	1,507	1,505	1,501	3,737	2,523	1,412	1,201	1,147
Library working cash	-	-	-	-	-	-	-	-	-	11,844
Library tort judgments, liability	8,002	4,029	4,001	4,003	6,005	5,605	3,003	6,579	4,502	2,577
Library social security	11,006	6,475	6,502	6,501	6,005	9,342	4,002	5,634	3,000	1,908
Total Library	261,234	257,948	260,026	250,024	225,023	195,986	95,536	83,074	70,920	68,141
TOTAL TAX EXTENSIONS	\$ 855,051	\$ 838,798	\$ 813,544	\$ 788,224	\$ 712,535	\$ 629,040	\$ 473,886	\$ 409,958	\$ 356,990	\$ 314,882
TAX COLLECTIONS										
Town										
Corporate	\$ -	\$ 416,017	\$ 399,610	\$ 388,789	\$ 349,895	\$ 310,725	\$ 270,832	\$ 229,557	\$ 208,311	\$ 182,467
IMRF	-	52,765	49,121	50,927	47,489	38,480	33,918	32,588	28,982	19,336
Social security	-	47,722	43,924	41,982	39,991	38,480	34,915	32,937	23,241	23,016
Police protection	-	63,629	59,899	55,549	49,986	44,394	37,754	31,171	24,597	21,834
Total Town	-	580,133	552,554	537,247	487,361	432,079	377,419	326,253	285,131	246,653
Library										
Library maintenance	-	6,071	5,995	5,994	4,999	4,643	7,984	7,024	7,061	5,545
Library	-	233,481	235,595	225,604	199,868	162,940	75,317	58,538	52,958	43,662
Library IMRF	-	6,071	5,995	5,994	6,499	9,321	2,497	3,753	1,995	1,432
Library audit	-	1,525	1,505	1,502	1,500	3,728	2,517	1,409	1,197	1,147
Library working cash	-	-	-	-	-	-	-	-	-	11,838
Library tort judgments, liability	-	4,024	3,994	3,996	6,001	5,592	2,995	6,567	4,487	2,576
Library social security	-	6,467	6,491	6,490	6,001	9,321	3,992	5,623	2,990	1,907
Total Library	-	257,639	259,575	249,580	224,868	195,545	95,302	82,914	70,688	68,107
TOTAL TAX COLLECTIONS AS OF APRIL 30	\$ -	\$ 837,772	\$ 812,129	\$ 786,827	\$ 712,229	\$ 627,624	\$ 472,721	\$ 409,167	\$ 355,819	\$ 314,760
PERCENTAGE OF EXTENSIONS COLLECTED AS OF APRIL 30	0.00%	99.88%	99.83%	99.82%	99.96%	99.77%	99.75%	99.81%	99.67%	99.96%

(See independent auditor's report.)

TOWN OF CORTLAND, ILLINOIS
SCHEDULE OF LEGAL DEBT MARGIN

April 30, 2012

ASSESSED VALUATION (2011 Latest Year Available)	<u>\$ 71,006,914</u>
STATUTORY DEBT LIMITATION (8.625% of assessed valuation)	<u>\$ 6,124,346</u>
TOTAL DEBT	
Lift truck loan	9,518
Police truck loan	26,563
Building note	<u>655,200</u>
Total debt	<u>691,281</u>
LEGAL DEBT MARGIN	<u>\$ 5,433,065</u>

(See independent auditor's report.)