

TOWN OF CORTLAND, ILLINOIS



**ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
APRIL 30, 2014**

TOWN OF CORTLAND, ILLINOIS

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FINANCIAL SECTION

This section includes:

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Required Supplementary Information
- Combining and Individual Fund Statements and Schedules

INDEPENDENT AUDITORS' REPORT

This section includes the opinion of the Town's independent auditing firm.



INDEPENDENT AUDITORS' REPORT

July 24, 2014

The Honorable Town Mayor
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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Cortland, Illinois, as of April 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

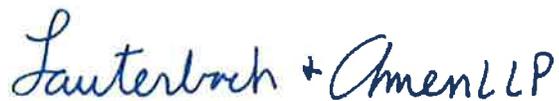
Other Matters

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cortland, Illinois', financial statements as a whole. The combining and individual fund financial statements and schedules, and supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements and schedules and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



LAUTERBACH & AMEN, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF CORTLAND, ILLINOIS

Management's Discussion and Analysis April 30, 2014

Our discussion and analysis of the Town of Cortland's financial performance provides an overview of the Town's financial activities for the fiscal year ended April 30, 2014. Please read it in conjunction with the Town's financial statements, which begin on page 3.

FINANCIAL HIGHLIGHTS

- The Town's net position decreased from \$36,854,808 to \$34,744,742, a decrease of \$2,110,066 or 5.7%. The majority of the decrease is related to the settlement agreement in the amount of \$1,500,000.
- During the year, government-wide revenues totaled \$3,074,427, while government-wide expenses totaled \$5,184,493, resulting in a decrease to net position of \$2,110,066.
- Total fund balances for the governmental funds were \$1,827,588 at April 30, 2014 compared to \$2,521,707 in the prior year, a decrease of \$694,119 or 27.5 percent.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 3 - 6) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements begin on page 7. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operation in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

The government-wide financial statements provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The government wide financial statements can be found on pages 3 - 6 of this report.

The Statement of Net Position reports information on all of the Town's assets/deferred outflows and liabilities/deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Consideration of other nonfinancial factors, such as changes in the Town's property tax base and the condition of the Town's roads, is needed to assess the overall health of the Town.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

TOWN OF CORTLAND, ILLINOIS

Management's Discussion and Analysis April 30, 2014

USING THIS ANNUAL REPORT – Continued

Government-Wide Financial Statements – Continued

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements report functions of the Town that are principally supported by taxes and charges for services revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety and highways and streets. The business-type activities of the Town include water and sewer.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The Town maintains eight individual governmental funds, General Fund, Motor Fuel Tax Fund, Economic Development Fund, Tax Increment Financing Fund, Capital Improvement Fund, Special Service Areas #9-10 Fund, Special Service Area #1 Fund, and Special Service Ares #4-8 Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Improvements Fund, both of which are considered major funds. Data from the other remaining governmental funds is presented in aggregate on the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances.

TOWN OF CORTLAND, ILLINOIS

Management's Discussion and Analysis April 30, 2014

USING THIS ANNUAL REPORT – Continued

Fund Financial Statements – Continued

Governmental Funds – Continued

The Town adopts an annual budget for the General Fund, Capital Improvements Fund, Motor Fuel Tax Fund, Economic Development Fund, and Tax Increment Financing Fund. A budgetary comparison schedule for these funds has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 7 - 10 of this report.

Proprietary Funds

The Town maintains one type of proprietary fund, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town utilizes enterprise funds to account for its water and sewer operations.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund and Sewer Fund, which are major funds of the Town.

The basic proprietary fund financial statements can be found on pages 11 - 13 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting use for fiduciary funds is much like that used for proprietary funds. The Town has three fiduciary funds: Special Service Area #1 Fund, Special Service Area #4-8 Fund, and Special Service Area #9-10. The basic fiduciary fund financial statements can be found on page 14 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 - 39 of this report.

TOWN OF CORTLAND, ILLINOIS

Management's Discussion and Analysis April 30, 2014

USING THIS ANNUAL REPORT – Continued

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's I.M.R.F. employee pension obligations and budgetary comparison schedule for the General Fund. Required supplementary information can be found on pages 40 - 41 of this report. The combining and individual fund statements and schedules can be found immediately after the required supplementary information, on pages 42 - 61 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following tables show that in the case of the Town, assets exceeded liabilities/deferred inflows by \$34.7 million.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 3,126,316	3,832,726	1,655,656	1,283,356	4,781,972	5,116,082
Capital Assets	9,243,247	9,290,494	24,051,739	24,654,144	33,294,986	33,944,638
Total Assets	12,369,563	13,123,220	25,707,395	25,937,500	38,076,958	39,060,720
Long-Term Debt	1,442,232	753,102	260,970	-	1,703,202	753,102
Other Liabilities/Def. Inflows	1,409,736	1,398,915	219,278	53,895	1,629,014	1,452,810
Total Liabilities/Def. Inflows	2,851,968	2,152,017	480,248	53,895	3,332,216	2,205,912
Net Position						
Net Investment in						
Capital Assets	7,748,134	8,484,448	23,790,769	24,654,144	31,538,903	33,138,592
Restricted	1,386,691	1,437,214	135,600	135,600	1,522,291	1,572,814
Unrestricted	382,770	1,049,541	1,300,778	1,093,861	1,683,548	2,143,402
Total Net Position	9,517,595	10,971,203	25,227,147	25,883,605	34,744,742	36,854,808

By far the largest portion of the Town's net position (90.8 percent) reflects its investment in capital assets (for example, land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion or 4.4 percent of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining 4.8 percent represents unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors.

TOWN OF CORTLAND, ILLINOIS

Management's Discussion and Analysis April 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues						
Charges for Services	\$ 38,586	40,412	851,040	877,965	889,626	918,377
Operating Grants/Contrib.	139,777	118,860	-	-	139,777	118,860
Capital Grants/Contrib.	-	18,652	-	-	-	18,652
General Revenues						
Property Taxes	631,444	590,637	-	-	631,444	590,637
Utility Taxes	240,741	234,201	-	-	240,741	234,201
Sales and Use Taxes	568,261	674,022	-	-	568,261	674,022
Income Taxes	416,095	384,814	-	-	416,095	384,814
Other Taxes	13,983	11,345	-	-	13,983	11,345
Interest Income	2,211	2,952	267	1,129	2,478	4,081
Miscellaneous	126,358	82,028	45,664	48,108	172,022	130,136
Total Revenues	2,177,456	2,157,923	896,971	927,202	3,074,427	3,085,125
Expenses						
General Government	2,715,312	859,578	-	-	2,715,312	859,578
Public Safety	413,699	411,179	-	-	413,699	411,179
Highways and Streets	439,985	540,016	-	-	439,985	540,016
Interest on Long-Term Debt	62,068	31,091	-	-	62,068	31,091
Water	-	-	766,709	738,096	766,709	738,096
Sewer	-	-	786,720	824,415	786,720	824,415
Total Expenses	3,631,064	1,841,864	1,553,429	1,562,511	5,184,493	3,404,375
Change in Net Position	(1,453,608)	316,059	(656,458)	(635,309)	(2,110,066)	(319,250)
Net Position - Beginning	10,971,203	10,655,144	25,883,605	26,518,914	36,854,808	37,174,058
Net Position - Ending	9,517,595	10,971,203	25,227,147	25,883,605	34,744,742	36,854,808

The Town's net position decreased from \$36,854,808 to \$34,744,742.

Expenses of \$5,184,493 exceeded revenues of \$3,074,427, resulting in the decrease to net position in the current year of \$2,110,066.

Governmental Activities

In the current year, governmental net position decreased \$1,453,608, or 15.3 percent. This decrease includes the \$1,500,000 settlement agreement that was paid off.

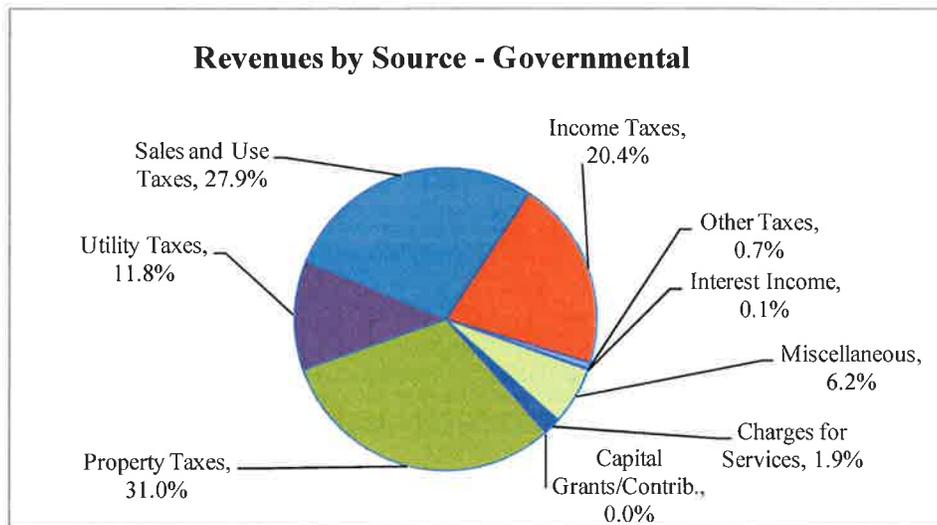
TOWN OF CORTLAND, ILLINOIS

**Management’s Discussion and Analysis
April 30, 2014**

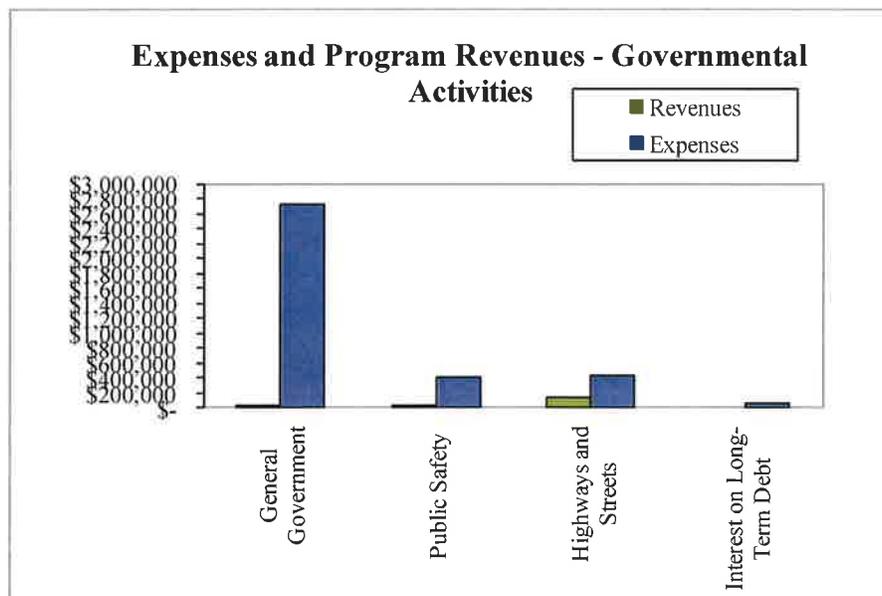
GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Governmental Activities – Continued

The following table graphically depicts the major revenue sources of the Town. It depicts very clearly the reliance of property taxes and sales and use taxes to fund governmental activities.



The ‘Expenses and Program Revenues’ Table identifies those governmental functions where program expenses greatly exceed revenues. The general government, public safety and highways and streets functions charge user fees for services provided. The user fees charged do not cover the expenses, which furthermore signifies the Town’s reliance on general revenues such as property taxes and sales and use taxes.



TOWN OF CORTLAND, ILLINOIS

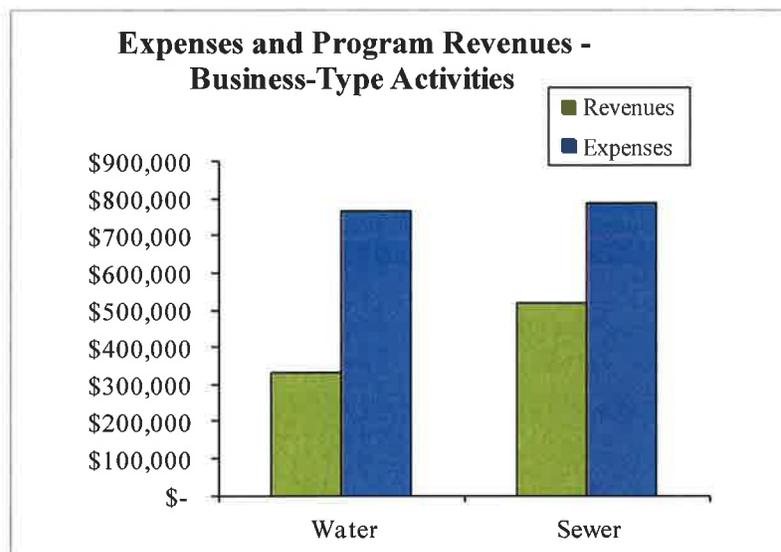
Management's Discussion and Analysis April 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Business-Type Activities

Revenues for business-type activities totaled \$896,971, while expenses totaled \$1,553,429, resulting in a decrease to business-type net position of \$656,458.

Water and sewer expenses decreased from \$1,562,511 in the prior year to \$1,553,371 in the current year, a decrease of 0.6 percent. Revenues also decreased by \$29,369 or 3.2 percent. The Town is currently undergoing a rate study to determine if future water and sewer rates should be increase for operational needs.



The above graph compares program revenues to expenses for water and sewer operations. The graph shows that revenues for the water and sewer operations are not able to cover expenses.

TOWN OF CORTLAND, ILLINOIS

Management's Discussion and Analysis April 30, 2014

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the governmental funds reported combined ending fund balances of \$1,827,588, which is 27.5 percent lower than last year's ending fund balance of \$2,521,707.

In the current year, governmental fund balances decreased by \$694,119. The General Fund reported a decrease of \$959,465, due to the settlement agreement being completed. The Capital Improvements Fund reported an increase of \$237,052, due primarily to capital expenditures being under budget by \$240,171.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, one supplemental amendment was made to the budget for the General Fund.

The General Fund actual revenues were higher than budgeted revenues. Actual revenues for the current year were \$1,555,691 compared to budgeted revenues of \$1,506,388 due to the Village receiving higher than budgeted miscellaneous revenues in the current year.

The General Fund actual expenditures were lower than budgeted expenditures. Actual expenditures totaled \$3,278,881, while budgeted expenditures totaled \$3,521,194. All of the functions of the Village were under budget due to management adhering to budget constraints in light of the economy.

TOWN OF CORTLAND, ILLINOIS

**Management's Discussion and Analysis
April 30, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of April 30, 2014 was \$33,294,986 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, vehicles and equipment and infrastructure.

The total decrease in the Town's investment in capital assets for the current fiscal year was \$649,652. This overall decrease is due to the depreciation expense charged for the year of \$1,067,555 being greater than the \$417,903 the Town added in capital asset additions in the current year.

	Capital Assets - Net of Depreciation					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 3,264,561	3,264,561	1,156,775	1,156,775	4,421,336	4,421,336
Construction in Progress	-	-	255,292	-	255,292	-
Building and Improvements	1,053,231	948,017	-	-	1,053,231	948,017
Vehicles and Equipment	230,580	275,504	147,259	184,932	377,839	460,436
Infrastructure	4,694,875	4,802,412	22,492,413	23,312,437	27,187,288	28,114,849
Total	9,243,247	9,290,494	24,051,739	24,654,144	33,294,986	33,944,638

Additional information on the Town's capital assets can be found in note 3 on pages 27 - 28 of this report.

Debt Administration

At year-end, the Town had total governmental debt outstanding of \$1,756,083 compared to \$806,046 the previous year. The following is a comparative statement of outstanding debt:

	Long-Term Debt Outstanding					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Loans Payable	\$ 132,963	171,868	-	-	132,963	171,868
Notes Payable	1,362,150	634,178	-	-	1,362,150	634,178
IEPA Loans Payable	-	-	260,970	-	260,970	-
Total	1,495,113	806,046	260,970	-	1,756,083	806,046

Additional information on the Town's long-term debt can be found in Note 3 on pages 29 - 32 of this report.

TOWN OF CORTLAND, ILLINOIS

Management's Discussion and Analysis April 30, 2014

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal-year budget, including tax rates, and fees that will be charged for its various activities. One of those factors is the economy. The Town is faced with a similar economic environment as many of the other local municipalities are faced with, including inflation and unemployment rates. In addition, the Town settled the 2010 judgment.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Town of Cortland, 59 South Somonauk Road, PO Box 519, Cortland, Illinois 60112-0519.

BASIC FINANCIAL STATEMENTS

The basic financial Statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements
 - Governmental Funds
 - Proprietary Funds
 - Agency Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

TOWN OF CORTLAND, ILLINOIS

**Statement of Net Position
April 30, 2014**

See Following Page

TOWN OF CORTLAND, ILLINOIS

**Statement of Net Position
April 30, 2014**

	Governmental Activities	Business-Type Activities	Totals	Component Unit Cortland Community Library
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 2,314,155	1,297,015	3,611,170	35,201
Receivables - Net of Allowances	812,161	358,641	1,170,802	217,053
Total Current Assets	3,126,316	1,655,656	4,781,972	252,254
Noncurrent Assets				
Capital Assets				
Nondepreciable	3,264,561	1,412,067	4,676,628	-
Depreciable	7,555,760	29,631,944	37,187,704	119,587
Accumulated Depreciation	(1,577,074)	(6,992,272)	(8,569,346)	(73,000)
Total Noncurrent Assets	9,243,247	24,051,739	33,294,986	46,587
Total Assets	12,369,563	25,707,395	38,076,958	298,841

The notes to the financial statements are an integral part of this statement.

	Governmental Activities	Business-Type Activities	Totals	Component Unit Cortland Community Library
LIABILITIES				
Current Liabilities				
Accounts Payable	86,440	214,037	300,477	-
Accrued Payroll	18,889	5,241	24,130	3,941
Deposits Payable	572,041	-	572,041	-
Other Payables	-	-	-	4,289
Accrued Interest Payable	32,992	-	32,992	-
Current Portion of Long-Term Liabilities	78,016	-	78,016	-
Total Current Liabilities	788,378	219,278	1,007,656	8,230
Noncurrent Liabilities				
Compensated Absences Payable	20,108	-	20,108	-
Loans Payable	82,973	-	82,973	-
Notes Payable	1,339,151	-	1,339,151	-
IEPA Loans Payable	-	260,970	260,970	-
Total Noncurrent Liabilities	1,442,232	260,970	1,703,202	-
Total Liabilities	2,230,610	480,248	2,710,858	8,230
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	621,358	-	621,358	217,053
Total Liabilities and Deferred Inflows of Resources	2,851,968	480,248	3,332,216	225,283
NET POSITION				
Net Investment in Capital Assets	7,748,134	23,790,769	31,538,903	46,587
Restricted - Library	-	-	-	18,663
Restricted - Parks	16,946	-	16,946	-
Restricted - Capital Improvements	309,389	-	309,389	-
Restricted - Debt Service	16,929	-	16,929	-
Restricted - Special Service Areas	880,342	-	880,342	-
Restricted - Highways and Streets	94,311	-	94,311	-
Restricted - Economic Development	68,774	-	68,774	-
Restricted - Radium Removal	-	135,600	135,600	-
Unrestricted	382,770	1,300,778	1,683,548	8,308
Total Net Position	9,517,595	25,227,147	34,744,742	73,558

The notes to the financial statements are an integral part of this statement.

TOWN OF CORTLAND, ILLINOIS

Statement of Activities
For the Fiscal Year Ended April 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
Governmental Activities				
General Government	\$ 2,715,312	17,017	-	-
Public Safety	413,699	21,569	-	-
Highways and Streets	439,985	-	139,777	-
Interest on Long-Term Debt	62,068	-	-	-
Total Governmental Activities	<u>3,631,064</u>	<u>38,586</u>	<u>139,777</u>	<u>-</u>
Business-Type Activities				
Water	766,709	333,700	-	-
Sewer	786,720	517,340	-	-
Total Business-Type Activities	<u>1,553,429</u>	<u>851,040</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>5,184,493</u>	<u>889,626</u>	<u>139,777</u>	<u>-</u>
Component Unit - Cortland Community Library	<u>274,097</u>	<u>4,317</u>	<u>-</u>	<u>16,888</u>

General Revenues
Taxes
 Property Taxes
 Utility Taxes
 Replacement Taxes
 Other Taxes
Intergovernmental - Unrestricted
 Sales and Use Taxes
 Income Taxes
Interest Income
Miscellaneous

Change in Net Position

Net Position - Beginning

Net Position - Ending

The notes to the financial statements are an integral part of this statement.

Primary Government			Component
Net (Expense)/Revenue			Unit
Governmental	Business-Type	Totals	Cortland
Activities	Activities		Community
			Library
(2,698,295)	-	(2,698,295)	-
(392,130)	-	(392,130)	-
(300,208)	-	(300,208)	-
(62,068)	-	(62,068)	-
(3,452,701)	-	(3,452,701)	-
-	(433,009)	(433,009)	-
-	(269,380)	(269,380)	-
-	(702,389)	(702,389)	-
(3,452,701)	(702,389)	(4,155,090)	-
-	-	-	(252,892)
631,444	-	631,444	236,114
240,741	-	240,741	-
1,919	-	1,919	-
12,064	-	12,064	-
568,261	-	568,261	-
416,095	-	416,095	-
2,211	267	2,478	50
126,358	45,664	172,022	702
1,999,093	45,931	2,045,024	236,866
(1,453,608)	(656,458)	(2,110,066)	(16,026)
10,971,203	25,883,605	36,854,808	89,584
9,517,595	25,227,147	34,744,742	73,558

The notes to the financial statements are an integral part of this statement.

TOWN OF CORTLAND, ILLINOIS

**Balance Sheet - Governmental Funds
April 30, 2014**

	General	Capital Projects Capital Improvements	Nonmajor	Totals
ASSETS				
Cash and Cash Equivalents	\$ 1,007,606	277,799	1,028,750	2,314,155
Receivables - Net of Allowances				
Taxes	621,358	-	-	621,358
Other Taxes	-	-	25,052	25,052
Accounts Receivable	117,752	47,999	-	165,751
Due from Other Funds	19,196	757,953	-	777,149
Total Assets	1,765,912	1,083,751	1,053,802	3,903,465
LIABILITIES				
Accounts Payable	85,855	500	85	86,440
Accrued Payroll	18,889	-	-	18,889
Deposits Payable	572,041	-	-	572,041
Due to Other Funds	757,953	-	19,196	777,149
Total Liabilities	1,434,738	500	19,281	1,454,519
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	621,358	-	-	621,358
Total Liabilities and Deferred Inflows of Resources	2,056,096	500	19,281	2,075,877
FUND BALANCES				
Restricted	376,256	-	1,043,427	1,419,683
Assigned	-	1,083,251	-	1,083,251
Unassigned	(666,440)	-	(8,906)	(675,346)
Total Fund Balances	(290,184)	1,083,251	1,034,521	1,827,588
Total Liabilities, Deferred Inflows of Resources and Fund Balances	1,765,912	1,083,751	1,053,802	3,903,465

The notes to the financial statements are an integral part of this statement.

TOWN OF CORTLAND, ILLINOIS

**Reconciliation of Total Governmental Fund Balance to
Net Position of Governmental Activities**

April 30, 2014

Total Governmental Fund Balances **\$ 1,827,588**

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not financial
resources and therefore, are not reported in the funds. 9,243,247

Some liabilities reported in the Statement of Net Position do not require
the use of current financial resources and therefore are not reported
as liabilities in governmental funds. These liabilities consist of:

Compensated Absences Payable	(25,135)
Loans Payable	(132,963)
Notes Payable	(1,362,150)
Accrued Interest Payable	<u>(32,992)</u>

Net Position of Governmental Activities **9,517,595**

TOWN OF CORTLAND, ILLINOIS

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended April 30, 2014**

	General	<u>Capital Projects</u> Capital Improvements	Nonmajor	Totals
Revenues				
Taxes	\$ 625,476	221,777	38,915	886,168
Intergovernmental	763,355	221,001	139,777	1,124,133
Charges for Services	3,310	-	-	3,310
Licenses and Permits	13,707	-	-	13,707
Fines and Forfeitures	21,569	-	-	21,569
Interest	1,916	159	136	2,211
Miscellaneous	126,358	-	-	126,358
Total Revenues	1,555,691	442,937	178,828	2,177,456
Expenditures				
Current				
General Government	2,309,459	-	11,888	2,321,347
Public Safety	400,393	-	-	400,393
Highways and Streets	397,753	-	138,646	536,399
Capital Outlay	58,401	205,885	-	264,286
Debt Service				
Principal Retirement	74,658	-	-	74,658
Interest and Fiscal Charges	38,217	-	-	38,217
Total Expenditures	3,278,881	205,885	150,534	3,635,300
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,723,190)	237,052	28,294	(1,457,844)
Other Financing Sources				
Debt Issuance	763,725	-	-	763,725
Net Change in Fund Balances	(959,465)	237,052	28,294	(694,119)
Fund Balances - Beginning	669,281	846,199	1,006,227	2,521,707
Fund Balances - Ending	(290,184)	1,083,251	1,034,521	1,827,588

The notes to the financial statements are an integral part of this statement.

TOWN OF CORTLAND, ILLINOIS

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities**

For the Fiscal Year Ended April 30, 2014

Net Change in Fund Balances - Total Governmental Funds **\$ (694,119)**

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital Outlays	162,611
Depreciation Expense	(209,858)

Changes to accrued interest on long-term debt in the Statement of Activities
does not require the use of current financial resources and, therefore, are not
reported as expenditures in the governmental funds. (23,851)

The issuance of long-term debt provides current financial resources to
governmental funds, while the repayment of the principal on long-term
debt consumes the current financial resources of the governmental funds.

Decreases to Compensated Absences Payable	676
Issuance of Loans Payable	(13,725)
Issuance of Notes Payable	(750,000)
Retirement of Loans Payable	52,630
Retirement of Notes Payable	<u>22,028</u>

Changes in Net Position of Governmental Activities **(1,453,608)**

The notes to the financial statements are an integral part of this statement.

TOWN OF CORTLAND, ILLINOIS

**Statement of Net Position - Proprietary Funds
April 30, 2014**

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
ASSETS			
Current Assets			
Cash and Investments	\$ 421,953	875,062	1,297,015
Receivables - Net of Allowances			
Accounts	59,145	299,496	358,641
Total Current Assets	481,098	1,174,558	1,655,656
Noncurrent Assets			
Capital Assets			
Nondepreciable	20,000	1,392,067	1,412,067
Depreciable	13,157,389	16,474,555	29,631,944
Accumulated Depreciation	(3,067,890)	(3,924,382)	(6,992,272)
Total Noncurrent Assets	10,109,499	13,942,240	24,051,739
Total Assets	10,590,597	15,116,798	25,707,395
LIABILITIES			
Current Liabilities			
Accounts Payable	3,421	210,616	214,037
Accrued Payroll	3,483	1,758	5,241
Total Current Liabilities	6,904	212,374	219,278
Noncurrent Liabilities			
IEPA Loans Payable	-	260,970	260,970
Total Liabilities	6,904	473,344	480,248
NET POSITION			
Investment in Capital Assets	10,109,499	13,681,270	23,790,769
Restricted - Radium Removal	135,600	-	135,600
Unrestricted	338,594	962,184	1,300,778
Total Net Position	10,583,693	14,643,454	25,227,147

The notes to the financial statements are an integral part of this statement.

TOWN OF CORTLAND, ILLINOIS

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds
For the Fiscal Year Ended April 30, 2014

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
Operating Revenues			
Charges for Services	\$ 333,700	517,340	851,040
Miscellaneous	13,127	32,537	45,664
Total Operating Revenues	<u>346,827</u>	<u>549,877</u>	<u>896,704</u>
Operating Expenses			
Operations	401,539	294,135	695,674
Depreciation	365,170	492,527	857,697
Total Operating Expenses	<u>766,709</u>	<u>786,662</u>	<u>1,553,371</u>
Operating Income (Loss)	<u>(419,882)</u>	<u>(236,785)</u>	<u>(656,667)</u>
Nonoperating Revenues (Expenses)			
Interest Income	106	161	267
Interest Expense	-	(58)	(58)
	<u>106</u>	<u>103</u>	<u>209</u>
Change in Net Position	(419,776)	(236,682)	(656,458)
Net Position - Beginning	<u>11,003,469</u>	<u>14,880,136</u>	<u>25,883,605</u>
Net Position - Ending	<u>10,583,693</u>	<u>14,643,454</u>	<u>25,227,147</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF CORTLAND, ILLINOIS

**Statement of Cash Flows - Proprietary Funds
For the Fiscal Year Ended April 30, 2014**

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 345,920	352,056	697,976
Payments to Employees	(102,999)	(51,861)	(154,860)
Payments to Suppliers	(319,483)	(55,948)	(375,431)
	<u>(76,562)</u>	<u>244,247</u>	<u>167,685</u>
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets	-	(255,292)	(255,292)
Cash Flows from Investing Activities			
Interest Received	106	161	267
Debt Issuance	-	260,970	260,970
Interest Expense	-	(58)	(58)
	<u>106</u>	<u>261,073</u>	<u>261,179</u>
Net Change in Cash and Cash Equivalents	(76,456)	250,028	173,572
Cash and Cash Equivalents			
Beginning	<u>498,409</u>	<u>625,034</u>	<u>1,123,443</u>
Ending	<u>421,953</u>	<u>875,062</u>	<u>1,297,015</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	(419,882)	(236,785)	(656,667)
Adjustments to Reconcile Operating Income to Net Income to Net Cash			
Provided by (Used in) Operating Activities:			
Depreciation Expense	365,170	492,527	857,697
(Increase) Decrease in Current Assets	(907)	(197,821)	(198,728)
Increase (Decrease) in Current Liabilities	(20,943)	186,326	165,383
Net Cash Provided by Operating Activities	<u>(76,562)</u>	<u>244,247</u>	<u>167,685</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF CORTLAND, ILLINOIS

Statement of Assets and Liabilities - Agency Funds
April 30, 2014

ASSETS

Cash and Cash Equivalents	<u>\$ 1,179,855</u>
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LIABILITIES

Due to Bondholders	<u>1,179,855</u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements April 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Cortland (the Town), Illinois, is a municipal corporation governed by an elected president and Board of Trustees.

The government-wide financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant of the Town’s accounting policies established in GAAP and used by the Town are described below.

REPORTING ENTITY

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 61, “The Financial Reporting Omnibus – an Amendment of GASB Statements No. 14 and No. 34,” and includes all component units that have a significant operational or financial relationship with the Town.

The Town’s financial reporting entity comprises the following:

Primary Government:	Town of Cortland
Discretely Presented Component Unit:	Cortland Community Library

Discretely Presented Component Unit

Discretely presented component units are separate legal entities that meet the component unit criteria described in GASB Statement No. 61 but do not meet the criteria for blending.

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. The Library is reported as a discretely presented component unit since it is legally separate from the Town.

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements April 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION

Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's general government, public safety, and highways and streets are classified as governmental activities. The Town's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are: (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets/deferred outflows and receivables as well as long-term debt/deferred inflows and obligations. The Town's net position is reported in three parts: net investment in capital assets; restricted; and unrestricted. Resources needed for restricted purposes are the first priority for allocation of funds.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general government, highways and streets, etc.) The functions are supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.).

The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which 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 contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

The net costs (by function or business-type activity) are normally covered by general revenue (property tax, sales tax, intergovernmental revenues, interest income, etc).

The Town allocates indirect costs to the proprietary funds for personnel who perform administrative services for those funds, along with other indirect costs deemed necessary for their operations, but are paid through the General Fund.

This government-wide focus concentrates on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements April 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets/deferred outflows, liabilities/deferred inflows, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets/deferred outflows, liabilities/deferred inflows, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town electively added funds, as major funds, which either had debt outstanding or specific community focus. The nonmajor funds are combined in a single column in the fund financial statements.

A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

Total assets/deferred outflows, liabilities/deferred inflows, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

Total assets/deferred outflows, liabilities/deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is a major fund.

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements April 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Governmental Funds – Continued

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Town maintains three nonmajor special revenue funds: Motor Fuel Tax Fund, Economic Development Fund, and Tax Increment Financing Fund.

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Town maintains four capital projects funds. The Capital Improvement Fund, a major fund, is used to account for the funding of capital improvements of the Town. It is primarily funded by utility and simplified telecommunications taxes. Special Service Areas #9-10 Fund, Special Service Area #1 Fund and Special Service Areas #4-8 Fund are the three nonmajor capital projects funds.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

Enterprise funds are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The Town maintains two major enterprise funds. The Water Fund is used to account for the water billings and expenses incurred for providing those services to residents. The Sewer Fund is used to account for the sewer billings and expenses incurred for providing those services to residents.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net position and changes in net position and is reported using accounting principles similar to proprietary funds.

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements April 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

BASIS OF PRESENTATION – Continued

Fund Financial Statements – Continued

Fiduciary Funds – Continued

Agency funds are used to account for assets held by the Town in a purely custodial capacity. The Town maintains three agency funds. The Special Service Area #1 is used to account for escrow monies held for developers. The Special Service Area #4 - 8 is used to account for escrow monies held for developers. The Special Service Area #9 - 10 is used to account for escrow monies held for developers.

The Town's agency funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the Town, these funds are not incorporated into the government-wide statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate.

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets/deferred outflows and liabilities/deferred inflows are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

All proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets/deferred outflows and liabilities/deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements April 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

Measurement Focus – Continued

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability/deferred inflows is incurred or economic asset used. Revenues, expenses, gains, losses, assets/deferred outflows, and liabilities/deferred inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty (60) days after year-end. The Town recognizes property taxes when they become both measurable and available in accordance with GASB Codification Section P70. A sixty (60) day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are recognized when due.

In applying the susceptible to accrual concept under the modified accrual basis, those revenues susceptible to accrual are property taxes, sales and use taxes, income taxes, franchise taxes, licenses, interest income, and charges for services. All other revenues are not susceptible to accrual because generally they are not measurable until received in cash.

All proprietary and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the Town’s enterprise fund, is charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TOWN OF CORTLAND, ILLINOIS

**Notes to the Financial Statements
April 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY

Cash and Cash Equivalents

Cash and cash equivalents on the Statement of Net Position are considered to be cash on hand, demand deposits, and cash with fiscal agent. For the purpose of the proprietary funds “Statement of Cash Flows,” cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and all highly liquid investments with an original maturity of three months or less.

Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value.

Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivables balances for governmental activities include property taxes, sales and use taxes, income taxes, franchise taxes, and grants. Business-type activities report water and sewer charges as their major receivables.

Interfund Receivables, Payables and Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

TOWN OF CORTLAND, ILLINOIS

**Notes to the Financial Statements
April 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY – Continued

Capital Assets

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the Town as a whole. Infrastructure such as streets and signs are capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Buildings and Improvements	7 - 50 Years
Vehicle, Machinery and Equipment	5 Years
Software	5 Years
Infrastructure	50 Years
Water Distribution System	35 - 40 Years
Water and Sewer Equipment	5 - 10 Years
Sewerage System	30 - 60 Years

Compensated Absences

The Town accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulation rights to receive sick pay benefits.

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements

April 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION OR EQUITY – Continued

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses at the time of issuance.

In the fund financial statements, governmental fund types 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 debt service expenditures.

Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted—Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations.

Unrestricted—All other net position balances that do not meet the definition of “restricted” or “net investment in capital assets.”

TOWN OF CORTLAND, ILLINOIS

**Notes to the Financial Statements
April 30, 2014**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

- The Budgets are adopted on a cash basis of accounting which is not consistent with generally accepted accounting principles. Cash basis does not differ significant from generally accepted accounting principles.
- 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.
- The budget basis shown in the applicable budget versus actual statements for the proprietary funds differs from the financial statements basis by principal reductions in debt and amounts capitalized as capital assets.
- Budgets are adopted and formal budgetary integration is employed as a control device during the year at the line item level for the General, the Special Revenue, and the Enterprise Funds.
- All budgets lapse at the end of the year for which the budgets were adopted. During the year, one supplemental budget amendment was necessary.

EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS

The following fund had an excess of actual expenditures over budget as of the date of this report:

<u>Fund</u>	<u>Excess</u>
Tax Incremental Financing	\$ 3,525

DEFICIT FUND BALANCES

The following funds had deficit fund balances as of the date of this report:

<u>Fund</u>	<u>Deficit</u>
General	\$ 290,184
Tax Incremental Financing	8,906

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements April 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS

DEPOSITS AND INVESTMENTS

The Town maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the financial statements as "cash and investments." In addition, investments are separately held by several of the Town's funds.

Permitted Deposits and Investments – Statutes authorize the Town to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, and Illinois Funds.

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

Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the Town's deposits for governmental and business-type activities totaled \$2,308,462 and the bank balances totaled \$2,307,686. In addition, the Town has \$1,302,708 invested in the Illinois Funds at year-end.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's investment policy 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 in the Illinois Funds has an average maturity of less than one year.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's investment policy requires pledging of collateral of all bank balances in excess of federal depository insurance with the collateral evidenced by a written agreement and held at an independent third party in the name of the Town. At year-end, the entire bank balance of deposits was covered by collateral, federal depository or equivalent insurance.

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements April 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk – Continued

Custodial Credit Risk – Continued. For an investment, this is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To limit its exposure, the Town's investment policy requires all security transactions that are exposed to be delivered versus payment (DVP) basis with the underlying investments held by an independent third party custodian designated by the treasurer and evidenced by safekeeping receipts. The Town's investment in the Illinois Fund is not subject to custodial credit risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's investment policy does not address credit risk. The Town's investment in the Illinois Funds was rated AAAM by Standard & Poor's.

Concentration Credit Risk. This is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town's investment policy states that diversification can be by type of investment, institution and length of maturity. At year-end, the Town's investment in the Illinois Funds represents over 5 percent of the total cash and investment portfolio.

PROPERTY TAXES

Property taxes for 2013 attach as an enforceable lien on January 1, on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and are payable in two installments, on or about June 1 and September 1. The County collects such taxes and remits them periodically.

TOWN OF CORTLAND, ILLINOIS

**Notes to the Financial Statements
April 30, 2014**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS

Governmental Activities

Governmental capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	\$ 3,264,561	-	-	3,264,561
Depreciable Capital Assets				
Building and Improvements	1,062,519	126,886	-	1,189,405
Vehicles and Equipment	953,769	35,725	-	989,494
Infrastructure	5,376,861	-	-	5,376,861
	<u>7,393,149</u>	<u>162,611</u>	<u>-</u>	<u>7,555,760</u>
Less Accumulated Depreciation				
Building and Improvements	114,502	21,672	-	136,174
Vehicles and Equipment	678,265	80,649	-	758,914
Infrastructure	574,449	107,537	-	681,986
	<u>1,367,216</u>	<u>209,858</u>	<u>-</u>	<u>1,577,074</u>
Total Net Depreciable Capital Assets	<u>6,025,933</u>	<u>(47,247)</u>	<u>-</u>	<u>5,978,686</u>
Total Net Capital Assets	<u>9,290,494</u>	<u>(47,247)</u>	<u>-</u>	<u>9,243,247</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 196,552
Public Safety	<u>13,306</u>
	<u><u>209,858</u></u>

TOWN OF CORTLAND, ILLINOIS

**Notes to the Financial Statements
April 30, 2014**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

CAPITAL ASSETS – Continued

Business-Type Activities

Business-type capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable Capital Assets				
Land	\$ 1,156,775	-	-	1,156,775
Construction in Progress	-	255,292	-	255,292
	<u>1,156,775</u>	<u>255,292</u>	<u>-</u>	<u>1,412,067</u>
Depreciable Capital Assets				
Vehicles and Equipment	665,725	-	-	665,725
Infrastructure	28,966,219	-	-	28,966,219
	<u>29,631,944</u>	<u>-</u>	<u>-</u>	<u>29,631,944</u>
Less Accumulated Depreciation				
Vehicles and Equipment	480,793	37,673	-	518,466
Infrastructure	5,653,782	820,024	-	6,473,806
	<u>6,134,575</u>	<u>857,697</u>	<u>-</u>	<u>6,992,272</u>
Total Net Depreciable Capital Assets	<u>23,497,369</u>	<u>(857,697)</u>	<u>-</u>	<u>22,639,672</u>
Total Net Capital Assets	<u>24,654,144</u>	<u>(602,405)</u>	<u>-</u>	<u>24,051,739</u>

Depreciation expense was charged to business-type activities as follows.

Water	\$ 365,170
Sewer	<u>492,527</u>
	<u>857,697</u>

TOWN OF CORTLAND, ILLINOIS

**Notes to the Financial Statements
April 30, 2014**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT

Loans Payable

The Town enters into loans payable for the acquisition of capital equipment. Loans payable are direct obligations and pledge the full faith and credit of the Town. Loans payable currently outstanding are as follows:

Issue	Beginning Balances	Issuances	Retirements	Ending Balances
Truck Loan Payable of 2010 - Due in monthly installments of \$495 including interest at 4.50% through December 28, 2013.	\$ 3,893	-	3,893	-
Police Truck Loan Payable of 2011 - Due in monthly installments of \$914 including interest at 3.95% through December 6, 2014.	17,447	-	10,330	7,117
Ford Interceptor Loan Payable of 2012 - Due in monthly installments of \$808 including interest at 2.46% through November 20, 2015.	24,228	-	9,194	15,034
Dump Truck Loan Payable of 2012 - Due in monthly installments of \$1,904 including interest at 2.96% through December 18, 2017.	99,387	-	20,144	79,243
Bobcat Loan Payable of 2012 - Due in quarterly installments of \$2,181 including interest at 2.96% through July 1, 2016.	26,913	-	8,004	18,909
Kubota Tractor Loan Payable of 2013 - Due in quarterly installments of \$1,221 including interest at 3.95% through November 25, 2016.	-	13,725	1,065	12,660
	<u>171,868</u>	<u>13,725</u>	<u>52,630</u>	<u>132,963</u>

TOWN OF CORTLAND, ILLINOIS

**Notes to the Financial Statements
April 30, 2014**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Notes Payable

The Town enters into notes payable to provide funds for acquisition of capital assets. Notes payable have been issued for the governmental activities. Notes payable are direct obligations and pledge the full faith and credit of the Town. Notes payable currently outstanding are as follows:

Issue	Beginning Balances	Issuances	Retirements	Ending Balances
Building Note Payable of 2011 - Due in annual installments of \$49,179 to \$476,594 including interest at 4.30% through June 30, 2020.	\$ 634,178	-	22,028	612,150
Eagle Homes Settlement Note Payable of 2014 - Due in one installment of \$750,000 plus quarterly interest at 3.10% through December 31, 2015.	-	750,000	-	750,000
	<u>634,178</u>	<u>750,000</u>	<u>22,028</u>	<u>1,362,150</u>

IEPA Loans Payable

The Town has entered into loan agreements with the IEPA to provide low interest financing for waterworks and sewerage improvements. A repayment schedule is not available at this time due to the IEPA loan not being final. IEPA loans currently outstanding are as follows:

Issue	Beginning Balances	Issuances	Retirements	Ending Balances
IEPA #L175003 Loan Payable of 2013 - Due in semi-annual installments including interest at 1.93% through August 12, 2034. Repayment schedule not yet available.	\$ -	260,970	-	260,970

TOWN OF CORTLAND, ILLINOIS

**Notes to the Financial Statements
April 30, 2014**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

Long-Term Liability Activity

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Governmental Activities					
Compensated Absences	\$ 25,811	677	1,353	25,135	5,027
Loans Payable	171,868	13,725	52,630	132,963	49,990
Notes Payable	634,178	750,000	22,028	1,362,150	22,999
	<u>831,857</u>	<u>764,402</u>	<u>76,011</u>	<u>1,520,248</u>	<u>78,016</u>
Business-Type Activities					
IEPA Loans Payable	-	260,970	-	260,970	-

For governmental activities compensated absences are generally liquidated by the General Fund. The loans payable and notes payable are also being liquidated by the General Fund.

For business-type activities the IEPA loans payable is being liquidated by the Sewer Fund.

Debt Service Requirements to Maturity

The annual debt service requirements to maturity, including principal and interest, are as follows:

Fiscal Year	Governmental Activities			
	Loans Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2015	\$ 49,990	3,384	22,999	50,009
2016	40,114	1,999	774,012	42,214
2017	27,795	899	25,002	24,432
2018	15,064	170	26,173	23,261
2019	-	-	27,326	22,108
2020	-	-	28,530	20,904
2021	-	-	458,108	19,649
Totals	<u>132,963</u>	<u>6,452</u>	<u>1,362,150</u>	<u>202,577</u>

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements April 30, 2014

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

NON-COMMITMENT DEBT

Special Service Area Bonds

During the fiscal year ended April 30, 2003, the Town issued \$5,000,000 Special Service Area #1 Bonds of 2002. During the fiscal year ended April 30, 2007 the Town issued \$5,730,000 Special Service Area #1 Refunding Bonds of 2007 dated April 2, 2007, which were used to refund through an in-substance defeasance the \$5,000,000 Special Service Area #1 Bonds. The bonds are payable solely from the special service area tax levied upon the properties located in the special service area and do not constitute an indebtedness of the Town. The Town, through its trustee, is acting solely as paying agent in receiving the taxes from the County and remitting principal and interest payments to the bond holders. Accordingly, these bonds are not reported as a liability in the Town's financial statements. As of April 30, 2014, \$4,987,000 of the bonds are outstanding.

On May 5, 2006 the Town issued \$23,845,000 Special Tax Revenue Bonds of 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, 2014, \$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 of 2007-1 and 2007-2, respectively (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 and maturing March 1, 2037 and March 1, 2014, respectively. As of April 30, 2014, \$8,148,000 of the bonds are outstanding.

Conduit Debt

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

TOWN OF CORTLAND, ILLINOIS

**Notes to the Financial Statements
April 30, 2014**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

NET POSITION/FUND BALANCES

Net Position Classifications

Net investment in capital assets was comprised of the following as of April 30, 2014:

Governmental Activities	
Capital Assets - Net of Accumulated Depreciation	\$ 9,243,247
Less:	
Police Truck Loan Payable of 2011	(7,117)
Ford Interceptor Loan Payable of 2012	(15,034)
Dump Truck Loan Payable of 2012	(79,243)
Bobcat Loan Payable of 2012	(18,909)
Kubota Tractor Loan Payable of 2013	(12,660)
Building Note Payable of 2011	(612,150)
Eagle Homes Settlement Note Payable of 2014	<u>(750,000)</u>
Net Investment in Capital Assets	<u>7,748,134</u>
Business-Type Activities	
Capital Assets - Net of Accumulated Depreciation	24,051,739
Less:	
IEPA #L175003 Loan Payable of 2013	<u>(260,970)</u>
	<u>23,790,769</u>

TOWN OF CORTLAND, ILLINOIS

**Notes to the Financial Statements
April 30, 2014**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

NET POSITION/FUND BALANCES – Continued

Fund Balance Classifications

In the governmental funds financial statements, the Town considers restricted amounts to have been spent when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Town first utilizes committed, then assigned and then unassigned fund balance when expenditure is incurred for purposes for which all three unrestricted fund balances are available.

Assigned Fund Balance. The Town’s assigned fund balance represents amounts constrained by the Town’s intent to use them for a specific purpose. The Town’s Board has assigned these funds to future Town improvement projects and capital purchases in accordance with Town code.

The following is a schedule of fund balance classifications for the governmental funds as of the date of this report:

	<u>Capital Projects</u>			
	<u>Capital</u>			
	<u>General</u>	<u>Improvements</u>	<u>Nonmajor</u>	<u>Totals</u>
Fund Balances				
Restricted				
Parks	\$ 16,946	-	-	16,946
Capital Improvements	309,389	-	-	309,389
Debt Service	49,921	-	-	49,921
Special Service Areas	-	-	880,342	880,342
Highways and Streets	-	-	94,311	94,311
Economic Development	-	-	68,774	68,774
	<u>376,256</u>	<u>-</u>	<u>1,043,427</u>	<u>1,419,683</u>
Assigned				
Capital Projects	-	1,083,251	-	1,083,251
Unassigned	<u>(666,440)</u>	<u>-</u>	<u>(8,906)</u>	<u>(675,346)</u>
Total Fund Balances	<u>(290,184)</u>	<u>1,083,251</u>	<u>1,034,521</u>	<u>1,827,588</u>

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements April 30, 2014

NOTE 4 – OTHER INFORMATION

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, 2014. The Town purchases third party indemnity insurance for employee health. Settled claims have not exceeded coverage for the current or prior three fiscal years.

CONTINGENT LIABILITIES

Litigation

In 2010, the Town lost a judgment in a contract dispute with a local developer. During the current fiscal year, the case was settled, and the Town paid \$1,750,000 to the developer to satisfy the judgment. The payment was made using \$1,000,000 from the Town's funds and a \$750,000 note payable.

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

Grants

Amounts received or receivable 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.

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN

The Town contributes to the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system. 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. The benefits, benefit levels, employee contributions, and employer contributions are governed by Illinois Compiled Statutes and can only be amended by the Illinois General Assembly.

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements April 30, 2014

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Plan Descriptions, Provisions and Funding Policies

All employees hired in positions that meet or exceed the prescribed annual hourly standard must be enrolled in IMRF as participating members. Participating members hired before January 1, 2011 who retire at or after age 60 with 8 years of service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1-2/3 percent of their final rate (average of the highest 48 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter. Participating members hired on or after January 1, 2011 who retire at or after age 67 with 10 years of service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 1-2/3 percent of their final rate (average of the highest 96 consecutive months' earnings during the last 10 years) of earnings, for each year of credited service, with a maximum salary cap of \$106,800 at January 1, 2011. The maximum salary cap increases each year thereafter. The monthly pension of a member hired on or after January 1, 2011, shall be increased annually, following the later of the first anniversary date of retirement or the month following the attainment of age 62, by the lesser of 3% or ½ of the consumer price index. Employees with at least 10 years of credited service may retire at or after age 62 and receive a reduced benefit. IMRF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute.

Employees participating in the plan are required to contribute 4.50 percent of their annual covered salary to IMRF. The employees' contribution rate is established by state statute. The Town is required to contribute the remaining amount necessary to fund the IMRF plan as specified by statute. The employer rate for calendar year 2013 was 11.80 percent.

Funding Policy and Annual Pension Cost

For the current year, the Town's annual pension cost of \$88,214 for the plan was equal to the Town's required and actual contributions. The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011 included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, (d) post retirement benefit increases of 3% annually, and (e) an inflation rate of 3%. The actuarial value of the plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. 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, 2014 was 30 years.

TOWN OF CORTLAND, ILLINOIS

**Notes to the Financial Statements
April 30, 2014**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Trend Information

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.

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$ 86,223	100.00%	None
2013	89,845	100.00%	None
2014	88,214	100.00%	None

Funded Status and Funding Progress

The Town's funded status for the current year and related information for IMRF is as follows:

Actuarial Valuation Date	12/31/13
Percent Funded	63.89%
Actuarial Accrued Liability for Benefits	\$1,195,404
Actuarial Value of Assets	\$763,792
Over (Under) Funded Actuarial Accrued Liability (UAAL)	(\$431,612)
Covered Payroll (Annual Payroll of Active Employees Covered by the Plan)	\$747,577
Ratio of UAAL to Covered Payroll	57.73%

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements April 30, 2014

NOTE 4 – OTHER INFORMATION – Continued

OTHER POST-EMPLOYMENT BENEFITS

The Town has evaluated its potential other post-employment benefits liability. Former employees who choose to retain their rights to health insurance through the Town are required to pay 100% of the current premium until Medicare eligibility. Two former employees have chosen to stay in the Town's health insurance plan and calculations have determined that post-employment benefits are immaterial in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Additionally, the Town had no former employees for which the Town was providing an explicit subsidy and no current employees with agreements for future explicit subsidies upon retirement. Therefore, the Town has not recorded any post-employment benefit liability as of April 30, 2014.

COMPONENT UNIT – CORTLAND COMMUNITY LIBRARY

DEPOSITS AND INVESTMENTS

Permitted Deposits and Investments – Statutes authorize the Library to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services and Illinois Funds.

Library Interest Rate Risk, Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the Library's deposits totaled \$35,201 and the bank balances totaled \$35,749.

Interest Rate Risk. On February 19, 2014 the Library's board adopted the Town's investment policy.

Credit Risk. On February 19, 2014 the Library's board adopted the Town's investment policy.

Custodial Credit Risk. On February 19, 2014 the Library's board adopted the Town's investment policy. At year-end, all deposits are collateralized.

Concentration Risk. On February 19, 2014 the Library's board adopted the Town's investment policy. At year-end, the Library has no investments that represent over 5 percent of the total cash and investment portfolio.

PROPERTY TAXES

Property taxes for 2013 attach as an enforceable lien on January 1 on property values assessed as of the same date. Taxes are levied by December of the subsequent fiscal year (by passage of a Tax Levy Ordinance). Tax bills are prepared by the County and are payable in two installments, on or about June 1, 2014, and September 1, 2014. The County collects such taxes and remits them periodically.

TOWN OF CORTLAND, ILLINOIS

**Notes to the Financial Statements
April 30, 2014**

NOTE 4 – OTHER INFORMATION – Continued

COMPONENT UNIT – CORTLAND COMMUNITY LIBRARY – Continued

CAPITAL ASSETS

Capital assets purchased or acquired with an original cost in excess of \$10,000 are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the Library as a whole. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Building and Improvements 5 Years

Capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Depreciable Capital Assets				
Building and Improvements	\$ 119,587	-	-	119,587
Less Accumulated Depreciation				
Building and Improvements	66,380	6,620	-	73,000
Total Net Capital Assets	53,207	(6,620)	-	46,587

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Funding Progress and Employer Contributions
 - Illinois Municipal Retirement Fund
- Budgetary Comparison Schedule
 - General Fund

Notes to the Required Supplementary Information

- Budgetary Information – The Budgets are adopted on a cash basis of accounting which is not consistent with generally accepted accounting principles. Cash basis does not differ significant from generally accepted accounting principles.

TOWN OF CORTLAND, ILLINOIS

Illinois Municipal Retirement Fund

Required Supplementary Information

Schedule of Funding Progress and Employer Contributions

April 30, 2014

Funding Progress

Actuarial Valuation Date Dec. 31	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Funded Ratio (1) ÷ (2)	(4) Unfunded (Overfunded) Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2008	\$ 592,444	\$ 934,784	63.38%	\$ 342,340	\$ 692,677	49.42%
2009	712,161	1,066,616	66.77%	354,455	694,673	51.02%
2010	393,218	841,565	46.72%	448,347	780,553	57.44%
2011	539,989	1,015,117	53.19%	475,128	743,660	63.89%
2012	593,051	1,077,760	55.03%	484,709	765,944	63.28%
2013	763,792	1,195,404	63.89%	431,612	747,577	57.73%

Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2009	\$ 75,225	\$ 75,225	100.00%
2010	81,218	81,218	100.00%
2011	83,869	83,869	100.00%
2012	86,223	86,223	100.00%
2013	89,845	89,845	100.00%
2014	88,214	88,214	100.00%

TOWN OF CORTLAND, ILLINOIS

General Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended April 30, 2014**

	Budget		Actual
	Original	Final	
Revenues			
Taxes	\$ 631,688	631,688	625,476
Intergovernmental	824,000	824,000	763,355
Charges for Services	15,600	15,600	3,310
Licenses and Permits	13,600	13,600	13,707
Fines and Forfeitures	18,100	18,100	21,569
Interest	2,200	2,200	1,916
Miscellaneous	1,200	1,200	126,358
Total Revenues	<u>1,506,388</u>	<u>1,506,388</u>	<u>1,555,691</u>
Expenditures			
Current			
General Government	568,931	2,371,675	2,309,459
Public Safety	440,415	440,415	400,393
Highways and Streets	417,506	417,506	397,753
Capital Outlay	110,500	156,225	58,401
Debt Service			
Principal Retirement	100,098	100,098	74,658
Interest and Fiscal Charges	32,775	35,275	38,217
Total Expenditures	<u>1,670,225</u>	<u>3,521,194</u>	<u>3,278,881</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(163,837)</u>	<u>(2,014,806)</u>	<u>(1,723,190)</u>
Other Financing Sources			
Debt Issuance	37,000	800,725	763,725
Disposal of Capital Assets	2,000	2,000	-
Transfers In	213,456	213,456	-
	<u>252,456</u>	<u>1,016,181</u>	<u>763,725</u>
Net Change in Fund Balance	<u>88,619</u>	<u>(998,625)</u>	(959,465)
Fund Balance - Beginning			<u>669,281</u>
Fund Balance - Ending			<u>(290,184)</u>

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board (GASB), nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Budgetary Comparison Schedules – Major Governmental Funds
- Combining Statements – Nonmajor Governmental Funds
- Budgetary Comparison Schedules – Nonmajor Governmental Funds
- Budgetary Comparison Schedules – Proprietary Funds
- Combining Statement of Changes in Assets and Liabilities – Agency Funds

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

GENERAL FUND

The General Fund accounts for all financial resources except those required to be accounted for in another fund.

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than fiduciary funds or capital projects funds) that are legally restricted to expenditure for specified purposes.

Motor Fuel Tax Fund

The Motor Fuel Tax Fund is used to account for funds received from the State of Illinois Motor Fuel Tax to be used for operating and maintaining local streets and roads.

Economic Development Fund

The Economic Development Fund is used to account for funds received from the state Community Development Assistance Program which are loaned to businesses in accordance with the terms of that program.

Tax Increment Financing Fund

The Tax Increment Financing Fund is used to account for funds received from the real estate increment on property within the Town's TIF District and expended on projects and administrative costs allowable under the Town's TIF plan.

CAPITAL PROJECT FUNDS

Capital Projects Funds are created to account for all resources used for the acquisition of capital facilities by a governmental unit except those financed by Proprietary and Trust Funds.

Capital Improvement Fund

The Capital Improvement Fund is used to account for the funding of capital improvements of the Town. It is primarily funded by utility and simplified telecommunications taxes.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CAPITAL PROJECT FUNDS – Continued

Special Service Areas #9-10 Fund

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

Special Service Area #1 Fund

The Special Service Area #1 Fund is used to account for the capital outlay and improvements in the Town's SSA #1.

Special Service Areas #4-8 Fund

The Special Service Areas #4-8 Fund is used to account for the capital outlay and improvements in the Town's SSA #4-8.

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where it has been decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

Water Fund

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

Sewer Fund

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

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

AGENCY FUNDS

Special Service Area #1 Fund

The Special Service Area #1 is used to account for escrow monies held for developers in Special Service Area #1.

Special Service Area #4 - 8 Fund

The Special Service Area #4 - 8 is used to account for escrow monies held for developers in Special Service Area #4 - 8.

Special Service Area #9 - 10 Fund

The Special Service Area #9 - 10 is used to account for escrow monies held for developers in Special Service Area #9 - 10.

TOWN OF CORTLAND, ILLINOIS

General Fund

**Schedule of Revenues - Budget and Actual
For the Fiscal Year Ended April 30, 2014**

	Budget		Actual
	Original	Final	
Taxes			
Property Taxes	\$ 597,383	597,383	592,529
Replacement Tax	1,500	1,500	1,919
Road and Bridge Tax	12,105	12,105	12,064
Utility Tax	20,700	20,700	18,964
	<u>631,688</u>	<u>631,688</u>	<u>625,476</u>
Intergovernmental			
Sales and Use Tax	417,000	417,000	347,260
State Income Tax	407,000	407,000	416,095
	<u>824,000</u>	<u>824,000</u>	<u>763,355</u>
Charges for Services			
Franchise Fees	15,600	15,600	3,310
Licenses and Permits			
Building Permits	7,200	7,200	5,257
Other	6,400	6,400	8,450
	<u>13,600</u>	<u>13,600</u>	<u>13,707</u>
Fines and Forfeitures			
Building Fines	100	100	-
Police Fines	18,000	18,000	21,569
	<u>18,100</u>	<u>18,100</u>	<u>21,569</u>
Interest	2,200	2,200	1,916
Miscellaneous			
Other	1,200	1,200	126,358
Total Revenues	<u>1,506,388</u>	<u>1,506,388</u>	<u>1,555,691</u>

TOWN OF CORTLAND, ILLINOIS

General Fund

Schedule of Expenditures - Budget and Actual
For the Fiscal Year Ended April 30, 2014

	Budget		Actual
	Original	Final	
General Government			
Personnel Services			
Salaries - Elected Officials	\$ 86,369	86,369	88,815
Salaries - Town Officers	65,062	65,062	37,471
Salaries - Clerical Workers	75,000	75,000	70,076
Payroll Taxes	18,000	18,000	15,574
IMRF Contribution	23,600	23,600	18,608
Employee Health Insurance	37,000	50,000	51,717
Unemployment Benefits	-	12,350	12,350
Less: Reimbursements	(25,700)	(25,700)	(26,398)
	<u>279,331</u>	<u>304,681</u>	<u>268,213</u>
Contractual Services			
Legal	114,000	114,000	104,141
Engineering	20,000	20,000	49,700
Planning, Zoning and Building	29,200	29,200	11,436
Audit	28,000	42,500	36,165
Abatement	18,000	18,000	5,334
Insurance	26,600	26,600	19,156
Postage	2,800	2,800	2,681
Telephone	21,000	21,000	19,405
Dues and Subscriptions	3,200	3,200	3,617
Travel and Training	18,000	18,000	14,643
Less: Reimbursements	(6,000)	(6,000)	(10,178)
	<u>274,800</u>	<u>289,300</u>	<u>256,100</u>
Commodities			
Office Supplies	2,100	2,100	2,500
Office Equipment and Maintenance	7,300	20,194	25,154
Copies and Printing	4,300	4,300	4,512
	<u>13,700</u>	<u>26,594</u>	<u>32,166</u>
Other Expenditures	<u>1,100</u>	<u>1,751,100</u>	<u>1,752,980</u>
Total General Government	<u>568,931</u>	<u>2,371,675</u>	<u>2,309,459</u>

TOWN OF CORTLAND, ILLINOIS

General Fund

**Schedule of Expenditures - Budget and Actual - Continued
For the Fiscal Year Ended April 30, 2014**

	Budget		Actual
	Original	Final	
Public Safety			
Personnel Services			
Salaries - Police Officers	\$ 241,540	241,540	234,423
Payroll Taxes	18,500	18,500	17,724
IMRF Contribution	19,700	19,700	19,206
Employee Health Insurance	24,725	24,725	14,203
Uniforms	2,000	2,000	1,189
	<u>306,465</u>	<u>306,465</u>	<u>286,745</u>
Contractual Services			
Legal	1,500	1,500	-
Operations and Maintenance			
Vehicles and Equipment	9,000	9,000	3,528
Police Office		-	39
Dispatch	39,000	39,000	30,904
Insurance	22,400	22,400	19,859
Telephone	8,250	8,250	9,947
Utilities	1,100	1,100	1,488
Equipment Purchase and Maintenance	9,500	9,500	5,632
Postage	300	300	-
Dues and Subscriptions	2,000	2,000	1,517
Travel and Training	3,000	3,000	7,254
Office Lease	12,700	12,700	12,600
	<u>108,750</u>	<u>108,750</u>	<u>92,768</u>
Commodities			
Office Supplies	1,000	1,000	322
Fuel	20,000	20,000	17,427
Office Equipment and Maintenance	2,500	2,500	1,860
Copies and Printing	500	500	353
	<u>24,000</u>	<u>24,000</u>	<u>19,962</u>
Other Expenditures	<u>1,200</u>	<u>1,200</u>	<u>918</u>
Total Public Safety	<u>440,415</u>	<u>440,415</u>	<u>400,393</u>

TOWN OF CORTLAND, ILLINOIS

General Fund

**Schedule of Expenditures - Budget and Actual - Continued
For the Fiscal Year Ended April 30, 2014**

	Budget		Actual
	Original	Final	
Highways and Streets			
Maintenance and Operations			
Personnel Services			
Salaries - Maintenance and Operations	\$ 164,296	164,296	163,093
Payroll Taxes	12,600	12,600	12,393
IMRF Contribution	19,700	19,700	18,930
Employee Health Insurance	7,725	7,725	4,839
Uniforms	1,200	1,200	1,486
Drug and Alcohol Program	425	425	408
	<u>205,946</u>	<u>205,946</u>	<u>201,149</u>
Contractual Services			
Operations and Maintenance			
Street Lights	44,000	44,000	27,766
Garage	4,350	4,350	2,662
Town Hall	7,000	7,000	11,817
Streets	7,900	7,900	8,593
Storm Sewer	5,000	5,000	2,275
Maintenance Equipment	20,000	20,000	17,960
Detention Ponds and Catch Basin	1,600	1,600	502
Parks	6,900	6,900	5,755
Railroad Crossings	3,100	3,100	3,325
Street Lights	1,000	1,000	870
Road Salt	19,470	19,470	18,222
Road Signs	2,000	2,000	931
Tools and Hardware	3,500	3,500	3,094
Forestry	4,940	4,940	3,600
Equipment Rental	1,500	1,500	-
Portable Equipment Rental	2,400	2,400	1,044
Arborist Services	1,500	1,500	-
Scavenger Services	3,000	3,000	2,318
Office Equipment and Maintenance	-	-	9,344
Insurance	18,200	18,200	18,789
Telephone	6,450	6,450	5,786
Utilities	11,000	11,000	14,634
Travel and Training	1,500	1,500	400
Mowing	14,000	14,000	15,125
	<u>190,310</u>	<u>190,310</u>	<u>174,812</u>

TOWN OF CORTLAND, ILLINOIS

General Fund

**Schedule of Expenditures - Budget and Actual - Continued
For the Fiscal Year Ended April 30, 2014**

	Budget		Actual
	Original	Final	
Highways and Streets - Continued			
Maintenance and Operations - Continued			
Commodities			
Gas and Petroleum	\$ 20,000	20,000	20,056
Office Supplies	1,250	1,250	114
	<u>21,250</u>	<u>21,250</u>	<u>20,170</u>
Other Expenditures	-	-	1,622
	<u>-</u>	<u>-</u>	<u>1,622</u>
Total Highways and Streets	<u>417,506</u>	<u>417,506</u>	<u>397,753</u>
Capital Outlay			
General Government			
Equipment and Furniture	-	13,725	-
Public Safety			
Vehicles	37,000	37,000	-
Police Facility	-	32,000	44,676
Highways and Streets			
Construction	65,000	65,000	-
Equipment	8,500	8,500	13,725
	<u>73,500</u>	<u>73,500</u>	<u>13,725</u>
Total Capital Outlay	<u>110,500</u>	<u>156,225</u>	<u>58,401</u>
Debt Service			
Principal Retirement	100,098	100,098	74,658
Interest and Fiscal Charges	32,775	35,275	38,217
	<u>132,873</u>	<u>135,373</u>	<u>112,875</u>
Total Debt Service	<u>132,873</u>	<u>135,373</u>	<u>112,875</u>
Total Expenditures	<u>1,670,225</u>	<u>3,521,194</u>	<u>3,278,881</u>

TOWN OF CORTLAND, ILLINOIS

Capital Improvements - Capital Projects Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended April 30, 2014**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Utility Tax	\$ 201,100	201,100	221,777
Intergovernmental			
Non-Home Rule Sales Tax	288,000	288,000	221,001
Interest	900	900	159
Total Revenues	<u>490,000</u>	<u>490,000</u>	<u>442,937</u>
Expenditures			
Capital Outlay			
Community Programs	37,000	37,000	12,366
Handicap	6,000	6,000	3,300
Sidewalks	20,000	20,000	12,231
Town Garage Improvements	50,203	50,203	709
Detention Basin	50,000	50,000	-
Town Hall Flooring	12,000	12,000	6,403
Town Hall PA System	7,000	7,000	585
Electric Power	15,000	15,000	7,498
Hetchler Park Pavilion	21,000	21,000	16,211
Suppeland Park Pavilion	21,000	21,000	15,236
Elm Street Drainage Study	24,000	24,000	7,238
Drain Tile Investigations/Mapping	16,000	16,000	-
Emergency Preparedness	5,000	5,000	1,793
Technology Upgrades	15,800	15,800	13,787
Miscellaneous	13,180	13,180	108,528
Debt Service			
Principal Retirement	132,873	132,873	-
Total Expenditures	<u>446,056</u>	<u>446,056</u>	<u>205,885</u>
Net Change in Fund Balance	<u>43,944</u>	<u>43,944</u>	237,052
Fund Balance - Beginning			<u>846,199</u>
Fund Balance - Ending			<u>1,083,251</u>

TOWN OF CORTLAND, ILLINOIS

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2014

See Following Page

TOWN OF CORTLAND, ILLINOIS

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2014

	<u>Special Revenue</u>	
	<u>Motor Fuel Tax</u>	<u>Economic Development</u>
ASSETS		
Cash and Cash Equivalents	\$ 69,259	68,774
Receivables - Net of Allowances		
Other Taxes	25,052	-
	<u>94,311</u>	<u>68,774</u>
Total Assets		
LIABILITIES		
Accounts Payable	-	-
Due to Other Funds	-	-
Total Liabilities	<u>-</u>	<u>-</u>
FUND BALANCES		
Restricted	94,311	68,774
Unassigned	-	-
Total Fund Balances	<u>94,311</u>	<u>68,774</u>
Total Liabilities and Fund Balances	<u>94,311</u>	<u>68,774</u>

Tax Incremental Financing	Capital Projects			Totals
	Special Service Areas #9-10	Special Service Area #1	Special Service Areas #4-8	
10,375	867,098	5,297	7,947	1,028,750
-	-	-	-	25,052
10,375	867,098	5,297	7,947	1,053,802
85	-	-	-	85
19,196	-	-	-	19,196
19,281	-	-	-	19,281
-	867,098	5,297	7,947	1,043,427
(8,906)	-	-	-	(8,906)
(8,906)	867,098	5,297	7,947	1,034,521
10,375	867,098	5,297	7,947	1,053,802

TOWN OF CORTLAND, ILLINOIS

Nonmajor Governmental Funds

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended April 30, 2014**

	Special Revenue	
	Motor Fuel Tax	Economic Development
Revenues		
Taxes	\$ -	-
Intergovernmental	139,777	-
Interest	22	27
Total Revenues	<u>139,799</u>	<u>27</u>
Expenditures		
General Government	-	-
Highways and Streets	110,021	-
Total Expenditures	<u>110,021</u>	<u>-</u>
Net Change in Fund Balances	29,778	27
Fund Balances - Beginning	<u>64,533</u>	<u>68,747</u>
Fund Balances - Ending	<u><u>94,311</u></u>	<u><u>68,774</u></u>

Tax Incremental Financing	Capital Projects			Totals
	Special Service Areas #9-10	Special Service Area #1	Special Service Areas #4-8	
38,915	-	-	-	38,915
-	-	-	-	139,777
-	87	-	-	136
38,915	87	-	-	178,828
-	-	2,957	8,931	11,888
28,625	-	-	-	138,646
28,625	-	2,957	8,931	150,534
10,290	87	(2,957)	(8,931)	28,294
(19,196)	867,011	8,254	16,878	1,006,227
(8,906)	867,098	5,297	7,947	1,034,521

TOWN OF CORTLAND, ILLINOIS

Motor Fuel Tax - Special Revenue Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended April 30, 2014**

	Budget		Actual
	Original	Final	
Revenues			
Intergovernmental			
Motor Fuel Tax Allotments	\$ 117,500	117,500	139,777
Interest	125	125	22
Total Revenues	<u>117,625</u>	<u>117,625</u>	<u>139,799</u>
Expenditures			
Highways and Streets			
Contractual Services	13,300	13,300	13,607
Commodities	95,000	97,000	96,414
Total Expenditures	<u>108,300</u>	<u>110,300</u>	<u>110,021</u>
Net Change in Fund Balance	<u>9,325</u>	<u>7,325</u>	29,778
Fund Balance - Beginning			<u>64,533</u>
Fund Balance - Ending			<u>94,311</u>

TOWN OF CORTLAND, ILLINOIS

Economic Development - Special Revenue Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended April 30, 2014**

	Budget		Actual
	Original	Final	
Revenues			
Interest	\$ 40	40	27
Expenditures			
Economic Development			
Miscellaneous	-	-	-
Net Change in Fund Balance	<u>40</u>	<u>40</u>	27
Fund Balance - Beginning			<u>68,747</u>
Fund Balance - Ending			<u>68,774</u>

TOWN OF CORTLAND, ILLINOIS

Tax Increment Financing - Special Revenue Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended April 30, 2014**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Property Taxes	\$ -	-	38,915
Expenditures			
Highways and Streets			
Contractual Services	-	25,100	28,625
Net Change in Fund Balance	-	<u>(25,100)</u>	10,290
Fund Balance - Beginning			<u>(19,196)</u>
Fund Balance - Ending			<u><u>(8,906)</u></u>

TOWN OF CORTLAND, ILLINOIS

Water - Enterprise Fund

Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
For the Fiscal Year Ended April 30, 2014

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services			
Customer Charges	\$ 335,000	335,000	331,700
Meter Sales	3,500	3,500	2,000
Miscellaneous	9,500	9,500	13,127
Total Operating Revenues	<u>348,000</u>	<u>348,000</u>	<u>346,827</u>
Operating Expenses			
Operations	607,949	607,949	401,539
Depreciation	-	-	365,170
Total Operating Expenses	<u>607,949</u>	<u>607,949</u>	<u>766,709</u>
Operating Income (Loss)	(259,949)	(259,949)	(419,882)
Nonoperating Revenues			
Interest Income	100	100	106
Change in Net Position	<u>(259,849)</u>	<u>(259,849)</u>	(419,776)
Net Position - Beginning			<u>11,003,469</u>
Net Position - Ending			<u>10,583,693</u>

TOWN OF CORTLAND, ILLINOIS

Water - Enterprise Fund

**Schedule of Operating Expenses - Budget and Actual
For the Fiscal Year Ended April 30, 2014**

	Budget		Actual
	Original	Final	
Operations			
Personnel Services	\$ 152,999	152,999	149,186
Contractual Services	205,500	205,500	158,768
Commodities	94,450	94,450	73,965
	<u>452,949</u>	<u>452,949</u>	<u>381,919</u>
Capital Outlay	<u>155,000</u>	<u>155,000</u>	<u>19,620</u>
Total Operations	<u>607,949</u>	<u>607,949</u>	<u>401,539</u>
Depreciation	<u>-</u>	<u>-</u>	<u>365,170</u>
Total Operating Expenses	<u>607,949</u>	<u>607,949</u>	<u>766,709</u>

TOWN OF CORTLAND, ILLINOIS

Sewer - Enterprise Fund

**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
For the Fiscal Year Ended April 30, 2014**

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services			
Customer Charges	\$ 510,000	510,000	517,340
Miscellaneous	40,945	40,945	32,537
Total Operating Revenues	<u>550,945</u>	<u>550,945</u>	<u>549,877</u>
Operating Expenses			
Operations	2,060,472	2,060,472	294,135
Depreciation	-	-	492,527
Total Operating Expenses	<u>2,060,472</u>	<u>2,060,472</u>	<u>786,662</u>
Operating Income (Loss)	<u>(1,509,527)</u>	<u>(1,509,527)</u>	<u>(236,785)</u>
Nonoperating Revenues (Expenses)			
Debt Issuance	1,670,000	1,670,000	-
Interest Income	700	700	161
Interest Expense	-	-	(58)
	<u>1,670,700</u>	<u>1,670,700</u>	<u>103</u>
Change in Net Position	<u>161,173</u>	<u>161,173</u>	(236,682)
Net Position - Beginning			<u>14,880,136</u>
Net Position - Ending			<u>14,643,454</u>

TOWN OF CORTLAND, ILLINOIS

Sewer - Enterprise Fund

Schedule of Operating Expenses - Budget and Actual
For the Fiscal Year Ended April 30, 2014

	Budget		Actual
	Original	Final	
Operations			
Personnel Services	\$ 113,822	113,822	76,367
Contractual Services	189,400	189,400	176,471
Commodities	75,250	75,250	39,519
	<u>378,472</u>	<u>378,472</u>	<u>292,357</u>
Capital Outlay	1,682,000	1,682,000	257,070
Less Nonoperating Items			
Capital Assets Capitalized	-	-	(255,292)
	<u>1,682,000</u>	<u>1,682,000</u>	<u>1,778</u>
Total Operations	<u>2,060,472</u>	<u>2,060,472</u>	<u>294,135</u>
Depreciation	-	-	492,527
Total Operating Expenses	<u>2,060,472</u>	<u>2,060,472</u>	<u>786,662</u>

TOWN OF CORTLAND, ILLINOIS

Agency Funds

**Combining Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended April 30, 2014**

	Beginning Balances	Additions	Deductions	Ending Balances
All Funds				
ASSETS				
Cash and Investments	\$ 1,422,085	1,179,855	1,422,085	1,179,855
LIABILITIES				
Due to Bondholders	1,422,085	1,179,855	1,422,085	1,179,855
Special Service Area #1				
ASSETS				
Cash and Investments	322,257	321,916	322,257	321,916
LIABILITIES				
Due to Bondholders	322,257	321,916	322,257	321,916
Special Service Area #4-8				
ASSETS				
Cash and Investments	451,188	567,329	451,188	567,329
LIABILITIES				
Due to Bondholders	451,188	567,329	451,188	567,329
Special Service Area #9-10				
ASSETS				
Cash and Investments	648,640	290,610	648,640	290,610
LIABILITIES				
Due to Bondholders	648,640	290,610	648,640	290,610

**CORTLAND COMMUNITY LIBRARY
DISCRETELY PRESENTED COMPONENT UNIT**

**Statement of Net Position and Balance Sheet
April 30, 2014**

	Balance Sheet	Adjustments	Statement of Net Position
ASSETS			
Current Assets			
Cash and Investments	\$ 35,201	-	35,201
Receivables - Net of Allowances			
Taxes	217,053	-	217,053
Total Current Assets	<u>252,254</u>	<u>-</u>	<u>252,254</u>
Noncurrent Assets			
Capital Assets			
Depreciable	-	119,587	119,587
Accumulated Depreciation	-	(73,000)	(73,000)
Total Noncurrent Assets	<u>-</u>	<u>46,587</u>	<u>46,587</u>
Total Assets	<u>252,254</u>	<u>46,587</u>	<u>298,841</u>
LIABILITIES			
Accrued Payroll	3,941	-	3,941
Other Payables	4,289	-	4,289
Total Liabilities	<u>8,230</u>	<u>-</u>	<u>8,230</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	217,053	-	217,053
Total Liabilities and Deferred Inflows of Resources	<u>225,283</u>	<u>-</u>	<u>225,283</u>
FUND BALANCE/NET POSITION			
Investment in Capital Assets	-	46,587	46,587
Restricted	18,663	-	18,663
Unassigned/Unrestricted	8,308	-	8,308
Total Fund Balance/Net Position	<u>26,971</u>	<u>46,587</u>	<u>73,558</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position	<u>252,254</u>	<u>46,587</u>	<u>298,841</u>

**CORTLAND COMMUNITY LIBRARY
DISCRETELY PRESENTED COMPONENT UNIT**

**Statement of Activities and Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Fiscal Year Ended April 30, 2014**

	Budget		Actual	Adjustments	Statement of Activities
	Original	Final			
Revenues					
Taxes					
Property Taxes	\$ 240,000	238,052	236,114	-	236,114
Grant Revenue	5,000	5,000	16,888	-	16,888
Contributions	2,000	2,000	4,317	-	4,317
Interest Income	-	-	50	-	50
Miscellaneous	4,000	11,500	702	-	702
Total Revenues	<u>251,000</u>	<u>256,552</u>	<u>258,071</u>	<u>-</u>	<u>258,071</u>
Expenditures					
Current					
Culture and Recreation	250,000	282,801	263,727	10,370	274,097
Capital Outlay	1,000	3,500	3,750	(3,750)	-
Total Expenditures/Expenses	<u>251,000</u>	<u>286,301</u>	<u>267,477</u>	<u>6,620</u>	<u>274,097</u>
Net Change in Fund Balances/Net Position	<u>-</u>	<u>(29,749)</u>	(9,406)	(6,620)	(16,026)
Fund Balances/Net Position - Beginning			<u>36,377</u>	<u>53,207</u>	<u>89,584</u>
Fund Balances/Net Position - Ending			<u>26,971</u>	<u>46,587</u>	<u>73,558</u>

SUPPLEMENTAL SCHEDULES

TOWN OF CORTLAND, ILLINOIS

Schedule of Long-Term Debt Requirements

Police Truck Loan Payable of 2011

April 30, 2014

Date of Issue	December 6, 2011
Date of Maturity	December 6, 2014
Authorized Issue	\$30,600
Interest Rate	3.95%
Interest Dates	Monthly on the 6th
Principal Maturity Date	Monthly on the 6th
Payable at	American Midwest Bank, Sycamore IL

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements		
	Principal	Interest	Totals
2015	\$ 7,117	106	7,223

TOWN OF CORTLAND, ILLINOIS

Schedule of Long-Term Debt Requirements

**Ford Interceptor Loan Payable of 2012
April 30, 2014**

Date of Issue	November 23, 2012
Date of Maturity	November 20, 2015
Authorized Issue	\$28,000
Interest Rate	2.46%
Interest Date	Monthly on the 28th
Principal Maturity Date	Monthly on the 28th
Payable at	Resource Bank N.A., Cortland IL

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements		
	Principal	Interest	Totals
2015	\$ 9,426	268	9,694
2016	5,608	47	5,655
	15,034	315	15,349

TOWN OF CORTLAND, ILLINOIS

Schedule of Long-Term Debt Requirements

**Dump Truck Loan Payable of 2012
April 30, 2014**

Date of Issue	December 18, 2012
Date of Maturity	December 18, 2017
Authorized Issue	\$108,000
Interest Rate	2.96%
Interest Date	Monthly on the 15th
Principal Maturity Date	Monthly on the 15th
Payable at	Resource Bank N.A., Cortland IL

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements		Totals
	Principal	Interest	
2015	\$ 20,756	2,095	22,851
2016	21,384	1,466	22,850
2017	22,039	812	22,851
2018	15,064	170	15,234
	<u>79,243</u>	<u>4,543</u>	<u>83,786</u>

TOWN OF CORTLAND, ILLINOIS

Schedule of Long-Term Debt Requirements

Bobcat Loan Payable of 2012

April 30, 2014

Date of Issue	July 24, 2012
Date of Maturity	July 1, 2016
Authorized Issue	\$32,822
Interest Rate	2.96%
Interest Date	Quarterly on the 1st
Principal Maturity Date	Quarterly on the 1st
Payable at	Resource Bank N.A., Cortland IL

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements		Totals
	Principal	Interest	
2015	\$ 8,247	475	8,722
2016	8,497	226	8,723
2017	2,165	16	2,181
	<u>18,909</u>	<u>717</u>	<u>19,626</u>

TOWN OF CORTLAND, ILLINOIS

Schedule of Long-Term Debt Requirements

Kubota Tractor Loan Payable of 2013

April 30, 2014

Date of Issue	November 13, 2013
Date of Maturity	November 25, 2016
Authorized Issue	\$13,725
Interest Rate	3.95%
Interest Date	Quarterly on the 25th
Principal Maturity Date	Quarterly on the 25th
Payable at	Resource Bank N.A., Cortland IL

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements		
	Principal	Interest	Totals
2015	\$ 4,444	440	4,884
2016	4,625	260	4,885
2017	3,591	71	3,662
	12,660	771	13,431

TOWN OF CORTLAND, ILLINOIS

Schedule of Long-Term Debt Requirements

Building Note Payable of 2011

April 30, 2014

Date of Issue	March 2, 2011
Date of Maturity	June 30, 2020
Authorized Issue	\$655,200
Interest Rate	4.30%
Interest Date	June 30 and December 30
Principal Maturity Date	June 30 and December 30
Payable at	Resource Bank N.A., Cortland IL

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements		Totals
	Principal	Interest	
2015	\$ 22,999	26,435	49,434
2016	24,012	25,422	49,434
2017	25,002	24,432	49,434
2018	26,173	23,261	49,434
2019	27,326	22,108	49,434
2020	28,530	20,904	49,434
2021	458,108	19,649	477,757
	612,150	162,211	774,361

TOWN OF CORTLAND, ILLINOIS

Schedule of Long-Term Debt Requirements

**Eagle Homes Settlement Note Payable of 2014
April 30, 2014**

Date of Issue	January 10, 2014
Date of Maturity	December 31, 2015
Authorized Issue	\$750,200
Interest Rate	3.10%
Interest Date	Quarterly on the 15th
Principal Maturity Date	December 31, 2015
Payable at	Resource Bank N.A., Cortland IL

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements		Totals
	Principal	Interest	
2015	\$ -	23,574	23,574
2016	750,000	16,792	766,792
	750,000	40,366	790,366

TOWN OF CORTLAND, ILLINOIS

Schedule of Assessed Valuations, Tax Rates, Tax Extensions, and Collections - Last Ten Tax Levy Years
April 30, 2014

	2004	2005	2006	2007
Assessed Valuations				
DeKalb County	\$ 41,641,222	50,462,813	57,665,131	68,242,687
Tax Rates - Town				
Corporate	0.5523	0.5380	0.5400	0.5129
IMRF	0.0784	0.0674	0.0669	0.0696
Social Security	0.0793	0.0694	0.0669	0.0586
Police Protection	0.0750	0.0750	0.0772	0.0733
	<u>0.7850</u>	<u>0.7498</u>	<u>0.7510</u>	<u>0.7144</u>
Tax Rates - Library				
Library Operations and Maintenance	0.0169	0.0159	0.0081	0.0073
Library (Municipality)	0.1409	0.1496	0.2832	0.2931
Library IMRF	0.0090	0.0050	0.0162	0.0095
Library Audit	0.0034	0.0050	0.0065	0.0022
Library Tort Judgments, Liability	0.0158	0.0059	0.0097	0.0088
Library Social Security	0.0135	0.0079	0.0162	0.0088
	<u>0.1995</u>	<u>0.1893</u>	<u>0.3399</u>	<u>0.3297</u>
Total Tax Rates	<u>0.98450</u>	<u>0.93910</u>	<u>1.09090</u>	<u>1.04410</u>
Tax Extensions - Town				
Corporate	\$ 229,984	271,490	311,392	350,017
IMRF	32,647	34,012	38,578	47,497
Social Security	33,021	35,021	38,578	39,990
Police Protection	31,231	37,847	44,517	50,022
	<u>326,884</u>	<u>378,370</u>	<u>433,065</u>	<u>487,526</u>
Tax Extensions - Library				
Library Operations and Maintenance	\$ 7,037	8,024	4,671	4,982
Library (Municipality)	58,672	75,492	163,308	200,019
Library IMRF	3,748	2,523	9,342	6,483
Library Audit	1,416	2,523	3,748	1,501
Library Tort Judgments, Liability	6,579	2,977	5,594	6,005
Library Social Security	5,622	3,987	9,342	6,005
	<u>83,074</u>	<u>95,526</u>	<u>196,004</u>	<u>224,996</u>
Total Tax Extensions	<u>409,958</u>	<u>473,896</u>	<u>629,069</u>	<u>712,522</u>
Tax Collections - Town				
Corporate	\$ 229,557	270,832	310,725	349,895
IMRF	32,588	33,918	38,480	47,489
Social Security	32,937	34,915	38,480	39,991
Police Protection	31,171	37,754	44,394	49,986
	<u>326,253</u>	<u>377,419</u>	<u>432,079</u>	<u>487,361</u>
Tax Collections - Library				
Library Maintenance	\$ 7,024	7,984	4,643	4,999
Library Maintenance	58,538	75,317	162,940	199,868
Library IMRF	3,753	2,497	9,321	6,499
Library Audit	1,409	2,517	3,728	1,500
Library Tort Judgments, Liability	6,567	2,995	5,592	6,001
Library Social Security	5,623	3,992	9,321	6,001
	<u>82,914</u>	<u>95,302</u>	<u>195,545</u>	<u>224,868</u>
Total Tax Collections	<u>409,167</u>	<u>472,721</u>	<u>627,624</u>	<u>712,229</u>
Percentage of Extensions Collected	<u>99.81%</u>	<u>99.75%</u>	<u>99.77%</u>	<u>99.96%</u>

Note: 2013 taxes will be collected in FY2015.

2008	2009	2010	2011	2012	2013
76,396,856	81,482,372	77,920,413	71,006,914	61,888,203	55,340,519
0.5098	0.4913	0.5345	0.5985	0.6908	0.7888
0.0668	0.0604	0.0678	0.0751	0.0867	0.0990
0.0551	0.0540	0.0613	0.0680	0.0785	0.0897
0.0728	0.0736	0.0818	0.0946	0.1092	0.1246
0.7045	0.6793	0.7454	0.8362	0.9652	1.1021
0.0079	0.0074	0.0078	0.0200	0.0200	0.0200
0.2958	0.2896	0.3000	0.3000	0.3000	0.3000
0.0079	0.0074	0.0078	0.0169	0.0226	0.0260
0.0020	0.0019	0.0019	0.0042	0.0097	0.0054
0.0052	0.0049	0.0052	0.0113	0.0129	0.0163
0.0085	0.0079	0.0083	0.0155	0.0194	0.0253
0.3273	0.3191	0.3310	0.3679	0.3847	0.3930
1.03180	0.99840	1.07640	1.20410	1.34985	1.49510
389,471	400,323	416,485	424,976	427,524	436,526
51,033	49,215	52,830	53,326	53,657	54,787
42,095	44,000	47,765	48,285	48,582	49,640
55,617	59,971	63,739	67,173	67,582	68,954
538,216	553,510	580,819	593,760	597,345	609,908
6,035	6,030	6,078	14,201	12,378	11,068
225,982	235,973	233,761	213,021	185,665	166,022
6,035	6,030	6,078	12,000	14,005	14,389
1,528	1,548	1,480	2,982	6,003	2,988
3,973	3,993	4,052	8,024	8,002	9,021
6,494	6,437	6,467	11,006	12,000	14,001
250,047	260,010	257,917	261,234	238,053	217,488
788,263	813,520	838,735	854,994	835,398	827,396
388,789	399,610	416,017	422,729	424,062	-
50,927	49,121	52,765	53,069	53,237	-
41,982	43,924	47,722	48,047	48,203	-
55,549	59,899	63,629	66,791	67,004	-
537,247	552,554	580,133	590,636	592,506	-
5,994	5,995	6,071	14,125	12,276	-
225,604	235,595	233,481	211,880	184,146	-
5,994	5,995	6,071	11,936	13,891	-
1,502	1,505	1,525	2,988	5,954	-
3,996	3,994	4,024	7,959	7,937	-
6,490	6,491	6,467	10,947	11,902	-
249,580	259,575	257,639	259,835	236,106	-
786,827	812,129	837,772	850,471	828,612	-
99.82%	99.83%	99.89%	99.47%	99.19%	0.00%

TOWN OF CORTLAND, ILLINOIS

**Schedule of Legal Debt Margin
April 30, 2014**

Assessed Valuation - 2013	<u>\$ 55,340,519</u>
Legal Debt Limit - 8.625% of Assessed Value	<u>4,773,120</u>
Amount of Debt Applicable to Limit	
Ford Interceptor Loan Payable of 2012	15,034
Dump Truck Loan Payable of 2012	79,243
Bobcat Loan Payable of 2012	18,909
Kubota Tractor Loan Payable of 2013	12,660
Building Note Payable of 2011	612,150
Eagle Homes Settlement Note Payable of 2014	<u>750,000</u>
	<u>737,996</u>
Legal Debt Margin	<u>4,035,124</u>