

TOWN OF CORTLAND, ILLINOIS

ANNUAL FINANCIAL REPORT

For the Year Ended
April 30, 2011



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, 2011, 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, 2011, and the respective changes in financial position thereof for the year then ended in conformity with the modified cash basis of accounting described in Note 1.

The Management's Discussion and Analysis and the other required supplementary information listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in black ink that reads "Schuch LLP". The signature is written in a cursive, flowing style.

Aurora, Illinois
October 12, 2011

GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS

TOWN OF CORTLAND, ILLINOIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2011

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, 2011. This should be read in conjunction with the Town's financial statements which follow this section.

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

- Net asset position - The Town's total net assets at April 30, 2011, were \$42,158,086, an increase of \$653,591 during the year.
- Governmental activity summary – Net assets for governmental activities increased by \$667,162 during the year.
- Business-type activity summary – Net assets for business-type activities decreased by \$13,571 during the year.
- General Fund summary – The Town's General Fund balance decreased \$51,374 during the year.
- New capital – Net capital and infrastructure assets increased by \$977,177.
- New debt – New debt totaled \$270,237 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, 2010 and 2011

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Primary Government</i>	
	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>
	<i>Current and Other Assets</i>	\$ 7,145,942	\$ 7,200,659	\$ 1,192,561	\$ 874,426	\$ 8,338,503
<i>Capital Assets</i>	7,921,320	8,820,168	26,181,457	26,259,786	34,102,777	35,079,954
<i>Total Assets</i>	<i>\$ 15,067,262</i>	<i>\$ 16,020,827</i>	<i>\$ 27,374,018</i>	<i>\$ 27,134,212</i>	<i>\$ 42,441,280</i>	<i>\$ 43,155,039</i>
<i>Other Liabilities</i>	\$ 533,825	\$ 551,732	\$ 1,360	\$ 1,360	\$ 535,185	\$ 553,092
<i>Long-Term Liabilities</i>	-	268,496	401,600	175,365	401,600	443,861
<i>Total Liabilities</i>	<i>\$ 533,825</i>	<i>\$ 820,228</i>	<i>\$ 402,960</i>	<i>\$ 176,725</i>	<i>\$ 936,785</i>	<i>\$ 996,953</i>
<i>Net Assets:</i>						
<i>Invested in capital assets</i>	\$ 7,921,320	\$ 8,551,672	\$ 25,779,857	\$ 26,084,421	\$ 33,701,177	\$ 34,636,093
<i>Restricted</i>	6,330,266	6,332,983	135,600	135,600	6,465,866	6,468,583
<i>Unrestricted</i>	281,851	315,944	1,055,601	737,466	1,337,452	1,053,410
<i>Total Net Assets</i>	<i>\$ 14,533,437</i>	<i>\$ 15,200,599</i>	<i>\$ 26,971,058</i>	<i>\$ 26,957,487</i>	<i>\$ 41,504,495</i>	<i>\$ 42,158,086</i>

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 increased from \$41,504,495 to \$42,158,086. The increase of \$653,591 is attributable to various factors including acceptance of public improvements and infrastructure in the Robinson Farm subdivision, purchase of a new building for the Streets and Maintenance Department and purchase of a new lift truck for the Streets and Maintenance Department. New purchases are offset by depreciation expense being realized on completed improvements and an overall decrease in available operating cash. Net Assets relating to governmental activities increased by \$667,162 and ended the year at \$15,200,599. The Town's unrestricted net assets, cash available for daily operations, increased 12% to \$315,944.

Net Assets from business type activities decreased by \$13,571 to \$26,957,487. Unrestricted net assets, cash available for daily operations, decreased 30% to \$737,466. Business type activities represent sewer and water services provided to residents of the Town. Annual operating costs for these services were approximately \$1,491,580 (see page 11 of the Financial Statements).

During this fiscal year, work was continued on the Town's new well and construction of the new 1,000,000 gallon water tower. The new well and water tower were put into service shortly following the end of the fiscal year. Infrastructure relating to the Robinson Farm subdivision was accepted during the year.

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.

The Town continues to evaluate any needed improvements in other unfinished subdivisions including Chestnut Grove, Robinson Farm, New Hope Park Nature's Crossing and Coventry Townhome Subdivisions.

CHANGES IN NET ASSETS

Statement of Changes In Net Assets

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

Table 2
Changes in Net Assets
For the Fiscal Year Ended April 30, 2010 and 2011

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total Primary Government</i>	
	2010	2011	2010	2011	2010	2011
REVENUES						
<i>Program Revenues:</i>						
<i>Charges for Services</i>	\$ 106,075	\$ 69,141	\$ 872,414	\$ 866,712	\$ 978,489	\$ 935,853
<i>Operating grants</i>	108,323	117,676	-	-	108,323	117,676
<i>Capital grants</i>	181,343	209,963	176,025	-	357,368	209,963
<i>General Revenues:</i>						
<i>Property Taxes</i>	546,039	562,207	-	-	546,039	562,207
<i>Other Taxes</i>	767,260	867,882	-	-	767,260	867,882
<i>Investment Income</i>	22,435	6,790	14,837	5,388	37,272	12,178
<i>Other</i>	11,083	771,316	1,554,300	605,909	1,565,383	1,377,225
Total Revenues	<u>\$ 1,742,558</u>	<u>\$ 2,604,975</u>	<u>\$ 2,617,576</u>	<u>\$ 1,478,009</u>	<u>\$ 4,360,134</u>	<u>\$ 4,082,984</u>
EXPENSES						
<i>General Administration</i>	\$ 775,465	\$ 824,113	\$ -	\$ -	\$ 775,465	\$ 824,113
<i>Public Safety</i>	477,401	411,061	-	-	477,401	411,061
<i>Operations and Maintenance</i>	666,450	681,237	-	-	666,450	681,237
<i>Planning, zoning and Engineering</i>	119,843	21,164	-	-	119,843	21,164
<i>Sewer Development</i>	1,348,110	-	-	-	1,348,110	-
<i>Interest</i>	2,129	238	-	-	2,129	238
<i>Sewer</i>	-	-	868,246	820,400	868,246	820,400
<i>Water</i>	-	-	654,098	671,180	654,098	671,180
Total Expenses	<u>\$ 3,389,398</u>	<u>\$ 1,937,813</u>	<u>\$ 1,522,344</u>	<u>\$ 1,491,580</u>	<u>\$ 4,911,742</u>	<u>\$ 3,429,393</u>
Change in Net Assets	<u>(\$1,646,840)</u>	<u>\$ 667,162</u>	<u>\$ 1,095,232</u>	<u>(\$13,571)</u>	<u>(\$ 551,608)</u>	<u>\$ 653,591</u>

Normal Impacts-Changes In Net Assets

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

Revenues:

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

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

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

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

Expenses:

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

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

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

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

Current Year Impacts – Changes In Net Assets

Governmental Activities

Revenues:

Revenues from governmental activities totaled \$2,604,975. Contributions of infrastructure for subdivisions no longer being maintained by developers totaled \$768,465, 29% of total revenues. State Income Tax Revenue increased by \$82,889 during the year, which was a result of the State making past due payments to the Town. Sales Tax Revenue increased by 25%, \$56,397, over prior year levels. Investment income has substantially declined representing the low levels of available cash and low investment rate market.

Expenses:

Expenses for governmental activities totaled \$1,937,813. The largest single expenditure was the purchase of a new Streets and Maintenance facility, \$317,000. Following that, the larger expenses include Personnel Services and Public Safety costs.

Current Year Impacts – Changes In Net Assets (Continued)

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

Revenues:

Revenues from business-type activities totaled \$867,470 for operating revenues and \$25,938 for non-operating revenues (connection fees, reimbursements, investment income, etc.).

Expenses:

Expenses for business-type activities totaled \$1,491,580 for operating expenses. This total includes \$12,031 for non-operating expenses (interest expense).

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (see page 7 and 35-36 of the Financial Statements)
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For the fiscal year ended April 30, 2011, the governmental funds reflect a combined fund balance of \$6,648,927, an increase of \$36,810 from the prior year.

General Fund Budgetary Highlights

<i>General Fund</i>	<i>FY 11 Original Budget</i>	<i>FY11 Amended Budget</i>	<i>FY 11 Actual</i>
<i>Revenues</i>			
<i>Taxes</i>	\$ 1,030,100	\$ 1,192,600	\$ 1,202,819
<i>Building Permits</i>	60,500	25,500	32,866
<i>Contributions</i>	22,000	22,000	15,741
<i>Other</i>	45,850	39,750	26,100
Total	\$ 1,158,450	\$ 1,279,850	\$ 1,277,526
<i>Expenditures</i>	\$ (1,628,900)	\$ (1,797,460)	\$ (1,764,945)
Revenues over Expenditures	\$ (470,450)	\$ (517,610)	\$ (487,419)
<i>Other financing sources</i>			
<i>Proceeds from Loan</i>	\$ -	\$ -	\$ 270,237
<i>Transfers In</i>	340,000	403,400	165,000
<i>Proceeds fr. Sale of Cap. As</i>	-	-	808
Change in Fund Balance	\$ (130,450)	\$ (114,210)	\$ (51,374)

General Fund revenues lagged budget expectations by \$2,324 for the fiscal year. Housing starts remained slow for the year with a slight increase in early spring. Telephone Utility Tax payments lagged budget resulting from issues with the State of Illinois payment system. State Income Tax revenue payments exceeded original budget estimates by \$108,512. While the State did catch-up payments by two months during the fiscal year, payments remain lagged by 3-months.

The entire fiscal year saw expenditure restraints in place for all General Fund spending. These restraints contributed to decreased operating expenditures for the year of over \$160,000. A portion of the decreased operating expenditures partially funded the purchase of a new Streets and Maintenance facility

During fiscal year 2011, the Town Board approved one amendment to the budget. The amendment reflected the purchase of the new Streets and Maintenance facility, increase revenues and various other line item adjustments.

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

At the end of Fiscal Year 2011, the Town had invested \$35,079,954 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, 2010</i>	<i>Net Additions/ Deletions</i>	<i>Balance April 30, 2011</i>
Non-Depreciable Assets			
Land	\$ 435,441	\$ -	\$ 435,441
Right of way	2,347,520	481,600	2,829,120
Depreciable Capital Assets			
Buildings and Improvements	110,744	317,000	427,744
Vehicles	568,291	6,797	575,088
Machinery and Equipment	220,285	-	220,285
Infrastructure	5,089,996	286,865	5,376,861
Accumulated Depreciation on Capital Assets	(850,957)	(193,414)	(1,044,371)
Totals	\$ 7,921,320	\$ 898,848	\$ 8,820,168

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

	<i>Balance May 1, 2010</i>	<i>Net Additions/ Deletions</i>	<i>Balance April 30, 2011</i>
Non-Depreciable Assets			
Land	\$ 1,149,775	\$ -	\$ 1,149,775
Construction in progress	3,242,392	215,139	3,457,531
Depreciable Capital Assets			
Plant in service	24,864,467	584,601	25,449,068
Machinery and Equipment	579,314	47,708	627,022
Accumulated Depreciation on Capital Assets	(3,654,491)	(769,119)	(4,423,610)
Totals	\$ 26,181,457	\$ 78,329	\$ 26,259,786

This year's additions were; Streets and Maintenance facility, partial final payments well/water tower, bucket truck and new subdivision improvement accepted by the Town.

Debt Outstanding (see Notes to Financial Statements #5)

In 2005, the Town issued debt certificates for the purchase of the property known as the Herrmann Property. As of April 30, 2011, the Town owes \$175,365. Repayment of these debt certificates is from the sewer fund.

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, 2011 the Town owes \$14,896.

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, 2011 the Town owes \$253,600.

The Town's total legal general obligation debt limit is \$6,676,775 (see page 57 of the Financial Statements).

As of April 30, 2011, the balance of the Special Service Area #1 bonds total \$5,403,000. The bonds do not constitute an indebtedness of the Town.

As of April 30, 2011, 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, 2011, the balance of the Special Service Area bonds for the Richland Trails project totals \$8,530,000. 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%) 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 Michael Lamz, Treasurer, Town of Cortland, 59 South Somonauk Road, P.O. Box 519, Cortland, Illinois 60112-0519.

TOWN OF CORTLAND, ILLINOIS

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

April 30, 2011

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
				Cortland Community Library
Activities	Activities			
ASSETS				
Cash and investments	\$ 7,113,440	\$ 874,426	\$ 7,987,866	\$ 40,661
Notes receivable	87,219	-	87,219	-
Capital assets not being depreciated	3,264,561	4,607,306	7,871,867	-
Capital assets (net of accumulated depreciation)	5,555,607	21,652,480	27,208,087	57,040
Total assets	16,020,827	27,134,212	43,155,039	97,701
LIABILITIES				
Customer deposits	551,354	1,360	552,714	-
Payroll tax withholding	378	-	378	2,057
Long-term liabilities				
Due within one year	258,979	175,365	434,344	-
Due in more than one year	9,517	-	9,517	-
Total liabilities	820,228	176,725	996,953	2,057
NET ASSETS				
Invested in capital assets, net of related debt	8,551,672	26,084,421	34,636,093	57,040
Restricted				
Parks	16,946	-	16,946	-
Capital improvements	6,028,727	-	6,028,727	-
Debt service	49,180	-	49,180	-
Highways and streets	82,266	-	82,266	-
Economic development	155,864	-	155,864	-
Radium removal	-	135,600	135,600	-
Unrestricted	315,944	737,466	1,053,410	38,604
TOTAL NET ASSETS	\$ 15,200,599	\$ 26,957,487	\$ 42,158,086	\$ 95,644

See accompanying notes to financial statements.

TOWN OF CORTLAND, ILLINOIS

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended April 30, 2011

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
PRIMARY GOVERNMENT				
Governmental Activities				
General administration	\$ 824,113	\$ 45,883	\$ -	\$ -
Public safety	411,061	20,533	-	-
Operations and maintenance	681,237	925	117,676	51,851
Planning, zoning and engineering	21,164	1,800	-	-
Sewer development	-	-	-	158,112
Interest	238	-	-	-
Total governmental activities	1,937,813	69,141	117,676	209,963
Business-Type Activities				
Sewer	820,400	524,015	-	-
Water	671,180	342,697	-	-
Total business-type activities	1,491,580	866,712	-	-
TOTAL PRIMARY GOVERNMENT	\$ 3,429,393	\$ 935,853	\$ 117,676	\$ 209,963
COMPONENT UNIT				
Cortland Community Library	\$ 268,433	\$ 2,383	\$ 2,525	\$ -

Net (Expense) Revenue and Change in Net Assets				
				Component Unit
Primary Government			Cortland Community Library	
Governmental Activities	Business-Type Activities	Total		
\$ (778,230)	\$ -	\$ (778,230)	\$ -	
(390,528)	-	(390,528)	-	
(510,785)	-	(510,785)	-	
(19,364)	-	(19,364)	-	
158,112	-	158,112	-	
(238)	-	(238)	-	
(1,541,033)	-	(1,541,033)	-	
-	(296,385)	(296,385)	-	
-	(328,483)	(328,483)	-	
-	(624,868)	(624,868)	-	
(1,541,033)	(624,868)	(2,165,901)	-	
-	-	-	(263,525)	
General Revenues				
Taxes				
Property and replacement	562,207	-	562,207	259,575
Sales and local use	278,607	-	278,607	-
Income	338,512	-	338,512	-
Simplified telecommunication	105,712	-	105,712	-
Utility	145,051	-	145,051	-
Investment income	6,790	5,388	12,178	383
Miscellaneous	2,851	21,308	24,159	347
Contributions	768,465	584,601	1,353,066	-
Total	2,208,195	611,297	2,819,492	260,305
CHANGE IN NET ASSETS	667,162	(13,571)	653,591	(3,220)
NET ASSETS, MAY 1	14,533,437	26,971,058	41,504,495	98,864
NET ASSETS, APRIL 30	\$ 15,200,599	\$ 26,957,487	\$ 42,158,086	\$ 95,644

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, 2011

	General	Capital Improvements	Special Service Areas #9-10	Nonmajor Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 1,048,567	\$ 298,397	\$ 5,560,670	\$ 205,806	\$ 7,113,440
Note receivable	-	-	-	87,219	87,219
TOTAL ASSETS	\$ 1,048,567	\$ 298,397	\$ 5,560,670	\$ 293,025	\$ 7,200,659
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Customer deposits	\$ 551,354	\$ -	\$ -	\$ -	\$ 551,354
Payroll withholdings	378	-	-	-	378
Total liabilities	551,732	-	-	-	551,732
FUND BALANCES					
Reserved for note receivable	-	-	-	87,219	87,219
Reserved for parks	16,946	-	-	-	16,946
Reserved for capital improvements	413,162	-	5,560,670	54,895	6,028,727
Reserved for debt service	49,180	-	-	-	49,180
Reserved for highways and streets	-	-	-	82,266	82,266
Reserved for economic development	-	-	-	68,645	68,645
Unreserved - special revenue	-	298,397	-	-	298,397
Unreserved	17,547	-	-	-	17,547
Total fund balances	496,835	298,397	5,560,670	293,025	6,648,927
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,048,567	\$ 298,397	\$ 5,560,670	\$ 293,025	\$ 7,200,659

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, 2011

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 6,648,927
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	8,820,168
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>(268,496)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 15,200,599</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, 2011

	General	Capital Improvements	Special Service Areas #9-10	Nonmajor Governmental Funds	Total
REVENUES COLLECTED					
Taxes	\$ 1,202,819	\$ 227,271	\$ -	\$ 117,676	\$ 1,547,766
Building permits	32,866	-	-	-	32,866
Fines	20,533	-	-	-	20,533
Franchise fees	13,891	-	-	-	13,891
Park development fees	100	-	-	-	100
Contributions	1,750	-	-	167,315	169,065
Contributions from property owners	-	-	42,648	-	42,648
Investment income	2,716	1,724	1,779	571	6,790
Miscellaneous income	2,851	-	-	-	2,851
Total revenues collected	1,277,526	228,995	44,427	285,562	1,836,510
EXPENDITURES PAID					
Current					
General administration	626,686	-	40,250	125,696	792,632
Public safety	397,581	-	-	-	397,581
Operations and maintenance	339,585	-	-	107,052	446,637
Planning, zoning and engineering	21,164	-	-	-	21,164
Capital outlay	377,950	32,802	-	-	410,752
Debt service					
Principal	1,741	-	-	-	1,741
Interest	238	-	-	-	238
Total expenditures paid	1,764,945	32,802	40,250	232,748	2,070,745
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID					
	(487,419)	196,193	4,177	52,814	(234,235)
OTHER FINANCING SOURCES (USES)					
Transfers in	165,000	-	-	-	165,000
Transfers (out)	-	(165,000)	-	-	(165,000)
Loan proceeds	270,237	-	-	-	270,237
Proceeds from sale of capital assets	808	-	-	-	808
Total other financing sources (uses)	436,045	(165,000)	-	-	271,045
NET CHANGE IN FUND BALANCES	(51,374)	31,193	4,177	52,814	36,810
FUND BALANCES, MAY 1	548,209	267,204	5,556,493	240,211	6,612,117
FUND BALANCES, APRIL 30	\$ 496,835	\$ 298,397	\$ 5,560,670	\$ 293,025	\$ 6,648,927

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, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	36,810
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		337,797
Contributions of capital assets are not a flow of current financial resources, and therefore, are not reported in governmental funds, but are reported as capital grants and contributions on the statement of activities		768,465
Depreciation on capital assets is reported as an expense in the statement of activities		(207,414)
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		(270,237)
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>1,741</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>667,162</u></u>

See accompanying notes to financial statements.

TOWN OF CORTLAND, ILLINOIS

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
 PROPRIETARY FUNDS

April 30, 2011

	Sewer	Water	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 337,647	\$ 536,779	\$ 874,426
Total current assets	337,647	536,779	874,426
CAPITAL ASSETS			
Capital assets not being depreciated			
Land	1,129,775	20,000	1,149,775
Construction in progress	-	3,457,531	3,457,531
Total capital assets not being depreciated	1,129,775	3,477,531	4,607,306
Capital assets being depreciated			
Plant in service	16,004,287	9,444,781	25,449,068
Equipment	406,894	220,128	627,022
Total capital assets being depreciated	16,411,181	9,664,909	26,076,090
Less accumulated depreciation	2,450,097	1,973,513	4,423,610
Net capital assets being depreciated	13,961,084	7,691,396	21,652,480
Net capital assets	15,090,859	11,168,927	26,259,786
Total assets	15,428,506	11,705,706	27,134,212
CURRENT LIABILITIES			
Customer deposits	-	1,360	1,360
Debt certificates payable	175,365	-	175,365
Total current liabilities	175,365	1,360	176,725
LONG-TERM LIABILITIES			
Debt certificates payable	-	-	-
Total long-term liabilities	-	-	-
Total liabilities	175,365	1,360	176,725
NET ASSETS			
Invested in capital assets, net of related debt	14,915,494	11,168,927	26,084,421
Restricted for radium removal	-	135,600	135,600
Unrestricted	337,647	399,819	737,466
TOTAL NET ASSETS	\$ 15,253,141	\$ 11,704,346	\$ 26,957,487

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, 2011

	Sewer	Water	Total
OPERATING REVENUES COLLECTED			
Charges for services	\$ 509,290	\$ 334,102	\$ 843,392
Meter sales	-	2,770	2,770
Miscellaneous	18,911	2,397	21,308
Total operating revenues collected	528,201	339,269	867,470
OPERATING EXPENSES			
Personnel services	37,497	87,716	125,213
Commodities	24,156	47,276	71,432
Contractual services	255,438	256,170	511,608
Other	2,167	10	2,177
Depreciation	489,111	280,008	769,119
Total operating expenses	808,369	671,180	1,479,549
OPERATING INCOME (LOSS)	(280,168)	(331,911)	(612,079)
NONOPERATING REVENUES COLLECTED (EXPENSES)			
Connection fees	4,000	5,825	9,825
Investment income	1,607	3,781	5,388
Interest expense	(12,031)	-	(12,031)
Rental income	10,725	-	10,725
Total nonoperating revenues collected (expenses)	4,301	9,606	13,907
NET INCOME (LOSS) BEFORE CONTRIBUTIONS	(275,867)	(322,305)	(598,172)
CONTRIBUTIONS	296,784	287,817	584,601
CHANGE IN NET ASSETS	20,917	(34,488)	(13,571)
NET ASSETS, MAY 1	15,232,224	11,738,834	26,971,058
NET ASSETS, APRIL 30	\$ 15,253,141	\$ 11,704,346	\$ 26,957,487

See accompanying notes to financial statements.

TOWN OF CORTLAND, ILLINOIS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

For the Year Ended April 30, 2011

	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 542,926	\$ 345,094	\$ 888,020
Payments to employees	(37,497)	(87,716)	(125,213)
Payments to suppliers	(281,761)	(303,456)	(585,217)
Net cash from operating activities	223,668	(46,078)	177,590
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
None	-	-	-
Net cash from noncapital financing activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,607	3,781	5,388
Net cash from investing activities	1,607	3,781	5,388
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(226,235)	-	(226,235)
Interest paid on long-term debt	(12,031)	-	(12,031)
Purchase of capital assets	(47,708)	(215,139)	(262,847)
Net cash from capital and related financing activities	(285,974)	(215,139)	(501,113)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(60,699)	(257,436)	(318,135)
CASH AND CASH EQUIVALENTS, MAY 1	398,346	794,215	1,192,561
CASH AND CASH EQUIVALENTS, APRIL 30	\$ 337,647	\$ 536,779	\$ 874,426

(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, 2011

	Sewer	Water	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (280,168)	\$ (331,911)	\$ (612,079)
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Depreciation	489,111	280,008	769,119
Connection fees	4,000	5,825	9,825
Rental income	10,725	-	10,725
Total adjustments	503,836	285,833	789,669
NET CASH FROM OPERATING ACTIVITIES	\$ 223,668	\$ (46,078)	\$ 177,590
SCHEDULE OF NONCASH TRANSACTIONS			
Contributions	\$ 296,784	\$ 287,817	\$ 584,601
TOTAL NONCASH TRANSACTIONS	\$ 296,784	\$ 287,817	\$ 584,601

See accompanying notes to financial statements.

TOWN OF CORTLAND, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS

April 30, 2011

	<u>Agency Fund</u>
ASSETS	
Cash	<u>\$ 2,558,867</u>
TOTAL ASSETS	<u><u>\$ 2,558,867</u></u>
LIABILITIES	
Due to bondholders	<u>\$ 2,558,867</u>
TOTAL LIABILITIES	<u><u>\$ 2,558,867</u></u>

See accompanying notes to financial statements.

TOWN OF CORTLAND, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

April 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Cortland, Illinois (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)), except as disclosed in Note 1d. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

a. Reporting Entity

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

Discretely Presented Component Unit

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

The Cortland Community Library

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

b. Fund Accounting

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting (Continued)

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

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

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

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

c. Government-Wide and Fund Financial Statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and shared revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major proprietary funds:

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

e. Cash and Cash Equivalents

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

f. Investments

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

g. Capital Assets

Capital assets are recorded as expenditures at the time of purchase. Capital assets, which include property, plant, equipment, 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 \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Capital Assets (Continued)

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

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

2. PROPERTY TAX CALENDAR

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

- The property tax lien date is January 1.
- The annual tax levy ordinance for 2010 was passed December 13, 2010.
- Property taxes are due to the County Collector in two installments, June and September.
- Significant amounts of property taxes for 2010 will be distributed to the Town during May through November 2011.

3. CASH AND INVESTMENTS

The Town's investment policy allows the Town to invest in any investments allowable under state statutes. Statutes authorize the Town to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services and Illinois Funds.

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

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the state to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Funds' share price, the price for which the investment could be sold.

Town Deposits with Financial Institutions

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

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

3. CASH AND INVESTMENTS (Continued)

Town Investments

The following table presents the investments and maturities of the Town's debt securities as of April 30, 2011:

Investment Type	Fair Value	Investment Maturities in Years			
		Less than 1	1-5	6-10	Greater than 10
Illinois Funds	\$ 181,329	\$ 181,329	\$ -	\$ -	\$ -
Money market mutual funds	8,174,435	8,174,435	-	-	-
TOTAL	\$ 8,355,764	\$ 8,355,764	\$ -	\$ -	\$ -

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, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 435,441	\$ -	\$ -	\$ 435,441
Right of way	2,347,520	481,600	-	2,829,120
Total capital assets not being depreciated	2,782,961	481,600	-	3,264,561
Capital assets being depreciated				
Buildings and improvements	110,744	317,000	-	427,744
Vehicles	568,291	20,797	14,000	575,088
Machinery and equipment	220,285	-	-	220,285
Infrastructure	5,089,996	286,865	-	5,376,861
Total capital assets being depreciated	5,989,316	624,662	14,000	6,599,978
Less accumulated depreciation for				
Buildings and improvements	88,286	5,450	-	93,736
Vehicles	360,656	64,935	14,000	411,591
Machinery and equipment	150,179	29,492	-	179,671
Infrastructure	251,836	107,537	-	359,373
Total accumulated depreciation	850,957	207,414	14,000	1,044,371
Total capital assets being depreciated, net	5,138,359	417,248	-	5,555,607
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET				
	\$ 7,921,320	\$ 898,848	\$ -	\$ 8,820,168
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,149,775	\$ -	\$ -	\$ 1,149,775
Construction in progress	3,242,392	215,139	-	3,457,531
Total capital assets not being depreciated	4,392,167	215,139	-	4,607,306
Capital assets being depreciated				
Plants in service	24,864,467	584,601	-	25,449,068
Machinery and equipment	579,314	47,708	-	627,022
Total capital assets being depreciated	25,443,781	632,309	-	26,076,090
Less accumulated depreciation for				
Plants in service	3,281,798	733,887	-	4,015,685
Machinery and equipment	372,693	35,232	-	407,925
Total accumulated depreciation	3,654,491	769,119	-	4,423,610
Total capital assets being depreciated, net	21,789,290	(136,810)	-	21,652,480
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS, NET				
	\$ 26,181,457	\$ 78,329	\$ -	\$ 26,259,786

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	11,811
Operations and maintenance	<u>195,255</u>

TOTAL DEPRECIATION EXPENSE -
 GOVERNMENTAL ACTIVITIES

\$ 207,414

5. LONG-TERM DEBT

Long-term debt payable at April 30, 2011, 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, 2011, the Town had only drawn down \$253,600 of the note. The note will be repaid in two semiannual payments on June 30, 2011 and December 31, 2011 with an interest rate of 4.30%.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 253,600	\$ 9,087	\$ 262,687
TOTAL	<u>\$ 253,600</u>	<u>\$ 9,087</u>	<u>\$ 262,687</u>

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.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 5,379	\$ 560	\$ 5,939
2013	5,626	313	5,939
2014	<u>3,891</u>	<u>66</u>	<u>3,957</u>
TOTAL	<u>\$ 14,896</u>	<u>\$ 939</u>	<u>\$ 15,835</u>

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

5. LONG-TERM DEBT (Continued)

c. 2005A General Obligation Debt Certificates

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

Fiscal Year	Principal	Interest	Total
2012	\$ 175,365	\$ 3,334	\$ 178,699
TOTAL DEBT CERTIFICATES	\$ 175,365	\$ 3,334	\$ 178,699

d. 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	\$ -	\$ 253,600	\$ 253,600
Truck loan	-	16,637	1,741	14,896	5,379
TOTAL GOVERNMENTAL LONG-TERM LIABILITIES	\$ -	\$ 270,237	\$ 1,741	\$ 268,496	\$ 258,979

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	\$ 401,600	\$ -	\$ 226,235	\$ 175,365	\$ 175,365
TOTAL BUSINESS-TYPE LONG-TERM LIABILITIES	\$ 401,600	\$ -	\$ 226,235	\$ 175,365	\$ 175,365

5. LONG-TERM DEBT (Continued)

e. Special Service Area Bonds

During the fiscal year ended April 30, 2003, the Town issued \$5,000,000 Special Service Area #1 bonds, dated October 31, 2002. During the fiscal year ended April 30, 2007, the Town issued the Series 2007 \$5,730,000 Special Service Area #1 Refunding Bonds dated April 2, 2007, which were used to refund through an in-substance defeasance the \$5,000,000 Special Service Area #1 Bonds. The bonds are payable solely from the special service area tax levied upon the properties located in the special service area and do not constitute an indebtedness of the Town. The Town, through its trustee, is acting solely as paying agent in receiving the taxes from the County and remitting principal and interest payments to the bond holders. Accordingly, these bonds are not reported as a liability in the Town's financial statements. As of April 30, 2011, \$5,403,000 of the bonds are outstanding.

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, 2011, \$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, 2011, \$8,530,000 of the bonds are outstanding.

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

5. LONG-TERM DEBT (Continued)

f. 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.

6. INTERFUND TRANSFERS

Individual fund transfers are as follows:

	Transfers In	Transfers Out
General	\$ 165,000	\$ -
Capital Improvements	-	165,000
TOTAL	\$ 165,000	\$ 165,000

The purpose of significant transfers are as follows:

The transfer of \$165,000 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.

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, 2011. 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.

Litigation

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

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, 2011 total \$87,219. Of this amount, \$87,219 is receivable from two loans with the same company. The company has filed for bankruptcy. The Town's attorney is currently researching collection options for the Town. The Town anticipates the loans to be received in full; therefore, an allowance has not been established. Minimum future receipts due from recipients under this program are as follows:

For the Year Ending April 30,	Principal	Interest	Total
2012	\$ 87,219	\$ 5,910	\$ 93,129
TOTAL	\$ 87,219	\$ 5,910	\$ 93,129

10. OPERATING LEASE

The Town leases building space for its Police Department. A lease agreement was entered into during the year ended April 30, 2011 for the period February 1, 2009 through January 31, 2014. Total rent expense incurred for the year ended April 30, 2011 was \$12,508. Projected future minimum lease payments are as follows:

For the Year Ending April 30,	Rent Expense
2012	\$ 13,020
2013	13,602
2014	<u>10,539</u>
TOTAL	<u>\$ 37,161</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.

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

11. ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

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 2010 and 2011, respectively, were 11.09% and 11.16% of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees.

For April 30, 2011, the Town's annual pension cost of \$83,869 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 ranging from 0.40% to 10.00% per year, (c) 3.00% per year cost-of-living adjustments and (d) 3.00% postretirement benefit increases. Both (a) and (b) included an inflation component of 4.00%. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010 was 30 years.

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

For Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 75,225	100.00%	\$ -
2010	81,218	100.00%	-
2011	83,869	100.00%	-

The funded status of the plan as of December 31, 2010, based on actuarial valuations performed as of the same date, is as follows. The actuarial assumptions used to determine the funded status of the plan are the same actuarial assumptions used to determine the employer APC of the plan as disclosed above:

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

11. ILLINOIS MUNICIPAL RETIREMENT FUND (Continued)

	<u>Illinois Municipal Retirement</u>
Actuarial accrued liability (AAL)	\$ 841,565
Actuarial value of plan assets	393,218
Unfunded actuarial accrued liability (UAAL)	448,347
Funded ratio (actuarial value of plan assets/AAL)	46.72%
Covered payroll (active plan members)	\$ 780,553
UAAL as a percentage of covered payroll	57.44%

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

12. OTHER POSTEMPLOYMENT BENEFITS

a. Plan Description

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

b. Benefits Provided

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

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

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

c. Membership

At April 30, 2010, membership consisted of:

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

d. Funding Policy

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

e. Annual OPEB Costs and Net OPEB Obligation

The Town first had an actuarial valuation performed for the Plan as of April 30, 2009 to determine the funded status of the Plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended April 30, 2010. The Town's annual OPEB cost (expense) of \$1,601 was equal to the ARC for the fiscal year, as the transition liability was set at zero as of April 30, 2009. The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for 2010 and 2011 was as follows (information for 2009 is not available as an actuarial valuation was performed for the first time as of April 30, 2009):

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
April 30, 2010	\$ 1,601	\$ 2,255	140.85%	\$ (654)
April 30, 2011	1,545	5,432	351.56%	(4,541)

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

12. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

The net OPEB obligation as of April 30, 2011 was calculated as follows:

Annual required contribution	\$ 1,556
Interest on net OPEB obligation	(33)
Adjustment to annual required contribution	<u>22</u>
Annual OPEB cost	1,545
Contributions made	<u>5,432</u>
Increase in net OPEB obligation	(3,887)
Net OPEB obligation, beginning of year	<u>(654)</u>
NET OPEB OBLIGATION, END OF YEAR	<u>\$ (4,541)</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, 2011 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	47,612	6,183	-	53,795
Total accumulated depreciation	47,612	6,183	-	53,795
Total capital assets being depreciated, net	63,223	(6,183)	-	57,040
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	\$ 63,223	\$ (6,183)	\$ -	\$ 57,040

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, 2011

	Original Budget	Final Budget	Actual
REVENUES COLLECTED			
Taxes collected			
Property tax	\$ 553,500	\$ 553,500	\$ 552,554
Replacement tax	1,600	1,600	1,703
Sales and local use tax	215,000	270,000	278,607
State income tax	230,000	337,500	338,512
Road and bridge tax	-	-	7,951
Utility tax	30,000	30,000	23,492
Total taxes collected	1,030,100	1,192,600	1,202,819
Building permits	60,500	25,500	32,866
Fines	28,600	22,500	20,533
Franchise fees	12,000	12,000	13,891
Park development fees	-	-	100
Contributions	10,000	10,000	1,750
Investment income	16,000	16,000	2,716
Miscellaneous income	1,250	1,250	2,851
Total revenues collected	1,158,450	1,279,850	1,277,526
EXPENDITURES PAID			
Current			
General administration			
Personnel services	396,300	396,300	384,004
Commodities	21,000	21,000	17,876
Contractual services	121,300	209,300	223,806
Other expenditures	6,000	6,000	1,000
Total general administration	544,600	632,600	626,686
Public safety			
Personnel services	345,250	345,250	301,803
Commodities	19,800	19,800	16,537
Contractual services	91,500	92,000	78,948
Other expenditures	-	15,850	-
Other expenditures	1,000	1,000	293
Total public safety	457,550	473,900	397,581

(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, 2011

	Original Budget	Final Budget	Actual
EXPENDITURES PAID (Continued)			
Current (Continued)			
Operations and maintenance			
Personnel services	\$ 197,150	\$ 197,150	\$ 193,955
Commodities	16,000	16,000	15,028
Contractual services	153,600	148,121	130,602
Capital outlay	-	-	-
Total operations and maintenance	<u>366,750</u>	<u>361,271</u>	<u>339,585</u>
Planning, zoning and engineering			
Contractual services	125,000	45,000	21,164
Total planning, zoning and engineering	<u>125,000</u>	<u>45,000</u>	<u>21,164</u>
Capital outlay	135,000	268,710	377,950
Debt service			
Principal	-	1,750	1,741
Interest	-	250	238
Total expenditures paid	<u>1,628,900</u>	<u>1,783,481</u>	<u>1,764,945</u>
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID	<u>(470,450)</u>	<u>(503,631)</u>	<u>(487,419)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	340,000	403,400	165,000
Loan proceeds	-	-	270,237
Proceeds from sale of capital assets	-	-	808
Total other financing sources (uses)	<u>340,000</u>	<u>403,400</u>	<u>436,045</u>
NET CHANGE IN FUND BALANCE	<u>\$ (130,450)</u>	<u>\$ (100,231)</u>	(51,374)
FUND BALANCE, MAY 1			<u>548,209</u>
FUND BALANCE, APRIL 30			<u>\$ 496,835</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
CAPITAL IMPROVEMENTS FUND

For the Year Ended April 30, 2011

	Original Budget	Final Budget	Actual
REVENUES COLLECTED			
Taxes collected			
Utility taxes - electricity	\$ 90,000	\$ 90,000	\$ 96,965
Utility taxes - gas	49,000	49,000	48,086
Utility taxes - telephone	105,000	105,000	82,220
Total taxes collected	244,000	244,000	227,271
Investment income	3,500	3,500	1,724
Total revenues collected	247,500	247,500	228,995
EXPENDITURES PAID			
Capital outlay			
Office equipment	10,000	10,000	2,507
Handicap access	6,000	6,000	5,990
Emergency preparedness	5,000	5,000	1,669
Other	79,250	79,250	22,636
Total capital outlay	100,250	100,250	32,802
Total expenditures paid	100,250	100,250	32,802
EXCESS (DEFICIENCY) OF REVENUES COLLECTED OVER EXPENDITURES PAID	147,250	147,250	196,193
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(340,000)	(340,000)	(165,000)
Total other financing sources (uses)	(340,000)	(340,000)	(165,000)
NET CHANGE IN FUND BALANCE	<u>\$ (192,750)</u>	<u>\$ (192,750)</u>	31,193
FUND BALANCE, MAY 1			<u>267,204</u>
FUND BALANCE, APRIL 30			<u>\$ 298,397</u>

(See independent auditor's report.)

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

April 30, 2011

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)
2005	\$ 355,897	\$ 578,893	61.48%	\$ 222,996	\$ 433,667	51.42%
2006	456,482	697,239	65.47%	240,757	527,581	45.63%
2007	512,197	780,533	65.62%	268,336	635,283	42.24%
2008	592,444	934,784	63.38%	342,340	692,677	49.42%
2009	712,161	1,066,616	66.77%	354,455	694,673	51.02%
2010	393,218	841,565	46.72%	448,347	780,553	57.44%

(See independent auditor's report.)

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

April 30, 2011

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

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, 2011

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
2006	\$ 45,275	\$ 45,275	100.00%
2007	59,722	59,722	100.00%
2008	69,690	69,690	100.00%
2009	75,225	75,225	100.00%
2010	81,218	81,218	100.00%
2011	83,869	83,869	100.00%

(See independent auditor's report.)

TOWN OF CORTLAND, ILLINOIS

SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT FUND

April 30, 2011

<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%

(See independent auditor's report.)

TOWN OF CORTLAND, ILLINOIS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

April 30, 2011

BUDGETS AND BUDGETARY ACCOUNTING

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

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

EXPENDITURES IN EXCESS OF BUDGET

The following fund had actual expenditures in excess of budget:

	<u>Budget</u>	<u>Actual</u>
Motor Fuel Tax Fund	\$ 105,000	\$ 107,052

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, 2011

	Original Budget	Final Budget	Actual
CURRENT			
General administration			
Personnel services			
Salaries - elected officials	\$ 296,100	\$ 296,100	\$ 87,470
Salaries - town officers	-	-	148,915
Salaries - clerical workers	-	-	59,832
Payroll taxes	22,800	22,800	22,661
IMRF contribution	38,700	38,700	27,945
Employee health insurance	38,700	38,700	37,181
Total personnel services	396,300	396,300	384,004
Commodities			
Office supplies	2,000	2,000	1,715
Office equipment and maintenance	16,000	16,000	13,220
Copies and printing	3,000	3,000	2,941
Total commodities	21,000	21,000	17,876
Contractual services			
Legal	115,000	275,000	276,999
Audit	5,000	5,000	4,658
Insurance	17,000	10,000	9,736
Street lighting	25,000	10,000	-
Postage	2,500	2,500	1,949
Telephone	5,000	5,000	6,776
Dues and subscriptions	1,800	1,800	1,384
Travel and training	-	-	8,909
Less reimbursement	(50,000)	(100,000)	(86,605)
Total contractual services	121,300	209,300	223,806
Other expenditures	6,000	6,000	1,000
Total general administration	544,600	632,600	626,686
Public safety			
Personnel services			
Salaries - police officers	267,000	267,000	226,627
Salaries - clerical	-	-	11,164
Payroll taxes	20,000	20,000	19,521
IMRF contribution	19,850	19,850	18,478
Employee health insurance	36,400	36,400	25,086
Uniforms	2,000	2,000	927
Total personnel services	345,250	345,250	301,803

(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, 2011

	Original Budget	Final Budget	Actual
CURRENT (Continued)			
Public safety (Continued)			
Commodities			
Gas and petroleum	\$ 16,000	\$ 16,000	\$ 13,799
Office supplies	900	900	767
Office equipment and maintenance	1,300	1,300	1,319
Copies and printing	500	500	652
DUI prevention	1,100	1,100	-
Total commodities	19,800	19,800	16,537
Contractual services			
Maintenance and operations - vehicles and equipment	27,000	27,000	15,769
Maintenance and operations - police office	800	800	42
Insurance	10,600	10,600	10,730
Telephone	3,600	3,600	3,540
Utilities	1,100	1,600	1,020
Telecommunications services	32,500	32,500	32,532
Travel and training	2,000	2,000	1,384
Dues and subscriptions	1,500	1,500	1,283
Postage	250	250	140
Office lease	12,150	12,150	12,508
Total contractual services	91,500	92,000	78,948
Capital outlay	-	15,850	-
Other expenditures	1,000	1,000	293
Total public safety	457,550	473,900	397,581
Operations and maintenance			
Personnel services			
Salaries - maintenance and operations	159,500	159,500	157,277
Payroll taxes	11,350	11,350	12,036
IMRF contribution	15,800	15,800	16,658
Employee health insurance	7,000	7,000	6,275
Uniforms	2,000	2,000	1,384
Drug and alcohol program	1,500	1,500	325
Total personnel services	197,150	197,150	193,955
Commodities			
Gas and petroleum	16,000	16,000	15,028
Contractual services			
Maintenance and operation - garage	1,100	1,100	1,463
Maintenance and operation - town hall	16,000	16,000	6,713
Maintenance and operation - streets	8,900	8,900	5,795
Maintenance and operation - storm sewer	16,400	2,421	2,700
Maintenance and operation - maintenance vehicles	20,400	20,400	17,867
Maintenance and operation - parks	20,300	20,300	20,903
Maintenance and operation - railroad crossings	3,900	3,900	1,897

(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, 2011

	Original Budget	Final Budget	Actual
CURRENT (Continued)			
Operations and maintenance (Continued)			
Contractual services (Continued)			
Street lights	\$ 35,000	\$ 35,000	\$ 36,766
Road salt	15,000	15,000	16,738
Road signs	1,200	1,200	2,302
Tools and hardware	3,200	3,200	1,862
Equipment rental	1,500	1,500	539
Insurance	-	7,000	6,977
Office supplies	200	200	185
Postage	100	100	-
Telephone	3,000	3,000	3,125
Utilities	2,500	4,000	5,179
Travel and training	2,500	2,500	1,302
Storage building lease	2,400	2,400	2,400
Miscellaneous	-	-	25
Less reimbursements	-	-	(4,136)
Total contractual services	153,600	148,121	130,602
Capital outlay			
Park development	-	-	-
Total capital outlay	-	-	-
Total operations and maintenance	366,750	361,271	339,585
Planning, zoning and engineering			
Contractual services			
Engineering	125,000	45,000	13,361
Zoning administration	-	-	527
Building inspection fees	-	-	22,739
Less reimbursements	-	-	(15,463)
Total contractual services	125,000	45,000	21,164
Total planning, zoning and engineering	125,000	45,000	21,164
CAPITAL OUTLAY			
Subdivision improvements	125,000	142,000	30,063
Vehicle	-	4,160	20,797
Building	-	47,550	-
Building improvements	-	-	253,600
Public Works building	10,000	75,000	73,490
Total capital outlay	135,000	268,710	377,950
DEBT SERVICE			
Principal	-	1,750	1,741
Interest	-	250	238
Total debt service	-	2,000	1,979
TOTAL EXPENDITURES	\$ 1,628,900	\$ 1,783,481	\$ 1,764,945

(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, 2011

	Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
	Motor Fuel Tax	Economic Development	Special Service Area #1	Special Service Areas #4-8	
ASSETS					
Cash and cash equivalents	\$ 82,266	\$ 68,645	\$ -	\$ 54,895	\$ 205,806
Note receivable	-	87,219	-	-	87,219
TOTAL ASSETS	\$ 82,266	\$ 155,864	\$ -	\$ 54,895	\$ 293,025
LIABILITIES AND FUND BALANCES					
LIABILITIES					
None	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES					
Reserved for note receivable	-	87,219	-	-	87,219
Reserved for capital improvements	-	-	-	54,895	54,895
Reserved for highways and streets	82,266	-	-	-	82,266
Reserved for economic development	-	68,645	-	-	68,645
Total fund balances	82,266	155,864	-	54,895	293,025
TOTAL LIABILITIES AND FUND BALANCES	\$ 82,266	\$ 155,864	\$ -	\$ 54,895	\$ 293,025

(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, 2011

	Special Revenue		Capital Projects		Total Nonmajor Governmental Funds
	Motor Fuel Tax	Economic Development	Special Service Area #1	Special Service Areas #4-8	
REVENUES COLLECTED					
Taxes	\$ 117,676	\$ -	\$ -	\$ -	\$ 117,676
Contributions	-	-	9,203	158,112	167,315
Investment income	470	94	1	6	571
Total revenues collected	118,146	94	9,204	158,118	285,562
EXPENDITURES PAID					
Current					
General administration	-	-	18,631	107,065	125,696
Operations and maintenance	107,052	-	-	-	107,052
Total expenditures paid	107,052	-	18,631	107,065	232,748
NET CHANGE IN FUND BALANCES	11,094	94	(9,427)	51,053	52,814
FUND BALANCES, MAY 1	71,172	155,770	9,427	3,842	240,211
FUND BALANCES, APRIL 30	\$ 82,266	\$ 155,864	\$ -	\$ 54,895	\$ 293,025

(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, 2011

	Final Budget	Actual
REVENUES COLLECTED		
Taxes collected		
Motor fuel tax	\$ 110,000	\$ 117,676
Investment income	500	470
	<u>110,500</u>	<u>118,146</u>
EXPENDITURES PAID		
Current		
Operations and maintenance	105,000	107,052
	<u>105,000</u>	<u>107,052</u>
NET CHANGE IN FUND BALANCE	<u>\$ 5,500</u>	11,094
FUND BALANCE, MAY 1		<u>71,172</u>
FUND BALANCE, APRIL 30		<u>\$ 82,266</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, 2011

	Final Budget	Actual
REVENUES COLLECTED		
Investment income	\$ 90	\$ 94
Total revenues collected	90	94
EXPENDITURES PAID		
None	-	-
Total expenditures paid	-	-
NET CHANGE IN FUND BALANCE	<u>\$ 90</u>	94
FUND BALANCE, MAY 1		<u>155,770</u>
FUND BALANCE, APRIL 30		<u>\$ 155,864</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, 2011

	Final Budget	Actual
OPERATING REVENUES COLLECTED		
Charges for services	\$ 470,000	\$ 509,290
Miscellaneous	19,000	18,911
Total operating revenues collected	489,000	528,201
OPERATING EXPENSES PAID		
Personnel services	51,100	37,497
Commodities	15,500	24,156
Contractual services	377,800	253,325
Other	2,250	2,167
Capital outlay	812,000	49,821
Total operating expenses paid	1,258,650	366,966
OPERATING INCOME (LOSS)	(769,650)	161,235
NONOPERATING REVENUES COLLECTED (EXPENSES)		
Connection fees	3,500	4,000
Investment income	6,000	1,607
Principal payments	(399,000)	(226,235)
Interest expense	(60,000)	(12,031)
Rental income	960,500	10,725
Total nonoperating revenues collected (expenses)	511,000	(221,934)
NET INCOME (LOSS), BUDGETARY BASIS	\$ (258,650)	(60,699)
Adjustments to modified cash basis		
Principal payments		226,235
Depreciation expense		(489,111)
Capital outlay capitalized		47,708
Contributions		296,784
Total adjustments to modified cash basis		81,616
CHANGE IN NET ASSETS		20,917
NET ASSETS, MAY 1		15,232,224
NET ASSETS, APRIL 30		\$ 15,253,141

(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, 2011

	Final Budget	Actual
OPERATING REVENUES COLLECTED		
Charges for services	\$ 315,000	\$ 334,102
Meter sales	8,500	2,770
Miscellaneous	2,100	2,397
	<hr/>	
Total operating revenues collected	325,600	339,269
OPERATING EXPENSES		
Personnel services	118,600	87,716
Commodities	70,250	47,276
Contractual services	277,100	253,440
Other	1,000	10
Capital outlay	246,000	217,869
	<hr/>	
Total operating expenses	712,950	606,311
	<hr/>	
OPERATING INCOME (LOSS)	(387,350)	(267,042)
NONOPERATING REVENUES COLLECTED		
Connection fees	3,500	5,825
Investment income	11,000	3,781
	<hr/>	
Total nonoperating revenues collected	14,500	9,606
	<hr/>	
NET INCOME (LOSS), BUDGETARY BASIS	\$ (372,850)	(257,436)
Adjustments to modified cash basis		
Gain on disposal of capital assets		-
Depreciation expense		(280,008)
Capital outlay capitalized		215,139
Contributions		287,817
		<hr/>
Total adjustment to modified cash basis		222,948
		<hr/>
CHANGE IN NET ASSETS		(34,488)
		<hr/>
NET ASSETS, MAY 1		11,738,834
		<hr/>
NET ASSETS, APRIL 30		\$ 11,704,346
		<hr/>

(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, 2011

	Total			Balance April 30
	Balance May 1	Increases	Decreases	
TOTAL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 3,335,001	\$ 2,647,220	\$ 3,423,354	\$ 2,558,867
TOTAL ASSETS	\$ 3,335,001	\$ 2,647,220	\$ 3,423,354	\$ 2,558,867
LIABILITIES				
Due to bondholders	\$ 3,335,001	\$ 2,647,220	\$ 3,423,354	\$ 2,558,867
TOTAL LIABILITIES	\$ 3,335,001	\$ 2,647,220	\$ 3,423,354	\$ 2,558,867
SPECIAL SERVICE AREA #1				
ASSETS				
Cash and cash equivalents	\$ 321,622	\$ 383,712	\$ 368,418	\$ 336,916
TOTAL ASSETS	\$ 321,622	\$ 383,712	\$ 368,418	\$ 336,916
LIABILITIES				
Due to bondholders	\$ 321,622	\$ 383,712	\$ 368,418	\$ 336,916
TOTAL LIABILITIES	\$ 321,622	\$ 383,712	\$ 368,418	\$ 336,916
SPECIAL SERVICE AREAS #4-8				
ASSETS				
Cash and cash equivalents	\$ 2,103,386	\$ 1,443,805	\$ 2,189,385	\$ 1,357,806
TOTAL ASSETS	\$ 2,103,386	\$ 1,443,805	\$ 2,189,385	\$ 1,357,806
LIABILITIES				
Due to bondholders	\$ 2,103,386	\$ 1,443,805	\$ 2,189,385	\$ 1,357,806
TOTAL LIABILITIES	\$ 2,103,386	\$ 1,443,805	\$ 2,189,385	\$ 1,357,806
SPECIAL SERVICE AREAS #9-10				
ASSETS				
Cash and cash equivalents	\$ 909,993	\$ 819,703	\$ 865,551	\$ 864,145
TOTAL ASSETS	\$ 909,993	\$ 819,703	\$ 865,551	\$ 864,145
LIABILITIES				
Due to bondholders	\$ 909,993	\$ 819,703	\$ 865,551	\$ 864,145
TOTAL LIABILITIES	\$ 909,993	\$ 819,703	\$ 865,551	\$ 864,145

(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, 2011

	Cortland Community Library	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 40,661	\$ -	\$ 40,661
Capital assets (net of accumulated depreciation)	-	57,040	57,040
TOTAL ASSETS	\$ 40,661	\$ 57,040	\$ 97,701
LIABILITIES AND FUND BALANCES/NET ASSETS			
LIABILITIES			
Payroll tax withholding	\$ 2,057	\$ -	\$ 2,057
Total liabilities	2,057	-	2,057
FUND BALANCES/NET ASSETS			
Net assets			
Invested in capital assets	-	57,040	57,040
Fund balances/net assets			
Unreserved - undesignated	38,604	-	38,604
Total fund balances/net assets	38,604	57,040	95,644
TOTAL LIABILITIES AND FUND BALANCES/NET ASSETS	\$ 40,661	\$ 57,040	\$ 97,701

(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, 2011

	General	Adjustments	Statement of Activities
REVENUES			
Taxes	\$ 259,575	\$ -	\$ 259,575
Fines	2,383	-	2,383
Grant revenue	-	-	-
Contributions	2,525	-	2,525
Investment income	383	-	383
Miscellaneous income	347	-	347
Total revenues	265,213	-	265,213
EXPENDITURES			
Current			
Culture and recreation	253,701	14,732	268,433
Capital outlay	8,549	(8,549)	-
Total expenditures	262,250	6,183	268,433
NET CHANGE IN FUND BALANCES/ NET ASSETS	2,963	(6,183)	(3,220)
FUND BALANCES/NET ASSETS, MAY 1	35,641	63,223	98,864
FUND BALANCES/NET ASSETS, APRIL 30	\$ 38,604	\$ 57,040	\$ 95,644

(See independent auditor's report.)

SUPPLEMENTAL SCHEDULES

TOWN OF CORTLAND, ILLINOIS

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

Last Ten Levy Years

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
ASSESSED VALUATIONS										
DeKalb County	\$ 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	\$ 26,374,343
TAX RATES										
Town										
Corporate	.5345	.4913	.5098	.5129	.5400	.5380	.5523	.5900	.6268	.6357
IMRF	.0678	.0604	.0668	.0696	.0669	.0674	.0784	.0821	.0664	.0681
Social security	.0613	.0540	.0551	.0586	.0669	.0694	.0793	.0658	.0791	.0802
Police protection	.0818	.0736	.0728	.0733	.0772	.0750	.0750	.0697	.0750	.0745
Total Town	.7454	.6793	.7045	.7144	.7510	.7498	.7850	.8076	.8473	.8585
Library										
Library maintenance	.0078	.0074	.0079	.0073	.0081	.0159	.0169	.0200	.0191	.0200
Library	.3000	.2896	.2958	.2931	.2832	.1496	.1409	.1500	.1500	.1500
Library IMRF	.0078	.0074	.0079	.0095	.0162	.0050	.0090	.0056	.0049	.0019
Library audit	.0019	.0019	.0020	.0022	.0065	.0050	.0034	.0034	.0039	.0038
Library working cash	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0407	.0500
Library tort judgments, liability	.0052	.0049	.0052	.0088	.0097	.0059	.0158	.0127	.0089	.0095
Library social security	.0083	.0079	.0085	.0088	.0162	.0079	.0135	.0085	.0066	.0019
Total Library	.3310	.3191	.3273	.3297	.3399	.1893	.1995	.2002	.2341	.2371
TOTAL TAX RATE	1.0764	.9984	1.0318	1.0441	1.0909	.9391	.9845	1.0078	1.0814	1.0956
TAX EXTENSIONS										
Town										
Corporate	\$ 416,531	\$ 400,307	\$ 389,479	\$ 350,003	\$ 311,426	\$ 271,500	\$ 230,001	\$ 208,997	\$ 182,532	\$ 167,662
IMRF	52,830	49,207	51,018	47,504	38,567	34,002	32,651	29,077	19,343	17,969
Social security	47,781	44,000	42,056	40,004	38,567	35,001	33,001	23,318	23,024	21,147
Police protection	63,708	60,004	55,647	50,001	44,494	37,847	31,231	24,678	21,842	19,638
Total Town	580,850	553,518	538,200	487,512	433,054	378,350	326,884	286,070	246,741	226,416

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
TAX EXTENSIONS (Continued)										
Library										
Library maintenance	\$ 6,078	\$ 6,005	\$ 6,005	\$ 5,002	\$ 4,653	\$ 8,003	\$ 7,037	\$ 7,084	\$ 5,548	\$ 5,275
Library	233,761	236,006	226,005	200,006	163,307	75,502	58,652	53,132	43,684	39,562
Library IMRF	6,078	6,005	6,005	6,504	9,342	2,503	3,760	2,001	1,433	501
Library audit	1,527	1,507	1,505	1,501	3,737	2,523	1,412	1,201	1,147	1,002
Library working cash	-	-	-	-	-	-	-	-	11,844	13,187
Library tort judgments, liability	4,029	4,001	4,003	6,005	5,605	3,003	6,579	4,502	2,577	2,500
Library social security	6,475	6,502	6,501	6,005	9,342	4,002	5,634	3,000	1,908	501
Total Library	257,948	260,026	250,024	225,023	195,986	95,536	83,074	70,920	68,141	62,528
TOTAL TAX EXTENSIONS	\$ 838,798	\$ 813,544	\$ 788,224	\$ 712,535	\$ 629,040	\$ 473,886	\$ 409,958	\$ 356,990	\$ 314,882	\$ 288,944
TAX COLLECTIONS										
Town										
Corporate	\$ -	\$ 399,610	\$ 388,789	\$ 349,895	\$ 310,725	\$ 270,832	\$ 229,557	\$ 208,311	\$ 182,467	\$ 167,639
IMRF	-	49,121	50,927	47,489	38,480	33,918	32,588	28,982	19,336	17,966
Social security	-	43,924	41,982	39,991	38,480	34,915	32,937	23,241	23,016	21,144
Police protection	-	59,899	55,549	49,986	44,394	37,754	31,171	24,597	21,834	19,636
Total Town	-	552,554	537,247	487,361	432,079	377,419	326,253	285,131	246,653	226,385
Library										
Library maintenance	-	5,995	5,994	4,999	4,643	7,984	7,024	7,061	5,545	5,274
Library	-	235,595	225,604	199,868	162,940	75,317	58,538	52,958	43,662	39,556
Library IMRF	-	5,995	5,994	6,499	9,321	2,497	3,753	1,995	1,432	501
Library audit	-	1,505	1,502	1,500	3,728	2,517	1,409	1,197	1,147	1,002
Library working cash	-	-	-	-	-	-	-	-	11,838	13,185
Library tort judgments, liability	-	3,994	3,996	6,001	5,592	2,995	6,567	4,487	2,576	2,500
Library social security	-	6,491	6,490	6,001	9,321	3,992	5,623	2,990	1,907	501
Total Library	-	259,575	249,580	224,868	195,545	95,302	82,914	70,688	68,107	62,519
TOTAL TAX COLLECTIONS AS OF APRIL 30	\$ -	\$ 812,129	\$ 786,827	\$ 712,229	\$ 627,624	\$ 472,721	\$ 409,167	\$ 355,819	\$ 314,760	\$ 288,904
PERCENTAGE OF EXTENSIONS COLLECTED AS OF APRIL 30	0.00%	99.83%	99.82%	99.96%	99.77%	99.75%	99.81%	99.67%	99.96%	99.99%

(See independent auditor's report.)

TOWN OF CORTLAND, ILLINOIS
SCHEDULE OF LEGAL DEBT MARGIN

April 30, 2011

ASSESSED VALUATION (2010 Latest Year Available)	<u>\$ 77,920,413</u>
STATUTORY DEBT LIMITATION (8.625% of assessed valuation)	<u>\$ 6,720,636</u>
TOTAL DEBT	
Sewer debt certificate	175,365
Truck Loan	14,896
Building Note	<u>253,600</u>
Total debt	<u>443,861</u>
LEGAL DEBT MARGIN	<u>\$ 6,276,775</u>

(See independent auditor's report.)