

TOWN OF CORTLAND, ILLINOIS



**ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
APRIL 30, 2013**

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

October 14, 2013

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, 2013, which collectively comprise the Town's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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, 2013, 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

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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



LAUTERBACH & AMEN, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF CORTLAND, ILLINOIS

Management's Discussion and Analysis April 30, 2013

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, 2013. 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 \$37,174,058 to \$36,854,808, a decrease of \$319,250 or less than one percent.
- During the year, government-wide revenues totaled \$3,085,125, while government-wide expenses totaled \$3,404,375, resulting in a decrease to net position of \$319,250.
- Total fund balances for the governmental funds were \$2,521,707 at April 30, 2013 compared to \$2,226,529 in the prior year, an increase of \$295,178 or 13.3 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 matter 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, 2013

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. 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, Capital Improvements Fund and Special Service Areas #9-10 Fund, all 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, 2013

USING THIS ANNUAL REPORT – Continued

Fund Financial Statements – Continued

Governmental Funds – Continued

The Town adopts an annual appropriated budget for the General Fund, Capital Improvements Fund, Motor Fuel Tax Fund and Economic Development 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 - 12 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 13 - 15 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 basic fiduciary fund financial statements can be found on page 16 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 17 - 43 of this report.

TOWN OF CORTLAND, ILLINOIS

**Management's Discussion and Analysis
April 30, 2013**

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 44 - 45 of this report. The combining and individual fund statements and schedules can be found immediately after the required supplementary information, on pages 46 - 65 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 \$36.9 million.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 3,832,726	2,648,992	1,283,356	928,289	5,116,082	3,577,281
Capital Assets	9,290,494	9,145,770	24,654,144	25,453,239	33,944,638	34,599,009
Total Assets	13,123,220	11,794,762	25,937,500	26,381,528	39,060,720	38,176,290
Long-Term Debt	753,102	691,281	-	-	753,102	691,281
Other Liabilities/Def. Inflows	1,398,915	572,045	53,895	1,320	1,452,810	573,365
Total Liabilities/Def. Inflows	2,152,017	1,263,326	53,895	1,320	2,205,912	1,264,646
Net Position						
Net Investment in						
Capital Assets	8,484,448	8,454,489	24,654,144	25,453,239	33,138,592	33,907,728
Restricted	1,437,214	1,642,302	135,600	135,600	1,572,814	1,777,902
Unrestricted	1,049,541	434,645	1,093,861	791,369	2,143,402	1,226,014
Total Net Position	10,971,203	10,531,436	25,883,605	26,380,208	36,854,808	36,911,644

By far the largest portion of the Town's net position (89.92 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 4.27 percent of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining 5.82 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, 2013**

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

	Changes in Net Position					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Charges for Services	\$ 40,412	61,355	877,965	861,066	918,377	922,421
Operating Grants/Contrib.	-	126,577	-	-	-	126,577
Capital Grants/Contrib.	18,652	141,973	-	-	18,652	141,973
General Revenues						
Property Taxes	590,637	590,306	-	-	590,637	590,306
Utility Taxes	234,201	232,120	-	-	234,201	232,120
Sales and Use Taxes	674,022	400,064	-	-	674,022	400,064
Income Taxes	384,814	296,687	-	-	384,814	296,687
Other Taxes	130,205	-	-	-	130,205	-
Interest Income	2,952	4,017	1,129	1,866	4,081	5,883
Miscellaneous	82,028	33,327	48,108	24,121	130,136	57,448
Total Revenues	2,157,923	1,886,426	927,202	887,053	3,085,125	2,773,479
Expenses						
General Government	859,578	658,326	-	-	859,578	658,326
Public Safety	411,179	463,297	-	-	411,179	463,297
Highways and Streets	540,016	5,422,556	-	-	540,016	5,422,556
Interest on Long-Term Debt	31,091	11,410	-	-	31,091	11,410
Water	-	-	738,096	735,728	738,096	735,728
Sewer	-	-	824,415	728,604	824,415	728,604
Total Expenses	1,841,864	6,555,589	1,562,511	1,464,332	3,404,375	8,019,921
Change in Net Position	316,059	(4,669,163)	(635,309)	(577,279)	(319,250)	(5,246,442)
Net Position - Beginning as Restated	10,655,144	15,200,599	26,518,914	26,957,487	37,174,058	42,158,086
Net Position - Ending	10,971,203	10,531,436	25,883,605	26,380,208	36,854,808	36,911,644

The Town's net position decreased from \$37,174,058 to \$36,854,808.

Expenses of \$3,404,375 exceeded revenues of \$3,085,125, resulting in the decrease to net position in the current year of \$319,250.

Governmental Activities

In the current year, governmental net position increased \$316,059, or 2.88 percent. Sales and use taxes increased \$273,958 over the prior year (\$400,064 in 2012 compared to \$674,022 in 2013) and the governmental expenses in the highways and streets function decreased \$4,882,540 from the prior year due to planned capital expenses in 2012 being significantly higher than 2013.

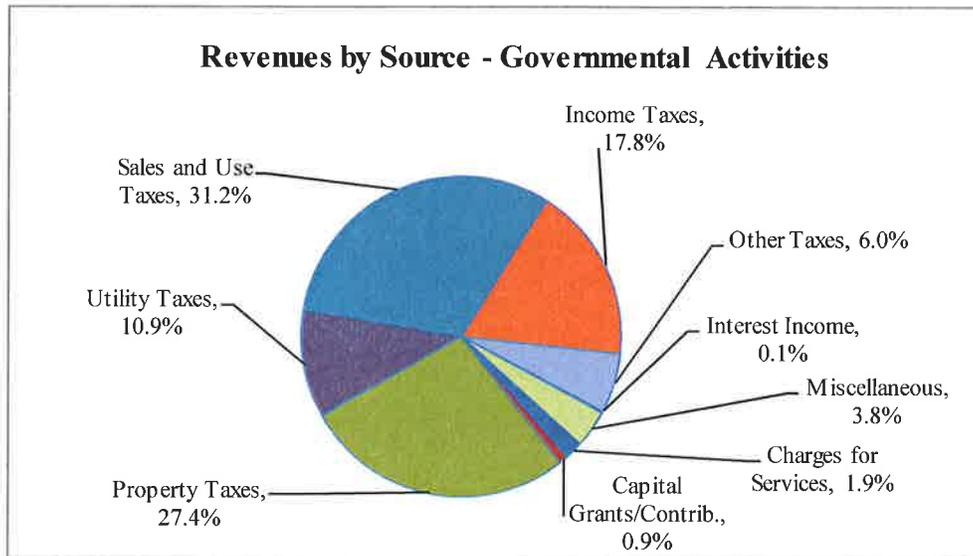
TOWN OF CORTLAND, ILLINOIS

Management's Discussion and Analysis April 30, 2013

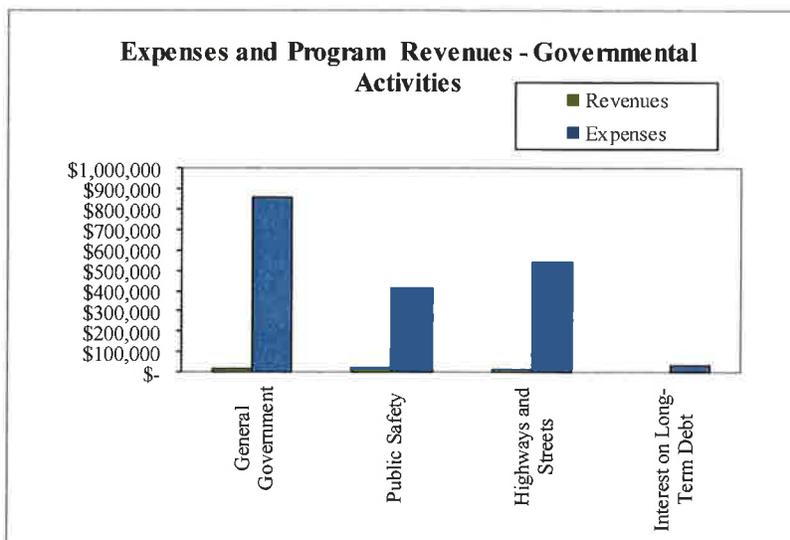
GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

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

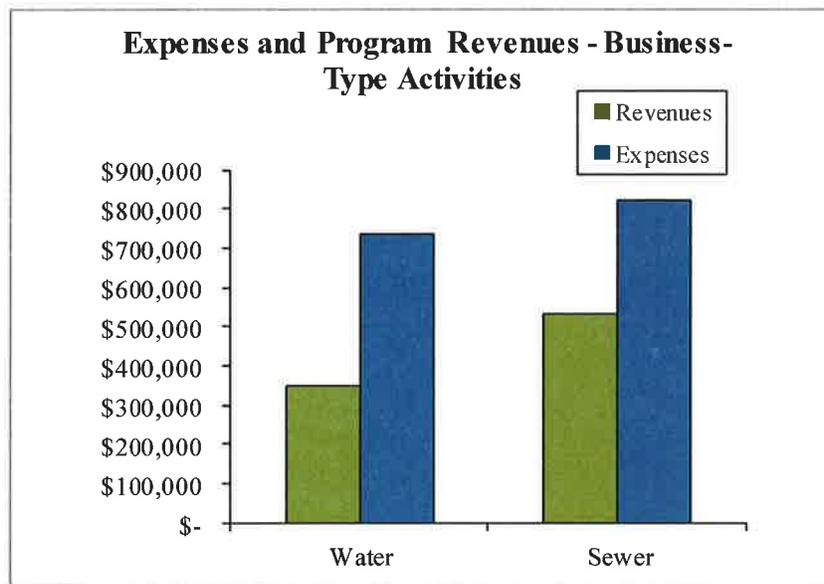
Management's Discussion and Analysis April 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS – Continued

Business-Type Activities

Revenues for business-type activities totaled \$927,202, while expenses totaled \$1,562,511, resulting in a decrease to business-type net position of \$635,309.

Water and sewer expenses increased from \$1,464,332 in the prior year to \$1,562,511 in the current year, an increase of 6.07 percent. Revenues also increased by \$40,149 or 4.53 percent but were out-paced by the increase in expenses.



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, 2013

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 \$2,521,707, which is 13.3 percent higher than last year's ending fund balance of \$2,226,529.

In the current year, governmental fund balances increased by \$295,178. The General Fund reported a decrease of \$81,255, due to actual expenditures being more than estimated expenditures, particularly in the general government and capital outlay expenditures and the fund not receiving budgeted transfers in of \$252,249. The Capital Improvements Fund reported an increase of \$437,596, due primarily to capital expenditures being under budget by \$313,895. The Special Service Areas #9-10 Fund reported a decrease of \$22,796, due primarily general government expenditures being higher than revenues collected.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, no supplemental amendments were 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 \$1,462,053 compared to budgeted revenues of \$1,366,250. This resulted primarily from intergovernmental revenues being budgeted at \$690,000 for the year and \$778,804 being collected. Intergovernmental revenues include sales and use tax and state income tax.

The General Fund actual expenditures were higher than budgeted expenditures. Actual expenditures totaled \$1,741,630, while budgeted expenditures totaled \$1,638,532. The expenditures came in over budget due to the general government and capital outlay expenditures being higher than anticipated by \$84,761 and \$138,900, respectively.

TOWN OF CORTLAND, ILLINOIS

**Management's Discussion and Analysis
April 30, 2013**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of April 30, 2013 was \$33,944,638 (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 \$654,371. This overall decrease is due to the depreciation expense charged for the year of \$1,049,729 being greater than the \$395,355 the Town added in capital asset additions in the current year.

	Capital Assets - Net of Depreciation					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 3,264,561	3,264,561	1,156,775	1,149,775	4,421,336	4,414,336
Construction in Progress	-	507,494	-	-	-	507,494
Building and Improvements	948,017	322,217	-	-	948,017	322,217
Vehicles and Equipment	275,504	141,547	184,932	208,966	460,436	350,513
Infrastructure	4,802,412	4,909,951	23,312,437	24,094,498	28,114,849	29,004,449
Total	9,290,494	9,145,770	24,654,144	25,453,239	33,944,638	34,599,009

Additional information on the Town's capital assets can be found in note 3 on pages 29 - 30 of this report.

Debt Administration

At year-end, the Town had total governmental debt outstanding of \$806,046 compared to \$691,281 the previous year. The following is a comparative statement of outstanding debt:

	Long-Term Debt Outstanding					
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Loans Payable	\$ 171,868	36,081	-	-	171,868	36,081
Notes Payable	634,178	655,200	-	-	634,178	655,200
Total	806,046	691,281	-	-	806,046	691,281

Additional information on the Town's long-term debt can be found in Note 3 on pages 31 - 34 of this report.

TOWN OF CORTLAND, ILLINOIS

Management's Discussion and Analysis April 30, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2014 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.

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, 2013**

See Following Page

TOWN OF CORTLAND, ILLINOIS

**Statement of Net Position
April 30, 2013**

	Governmental Activities	Business-Type Activities	Totals	Component Unit Cortland Community Library
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 3,050,011	1,123,443	4,173,454	39,718
Receivables - Net of Allowances	782,715	159,913	942,628	238,053
Total Current Assets	3,832,726	1,283,356	5,116,082	277,771
Noncurrent Assets				
Capital Assets				
Nondepreciable	3,264,561	1,156,775	4,421,336	-
Depreciable	7,393,149	29,631,944	37,025,093	119,587
Accumulated Depreciation	(1,367,216)	(6,134,575)	(7,501,791)	(66,380)
Total Noncurrent Assets	9,290,494	24,654,144	33,944,638	53,207
Total Assets	13,123,220	25,937,500	39,060,720	330,978

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	106,900	53,895	160,795	-
Accrued Payroll	22,578	-	22,578	3,341
Deposits Payable	572,041	-	572,041	-
Accrued Interest Payable	9,141	-	9,141	-
Current Portion of Long-Term Liabilities	78,755	-	78,755	-
Total Current Liabilities	789,415	53,895	843,310	3,341
Noncurrent Liabilities				
Compensated Absences Payable	20,649	-	20,649	-
Loans Payable	120,303	-	120,303	-
Notes Payable	612,150	-	612,150	-
Total Noncurrent Liabilities	753,102	-	753,102	-
Total Liabilities	1,542,517	53,895	1,596,412	3,341
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	609,500	-	609,500	238,053
Total Liabilities and Deferred Inflows of Resources	2,152,017	53,895	2,205,912	241,394
NET POSITION				
Net Investment in Capital Assets	8,484,448	24,654,144	33,138,592	53,207
Restricted - Parks	16,946	-	16,946	-
Restricted - Capital Improvements	354,065	-	354,065	-
Restricted - Debt Service	40,780	-	40,780	-
Restricted - Special Service Areas	892,143	-	892,143	-
Restricted - Highways and Streets	64,533	-	64,533	-
Restricted - Economic Development	68,747	-	68,747	-
Restricted - Radium Removal	-	135,600	135,600	-
Unrestricted	1,049,541	1,093,861	2,143,402	36,377
Total Net Position	10,971,203	25,883,605	36,854,808	89,584

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

TOWN OF CORTLAND, ILLINOIS

**Statement of Activities
Year Ended April 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions
Governmental Activities				
General Government	\$ 859,578	17,112	-	1,756
Public Safety	411,179	23,300	-	-
Highways and Streets	540,016	-	118,860	16,896
Interest on Long-Term Debt	31,091	-	-	-
Total Governmental Activities	<u>1,841,864</u>	<u>40,412</u>	<u>118,860</u>	<u>18,652</u>
Business-Type Activities				
Water	738,096	347,769	-	-
Sewer	824,415	530,196	-	-
Total Business-Type Activities	<u>1,562,511</u>	<u>877,965</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>3,404,375</u>	<u>918,377</u>	<u>118,860</u>	<u>18,652</u>
Component Unit - Cortland Community Library	<u>281,954</u>	<u>3,615</u>	<u>-</u>	<u>10,879</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 as Restated

Net Position - Ending

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

Net Expense/Revenue			Component Unit
Governmental Activities	Business-Type Activities	Totals	Cortland Community Library
(840,710)	-	(840,710)	-
(387,879)	-	(387,879)	-
(404,260)	-	(404,260)	-
(31,091)	-	(31,091)	-
(1,663,940)	-	(1,663,940)	-
-	(390,327)	(390,327)	-
-	(294,219)	(294,219)	-
-	(684,546)	(684,546)	-
(1,663,940)	(684,546)	(2,348,486)	-
-	-	-	(267,460)
590,637	-	590,637	259,849
234,201	-	234,201	-
1,627	-	1,627	-
9,718	-	9,718	-
674,022	-	674,022	-
384,814	-	384,814	-
2,952	1,129	4,081	53
82,028	48,108	130,136	3,645
1,979,999	49,237	2,029,236	263,547
316,059	(635,309)	(319,250)	(3,913)
10,655,144	26,518,914	37,174,058	93,497
10,971,203	25,883,605	36,854,808	89,584

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

TOWN OF CORTLAND, ILLINOIS

**Balance Sheet - Governmental Funds
April 30, 2013**

	<u>General</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,242,922
Receivables - Net of Allowances	
Taxes	609,500
Other Taxes	-
Accounts Receivable	108,635
Due from Other Funds	<u>19,196</u>
Total Assets	<u><u>1,980,253</u></u>
LIABILITIES	
Accounts Payable	106,853
Accrued Payroll	22,578
Deposits Payable	572,041
Due to Other Funds	-
Total Liabilities	<u>701,472</u>
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	<u>609,500</u>
Total Liabilities and Deferred Inflows of Resources	<u><u>1,310,972</u></u>
FUND BALANCES	
Restricted	420,932
Assigned	-
Unassigned	<u>248,349</u>
Total Fund Balances	<u><u>669,281</u></u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>1,980,253</u></u>

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

Capital Projects			
Capital Improvements	Special Service Areas #9-10	Nonmajor	Totals
789,009	867,011	151,069	3,050,011
-	-	-	609,500
-	-	7,343	7,343
57,237	-	-	165,872
-	-	-	19,196
<u>846,246</u>	<u>867,011</u>	<u>158,412</u>	<u>3,851,922</u>
47	-	-	106,900
-	-	-	22,578
-	-	-	572,041
-	-	19,196	19,196
<u>47</u>	<u>-</u>	<u>19,196</u>	<u>720,715</u>
-	-	-	609,500
<u>47</u>	<u>-</u>	<u>19,196</u>	<u>1,330,215</u>
-	867,011	158,412	1,446,355
846,199	-	-	846,199
-	-	(19,196)	229,153
<u>846,199</u>	<u>867,011</u>	<u>139,216</u>	<u>2,521,707</u>
<u>846,246</u>	<u>867,011</u>	<u>158,412</u>	<u>3,851,922</u>

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, 2013

Total Governmental Fund Balances \$ 2,521,707

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. 9,290,494

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	(25,811)
Loans Payable	(171,868)
Notes Payable	(634,178)
Accrued Interest Payable	<u>(9,141)</u>

Net Position of Governmental Activities 10,971,203

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

TOWN OF CORTLAND, ILLINOIS

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds Year Ended April 30, 2013

	<u>General</u>
Revenues	
Taxes	\$ 621,752
Intergovernmental	778,804
Charges for Services	3,092
Grants and Donations	1,756
Licenses and Permits	14,020
Fines and Forfeitures	23,300
Interest	2,178
Miscellaneous	17,151
Total Revenues	<u>1,462,053</u>
Expenditures	
Current	
General Government	542,955
Public Safety	395,015
Highways and Streets	374,330
Capital Outlay	345,827
Debt Service	
Principal Retirement	52,057
Interest and Fiscal Charges	31,446
Total Expenditures	<u>1,741,630</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(279,577)</u>
Other Financing Sources	
Debt Issuance	166,822
Disposal of Capital Assets	31,500
	<u>198,322</u>
Net Change in Fund Balances	(81,255)
Fund Balances - Beginning as Restated	<u>750,536</u>
Fund Balances - Ending	<u><u>669,281</u></u>

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

Capital Projects			
Capital Improvements	Special Service Areas #9-10	Nonmajor	Totals
214,431	-	-	836,183
280,032	-	118,860	1,177,696
-	-	-	3,092
-	-	16,896	18,652
-	-	-	14,020
-	-	-	23,300
490	93	191	2,952
-	12,024	52,853	82,028
494,953	12,117	188,800	2,157,923
-	34,913	61,481	639,349
-	-	-	395,015
-	-	165,686	540,016
57,357	-	-	403,184
-	-	-	52,057
-	-	-	31,446
57,357	34,913	227,167	2,061,067
437,596	(22,796)	(38,367)	96,856
-	-	-	166,822
-	-	-	31,500
-	-	-	198,322
437,596	(22,796)	(38,367)	295,178
408,603	889,807	177,583	2,226,529
846,199	867,011	139,216	2,521,707

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**

Year Ended April 30, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 295,178

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	338,969
Depreciation Expense	(194,245)
Disposals - Net of Accumulated Depreciation	-

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.

355

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.

Additions to Compensated Absences Payable	(9,433)
Issuance of Loans Payable	(166,822)
Retirement of Loans Payable	31,035
Retirement of Notes Payable	21,022

Changes in Net Position of Governmental Activities

316,059

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, 2013**

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
ASSETS			
Current Assets			
Cash and Investments	\$ 498,409	625,034	1,123,443
Receivables - Net of Allowances			
Accounts	58,238	101,675	159,913
Total Current Assets	556,647	726,709	1,283,356
Noncurrent Assets			
Capital Assets			
Nondepreciable	20,000	1,136,775	1,156,775
Depreciable	13,157,389	16,474,555	29,631,944
Accumulated Depreciation	(2,702,720)	(3,431,855)	(6,134,575)
Total Noncurrent Assets	10,474,669	14,179,475	24,654,144
Total Assets	11,031,316	14,906,184	25,937,500
LIABILITIES			
Current Liabilities			
Accounts Payable	27,847	26,048	53,895
NET POSITION			
Investment in Capital Assets	10,474,669	14,179,475	24,654,144
Restricted - Radium Removal	135,600	-	135,600
Unrestricted	393,200	700,661	1,093,861
Total Net Position	11,003,469	14,880,136	25,883,605

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
Year Ended April 30, 2013**

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
Operating Revenues			
Charges for Services	\$ 347,769	530,196	877,965
Miscellaneous	24,584	23,524	48,108
Total Operating Revenues	<u>372,353</u>	<u>553,720</u>	<u>926,073</u>
Operating Expenses			
Operations	373,845	333,536	707,381
Depreciation	364,602	490,879	855,481
Total Operating Expenses	<u>738,447</u>	<u>824,415</u>	<u>1,562,862</u>
Operating Income (Loss)	<u>(366,094)</u>	<u>(270,695)</u>	<u>(636,789)</u>
Nonoperating Revenues			
Sale of Town Assets	351	-	351
Interest Income	571	558	1,129
	<u>922</u>	<u>558</u>	<u>1,480</u>
Change in Net Position	(365,172)	(270,137)	(635,309)
Net Position - Beginning as Restated	<u>11,368,641</u>	<u>15,150,273</u>	<u>26,518,914</u>
Net Position - Ending	<u>11,003,469</u>	<u>14,880,136</u>	<u>25,883,605</u>

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

TOWN OF CORTLAND, ILLINOIS

**Statement of Cash Flows - Proprietary Funds
Year Ended April 30, 2013**

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Totals
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ 460,885	444,332	905,217
Payments to Employees	(90,333)	(44,379)	(134,712)
Payments to Suppliers	(255,665)	(264,429)	(520,094)
	<u>114,887</u>	<u>135,524</u>	<u>250,411</u>
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets	(34,949)	(21,437)	(56,386)
Cash Flows from Investing Activities			
Interest Received	571	558	1,129
Net Change in Cash and Cash Equivalents	80,509	114,645	195,154
Cash and Cash Equivalents			
Beginning	417,900	510,389	928,289
Ending	<u>498,409</u>	<u>625,034</u>	<u>1,123,443</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	(366,094)	(270,695)	(636,789)
Adjustments to Reconcile Operating Income to Net Income to Net Cash			
Provided by (Used in) Operating Activities:			
Depreciation Expense	364,602	490,879	855,481
Other Income	351	-	351
(Increase) Decrease in Current Assets	88,181	(109,388)	(21,207)
Increase (Decrease) in Current Liabilities	27,847	24,728	52,575
Net Cash Provided by Operating Activities	<u>114,887</u>	<u>135,524</u>	<u>250,411</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, 2013**

ASSETS

Cash and Cash Equivalents	<u>\$ 1,422,085</u>
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LIABILITIES

Due to Bondholders	<u>1,422,085</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, 2013

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. 39, "Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14," 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. 39 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, 2013

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. The Town first utilizes restricted resources to finance qualifying activities.

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, 2013

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, 2013

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.

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

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 fund 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 hose services to residents. The Sewer Fund is used to account for the sewer billings and expenses incurred for providing hose 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, 2013

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 fiduciary funds are presented in the fiduciary fund financial statements by type (agency). 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.

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements April 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

Measurement Focus – Continued

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.

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.

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements

April 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

Basis of Accounting – Continued

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.

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.

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements

April 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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.

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

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements

April 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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.

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 expenditures/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, 2013**

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.
- 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 under the column reflect amendment, 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 (except for the Tax Incremental Financing Fund), and the Enterprise Funds.
- All budgets lapse at the end of the year for which the budgets were adopted. During the year, no supplemental budget amendments were 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>
General	\$ 103,098

DEFICIT FUND EQUITY

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

<u>Fund</u>	<u>Deficit</u>
Tax Incremental Financing	\$ 19,196

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements

April 30, 2013

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 \$3,155,403 and the bank balances totaled \$3,165,898. In addition, the Town has \$1,018,051 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.

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 noncategorizable.

TOWN OF CORTLAND, ILLINOIS

**Notes to the Financial Statements
April 30, 2013**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

DEPOSITS AND INVESTMENTS – Continued

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

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 2012 attach as an enforceable lien on January 1, 2012, 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, 2013, and September 1, 2013. The County collects such taxes and remits them periodically.

INTERFUND BALANCES

The composition of interfund balances as of the date of this report, is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental	<u>\$ 19,196</u>

Interfund balances are advances in anticipation of receipts.

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements

April 30, 2013

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
Construction in Progress	507,494	-	507,494	-
	<u>3,772,055</u>	<u>-</u>	<u>507,494</u>	<u>3,264,561</u>
Depreciable Capital Assets				
Building and Improvements	427,744	634,775	-	1,062,519
Vehicles and Equipment	800,365	211,688	58,284	953,769
Infrastructure	5,376,861	-	-	5,376,861
	<u>6,604,970</u>	<u>846,463</u>	<u>58,284</u>	<u>7,393,149</u>
Less Accumulated Depreciation				
Building and Improvements	105,527	8,975	-	114,502
Vehicles and Equipment	658,818	77,731	58,284	678,265
Infrastructure	466,910	107,539	-	574,449
	<u>1,231,255</u>	<u>194,245</u>	<u>58,284</u>	<u>1,367,216</u>
Total Net Depreciable Capital Assets	<u>5,373,715</u>	<u>652,218</u>	<u>-</u>	<u>6,025,933</u>
Total Net Capital Assets	<u>9,145,770</u>	<u>652,218</u>	<u>-</u>	<u>9,290,494</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 178,081
Public Safety	<u>16,164</u>
	<u>194,245</u>

TOWN OF CORTLAND, ILLINOIS

**Notes to the Financial Statements
April 30, 2013**

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	\$ 1,149,775	7,000	-	1,156,775
Depreciable Capital Assets				
Vehicles and Equipment	653,326	12,399	-	665,725
Infrastructure	28,929,232	36,987	-	28,966,219
	<u>29,582,558</u>	<u>49,386</u>	<u>-</u>	<u>29,631,944</u>
Less Accumulated Depreciation				
Vehicles and Equipment	444,360	36,433	-	480,793
Infrastructure	4,834,734	819,048	-	5,653,782
	<u>5,279,094</u>	<u>855,481</u>	<u>-</u>	<u>6,134,575</u>
Total Net Depreciable Capital Assets	<u>24,303,464</u>	<u>(806,095)</u>	<u>-</u>	<u>23,497,369</u>
Total Net Capital Assets	<u>25,453,239</u>	<u>(799,095)</u>	<u>-</u>	<u>24,654,144</u>

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

Water	\$ 364,602
Sewer	<u>490,879</u>
	<u>855,481</u>

TOWN OF CORTLAND, ILLINOIS

**Notes to the Financial Statements
April 30, 2013**

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.	\$ 9,518	-	5,625	3,893
Police Truck Loan Payable of 2011 - Due in monthly installments of \$914 including interest at 3.95% through December 6, 2014.	26,563	-	9,116	17,447
Ford Interceptor Loan Payable of 2012 - Due in monthly installments of \$808 including interest at 2.46% through November 20, 2015.	-	28,000	3,772	24,228
Dump Truck Loan Payable of 2012 - Due in monthly installments of \$1,904 including interest at 2.96% through December 18, 2017.	-	106,000	6,613	99,387
Bobcat Loan Payable of 2012 - Due in quarterly installments of \$2,181 including interest at 2.96% through July 1, 2016.	-	32,822	5,909	26,913
	<u>36,081</u>	<u>166,822</u>	<u>31,035</u>	<u>171,868</u>

TOWN OF CORTLAND, ILLINOIS

**Notes to the Financial Statements
April 30, 2013**

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.	\$ 655,200	-	21,022	634,178

Long-Term Liability Activity

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

Type of Debt	Beginning Balances as Restated	Additions	Deductions	Ending Balances	Amounts Due within One Year
Governmental Activities					
Compensated Absences	\$ 16,378	18,867	9,434	25,811	5,162
Loans Payable	36,081	166,822	31,035	171,868	51,565
Notes Payable	655,200	-	21,022	634,178	22,028
	<u>707,659</u>	<u>185,689</u>	<u>61,491</u>	<u>831,857</u>	<u>78,755</u>

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

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements April 30, 2013

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

LONG-TERM DEBT – Continued

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
2014	\$ 51,565	4,496	22,028	27,406
2015	45,546	2,944	22,999	26,435
2016	35,489	1,739	24,012	25,422
2017	24,204	828	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	171,868	10,177	634,178	189,617

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, 2013, \$5,122,000 of the bonds are outstanding.

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements April 30, 2013

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

NON-COMMITMENT DEBT – Continued

Special Service Area Bonds – Continued

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, 2013, \$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, 2013, \$8,204,000 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, 2013**

NOTE 3 – DETAIL NOTES ON ALL FUNDS – Continued

NET POSITION/FUND BALANCES

Net Position/Fund Balances Restatements

In prior years, the Town utilized the cash basis of accounting. As of April 30, 2013, the Town has restated its financial statements for governmental and business-type activities to reflect the modified accrual basis of accounting and to correct an error in recognition of long-term debt. The following is a summary of the net position/fund balances as originally reported and as restated:

<u>Net Position/Fund Balances</u>	<u>As Reported</u>	<u>As Restated</u>	<u>Increase (Decrease)</u>
Governmental Activities	\$ 10,531,436	10,655,144	123,708
Business-Type Activities	26,380,208	26,518,914	138,706
General	582,330	750,536	168,206
Capital Improvements	348,298	408,603	60,305
Motor Fuel Tax	102,940	111,230	8,290
Economic Development	155,907	68,688	(87,219)
Water	11,313,391	11,368,641	55,250
Sewer	15,066,817	15,150,273	83,456

Net Position Classifications

Net investment in capital assets was comprised of the following as of April 30, 2013:

Governmental Activities	
Capital Assets - Net of Accumulated Depreciation	\$ 9,290,494
Less:	
Truck Loan Payable of 2010	(3,893)
Police Truck Loan Payable of 2011	(17,447)
Ford Interceptor Loan Payable of 2012	(24,228)
Dump Truck Loan Payable of 2012	(99,387)
Bobcat Loan Payable of 2012	(26,913)
Building Note Payable of 2011	<u>(634,178)</u>
Net Investment in Capital Assets	<u>8,484,448</u>
Business-Type Activities	
Capital Assets - Net of Accumulated Depreciation	<u>24,654,144</u>

TOWN OF CORTLAND, ILLINOIS

**Notes to the Financial Statements
April 30, 2013**

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 given authority to management thru the Town’s budget policy, to assign the funds in this fund to future Town improvement projects and capital purchases based on approved Town/management expenditures as determined through the annual budget process.

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>Totals</u>
	<u>General</u>	<u>Capital Improvements</u>	<u>Special Service Areas #9-10</u>	<u>Nonmajor</u>	
Fund Balances					
Restricted					
Parks	\$ 16,946	-	-	-	16,946
Capital Improvements	354,065	-	-	-	354,065
Debt Service	49,921	-	-	-	49,921
Special Service Areas	-	-	867,011	25,132	892,143
Highways and Streets	-	-	-	64,533	64,533
Economic Development	-	-	-	68,747	68,747
	<u>420,932</u>	<u>-</u>	<u>867,011</u>	<u>158,412</u>	<u>1,446,355</u>
Assigned					
Capital Projects	-	846,199	-	-	846,199
Unassigned	<u>248,349</u>	<u>-</u>	<u>-</u>	<u>(19,196)</u>	<u>229,153</u>
Total Fund Balances	<u>669,281</u>	<u>846,199</u>	<u>867,011</u>	<u>139,216</u>	<u>2,521,707</u>

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements

April 30, 2013

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, 2013. 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. The case is currently proceeding on a Citation to Discover Assets. The Town is defending the Citation under the guidelines of *Estate of Walter Debrow v. City of East St. Louis*, which provides that Town assets necessary to conduct Town business may not be executed upon by a judgment creditor. Settlement discussions are ongoing and no hearing date on the Citation has been set.

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.

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements

April 30, 2013

NOTE 4 – OTHER INFORMATION – Continued

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.

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. For 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 2012 was 11.73 percent.

TOWN OF CORTLAND, ILLINOIS

**Notes to the Financial Statements
April 30, 2013**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Funding Policy and Annual Pension Cost

For the current year, the Town's annual pension cost of \$89,845 for the plan was equal to the Town's required and actual contributions. The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2010 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, 2013 was 30 years.

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>
2011	\$ 83,869	100.00%	None
2012	86,223	100.00%	None
2013	89,845	100.00%	None

TOWN OF CORTLAND, ILLINOIS

**Notes to the Financial Statements
April 30, 2013**

NOTE 4 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

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	12/31/12
Percent Funded	55.03%
Actuarial Accrued Liability for Benefits	\$1,077,760
Actuarial Value of Assets	\$593,051
Over (Under) Funded Actuarial Accrued Liability (UAAL)	(\$484,709)
Covered Payroll (Annual Payroll of Active Employees Covered by the Plan)	\$765,944
Ratio of UAAL to Covered Payroll	63.28%

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, 2013**

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, 2013.

Annual OPEB Costs and Net OPEB Obligation (Asset)

The net OPEB obligation/(asset) (NOPEBO/NOPEBA) as of April 30, 2013, was calculated as follows:

Annual Required Contribution	\$ -
Interest on the Net OPEB (Asset)	(601)
Adjustment to the ARC	<u>9,181</u>
Annual OPEB Cost	8,580
Actual Contribution	<u>-</u>
Change in the Net OPEB (Asset)	8,580
Net OPEB (Asset) - Beginning	<u>(8,580)</u>
Net OPEB (Asset) - Ending	<u><u>-</u></u>

Trend Information

The Town's annual OPEB cost, actual contributions, the percentage of annual OPEB cost contributed and the net OPEB obligation are as follows:

Fiscal Year	Annual OPEB Cost	Actual Contributions	Percentage of OPEB Cost Contributed	Net OPEB (Asset)
2011	\$ 1,545	\$ 5,432	351.59%	\$ (4,541)
2012	1,558	5,597	359.24%	(8,580)
2013	8,580	-	0.00%	-

TOWN OF CORTLAND, ILLINOIS

Notes to the Financial Statements

April 30, 2013

NOTE 4 – OTHER INFORMATION – Continued

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 \$39,718 and the bank balances totaled \$42,520.

Interest Rate Risk. The Library does not maintain its own investment policy.

Credit Risk. The Library does not maintain its own investment policy.

Custodial Credit Risk. The Library does not maintain its own investment policy. At year-end, all deposits are collateralized.

Concentration Risk. The Library does not maintain its own 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 2012 attach as an enforceable lien on January 1, 2012, 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, 2013, and September 1, 2013. The County collects such taxes and remits them periodically.

TOWN OF CORTLAND, ILLINOIS

**Notes to the Financial Statements
April 30, 2013**

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 \$2,500 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, traffic signals and signs are capitalized. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities) the government chose to include all such items regardless of their acquisition date. 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	\$ 110,835	8,752	-	119,587
Less Accumulated Depreciation				
Building and Improvements	59,978	6,402	-	66,380
Total Net Capital Assets	<u>50,857</u>	<u>2,350</u>	<u>-</u>	<u>53,207</u>

NET POSITION/FUND BALANCES

Net Position/Fund Balances Restatements

In prior years, the Library utilized the cash basis of accounting. As of April 30, 2013, the Library has restated its financial statements to reflect the modified accrual basis of accounts. The Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances/Net Position beginning balances decreased by \$3,365.

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 – Budgets are adopted on a basis consistent with generally accepted accounting principles.

TOWN OF CORTLAND, ILLINOIS

Illinois Municipal Retirement Fund

**Required Supplementary Information
Schedule of Funding Progress and Employer Contributions
April 30, 2013**

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 Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (4) ÷ (5)
2007	\$ 512,197	\$ 780,533	65.62%	\$ 268,336	\$ 635,283	42.24%
2008	592,444	934,784	63.38%	342,340	692,677	49.42%
2009	712,161	1,066,616	66.77%	354,455	694,673	51.02%
2010	393,218	841,565	46.72%	448,347	780,553	57.44%
2011	539,989	1,015,117	53.19%	475,128	743,660	63.89%
2012	593,051	1,077,760	55.03%	484,709	765,944	63.28%

Employer Contributions

Fiscal Year	Employer Contributions	Annual Required Contribution	Percent Contributed
2008	\$ 69,690	\$ 69,690	100.00%
2009	75,225	75,225	100.00%
2010	81,218	81,218	100.00%
2011	83,869	83,869	100.00%
2012	86,223	86,223	100.00%
2013	89,845	89,845	100.00%

TOWN OF CORTLAND, ILLINOIS

General Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2013**

	Budget		Actual
	Original	Final	
Revenues			
Taxes	\$ 623,150	623,150	621,752
Intergovernmental	690,000	690,000	778,804
Charges for Services	12,500	12,500	3,092
Grants and Donations	1,000	1,000	1,756
Licenses and Permits	17,400	17,400	14,020
Fines and Forfeitures	18,100	18,100	23,300
Interest	2,750	2,750	2,178
Miscellaneous	1,350	1,350	17,151
Total Revenues	1,366,250	1,366,250	1,462,053
Expenditures			
Current			
General Government	458,194	458,194	542,955
Public Safety	473,145	473,145	395,015
Highways and Streets	398,017	398,017	374,330
Capital Outlay	206,927	206,927	345,827
Debt Service			
Principal Retirement	71,582	71,582	52,057
Interest and Fiscal Charges	30,667	30,667	31,446
Total Expenditures	1,638,532	1,638,532	1,741,630
Excess (Deficiency) of Revenues Over (Under) Expenditures	(272,282)	(272,282)	(279,577)
Other Financing Sources			
Debt Issuance	171,873	171,873	166,822
Disposal of Capital Assets	-	-	31,500
Transfers In	252,249	252,249	-
	424,122	424,122	198,322
Net Change in Fund Balance	151,840	151,840	(81,255)
Fund Balance - Beginning as Restated			750,536
Fund Balance - Ending			669,281

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 hose services to residents.

Sewer Fund

The Sewer Fund is used to account for the sewer billings and expenses incurred for providing hose 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
Year Ended April 30, 2013**

	Budget		Actual
	Original	Final	
Taxes			
Property Taxes	\$ 593,150	593,150	590,637
Replacement Tax	1,500	1,500	1,627
Road and Bridge Tax	8,000	8,000	9,718
Utility Tax	20,500	20,500	19,770
	<u>623,150</u>	<u>623,150</u>	<u>621,752</u>
Intergovernmental			
Sales and Use Tax	390,000	390,000	393,990
State Income Tax	300,000	300,000	384,814
	<u>690,000</u>	<u>690,000</u>	<u>778,804</u>
Charges for Services			
Franchise Fees	12,500	12,500	3,092
Grants and Donations			
Contributions	1,000	1,000	1,756
Licenses and Permits			
Building Permits	17,400	17,400	14,020
Fines and Forfeitures			
Other	18,100	18,100	23,300
Interest	2,750	2,750	2,178
Miscellaneous			
Other	1,350	1,350	17,151
Total Revenues	<u>1,366,250</u>	<u>1,366,250</u>	<u>1,462,053</u>

TOWN OF CORTLAND, ILLINOIS

General Fund

**Schedule of Expenditures - Budget and Actual
Year Ended April 30, 2013**

	Budget		Actual
	Original	Final	
General Government			
Personal Services			
Salaries - Elected Officials	\$ 88,767	88,767	91,432
Salaries - Town Officers	151,653	151,653	134,558
Salaries - Clerical Workers	64,440	64,440	62,194
Payroll Taxes	23,325	23,325	26,457
IMRF Contribution	25,925	25,925	27,819
Employee Health Insurance	39,369	39,369	56,230
Less: Reimbursements	(52,170)	(52,170)	(52,170)
	<u>341,309</u>	<u>341,309</u>	<u>346,520</u>
Contractual Services			
Legal	30,000	30,000	108,018
Engineering	10,000	10,000	-
Planning, Zoning and Building	15,000	15,000	-
Audit	15,000	15,000	33,653
Insurance	19,260	19,260	22,904
Postage	2,500	2,500	2,838
Telephone	14,000	14,000	6,200
Dues and Subscriptions	3,200	3,200	4,495
Travel and Training	14,500	14,500	10,041
Less: Reimbursements	(30,675)	(30,675)	(31,982)
	<u>92,785</u>	<u>92,785</u>	<u>156,167</u>
Commodities			
Office Supplies	2,100	2,100	1,923
Fuel	-	-	533
Office Equipment and Maintenance	15,000	15,000	26,473
Copies and Printing	4,200	4,200	3,806
	<u>21,300</u>	<u>21,300</u>	<u>32,735</u>
Other Expenditures	<u>2,800</u>	<u>2,800</u>	<u>7,533</u>
Total General Government	<u>458,194</u>	<u>458,194</u>	<u>542,955</u>

TOWN OF CORTLAND, ILLINOIS

General Fund

**Schedule of Expenditures - Budget and Actual - Continued
Year Ended April 30, 2013**

	Budget		Actual
	Original	Final	
Public Safety			
Personal Services			
Salaries - Police Officers	\$ 275,643	275,643	216,813
Payroll Taxes	20,930	20,930	16,551
IMRF Contribution	21,400	21,400	17,366
Personal Services - Continued			
Employee Health Insurance	33,318	33,318	22,458
Uniforms	2,000	2,000	1,270
	<u>353,291</u>	<u>353,291</u>	<u>274,458</u>
Contractual Services			
Legal	1,500	1,500	1,628
Operations and Maintenance			
Vehicles and Equipment	12,000	12,000	8,400
Police Office	-	-	75
Dispatch	29,448	29,448	39,185
Insurance	18,904	18,904	20,115
Telephone	5,350	5,350	4,003
Utilities	1,100	1,100	793
Equipment Purchase and Maintenance	5,500	5,500	7,130
Postage	250	250	173
Dues and Subscriptions	2,000	2,000	1,031
Travel and Training	3,000	3,000	675
Office Lease	13,602	13,602	10,997
	<u>92,654</u>	<u>92,654</u>	<u>94,205</u>
Commodities			
Office Supplies	1,000	1,000	304
Fuel	18,000	18,000	15,908
Office Equipment and Maintenance	2,000	2,000	7,180
Copies and Printing	500	500	463
	<u>21,500</u>	<u>21,500</u>	<u>23,855</u>
Other Expenditures	<u>5,700</u>	<u>5,700</u>	<u>2,497</u>
Total Public Safety	<u>473,145</u>	<u>473,145</u>	<u>395,015</u>

TOWN OF CORTLAND, ILLINOIS

General Fund

**Schedule of Expenditures - Budget and Actual - Continued
Year Ended April 30, 2013**

	Budget		Actual
	Original	Final	
Highways and Streets			
Maintenance and Operations			
Personal Services			
Salaries - Maintenance and Operations	\$ 154,456	154,456	154,718
Payroll Taxes	11,825	11,825	11,752
IMRF Contribution	18,625	18,625	18,009
Employee Health Insurance	6,528	6,528	7,481
Uniforms	1,400	1,400	1,077
Drug and Alcohol Program	425	425	338
	<u>193,259</u>	<u>193,259</u>	<u>193,375</u>
Contractual Services			
Operations and Maintenance			
Street Lights	750	750	1,192
Garage	3,324	3,324	4,977
Town Hall	7,000	7,000	6,884
Streets	10,900	10,900	6,857
Storm Sewer	5,500	5,500	1,425
Maintenance Equipment	20,527	20,527	19,327
Detention Ponds and Catch Basin	3,400	3,400	1,431
Parks	6,100	6,100	7,530
Railroad Crossings	2,500	2,500	1,957
Street Lights	38,000	38,000	27,382
Road Salt	19,470	19,470	19,840
Road Signs	3,200	3,200	1,407
Tools and Hardware	4,800	4,800	1,783
Streets	-	-	184
Equipment Rental	1,500	1,500	-
Portable Equipment Rental	2,400	2,400	1,800
Scavenger Services	3,000	3,000	6,170
Office Equipment and Maintenance	-	-	3,995
Insurance	14,317	14,317	15,023
Telephone	4,300	4,300	3,092
Utilities	11,000	11,000	6,056
Travel and Training	1,000	1,000	70
Mowing	13,720	13,720	-
	<u>176,708</u>	<u>176,708</u>	<u>138,382</u>

TOWN OF CORTLAND, ILLINOIS

General Fund

**Schedule of Expenditures - Budget and Actual - Continued
Year Ended April 30, 2013**

	Budget		Actual
	Original	Final	
Highways and Streets - Continued			
Maintenance and Operations - Continued			
Commodities			
Gas and Petroleum	\$ 20,000	20,000	15,606
Office Supplies	2,750	2,750	85
	<u>22,750</u>	<u>22,750</u>	<u>15,691</u>
Other Expenditures	5,300	5,300	4,751
Total Maintenance and Operations	<u>398,017</u>	<u>398,017</u>	<u>352,199</u>
Planning, Zoning and Engineering			
Contractual Services			
Engineering	-	-	14,675
Building Inspection Fees	-	-	7,456
Total Planning, Zoning and Engineering	<u>-</u>	<u>-</u>	<u>22,131</u>
Total Highways and Streets	<u>398,017</u>	<u>398,017</u>	<u>374,330</u>
Capital Outlay			
General Government			
Equipment and Furniture	-	-	36,167
Subdivision Improvements	-	-	6,849
Building	-	-	127,281
Public Safety			
Vehicles	37,000	37,000	35,429
Equipment and Furniture	-	-	7,710
Highways and Streets			
Vehicles	134,873	134,873	132,391
Equipment	35,054	35,054	-
Total Capital Outlay	<u>206,927</u>	<u>206,927</u>	<u>345,827</u>

TOWN OF CORTLAND, ILLINOIS

General Fund

**Schedule of Expenditures - Budget and Actual - Continued
Year Ended April 30, 2013**

	Budget		Actual
	Original	Final	
Debt Service			
Principal Retirement	\$ 71,582	71,582	52,057
Interest and Fiscal Charges	30,667	30,667	31,446
Total Debt Service	102,249	102,249	83,503
Total Expenditures	1,638,532	1,638,532	1,741,630

TOWN OF CORTLAND, ILLINOIS

Capital Improvements - Capital Projects Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2013**

	Budget		Actual
	Original	Final	
Revenues			
Taxes			
Utility Tax	\$ 208,000	208,000	214,431
Intergovernmental			
Non-Home Rule Sales Tax	200,000	200,000	280,032
Interest	900	900	490
Total Revenues	<u>408,900</u>	<u>408,900</u>	<u>494,953</u>
Expenditures			
Capital Outlay			
Community Programs	35,800	35,800	29,333
Office Equipment	10,000	10,000	-
Handicap	5,000	5,000	6,488
Sidewalks	20,000	20,000	2,944
Town Garage Improvements	38,203	38,203	4,355
Detention Basin	25,000	25,000	-
Emergency Preparedness	5,000	5,000	-
Miscellaneous	130,000	130,000	14,237
Debt Service			
Principal Retirement	102,249	102,249	-
Total Expenditures	<u>371,252</u>	<u>371,252</u>	<u>57,357</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	37,648	37,648	437,596
Other Financing (Uses)			
Transfers Out	<u>(150,000)</u>	<u>(150,000)</u>	-
Net Change in Fund Balance	<u>(112,352)</u>	<u>(112,352)</u>	437,596
Fund Balance - Beginning as Restated			<u>408,603</u>
Fund Balance - Ending			<u><u>846,199</u></u>

TOWN OF CORTLAND, ILLINOIS

Nonmajor Governmental Funds

Combining Balance Sheet

April 30, 2013

See Following Page

TOWN OF CORTLAND, ILLINOIS

Nonmajor Governmental Funds

**Combining Balance Sheet
April 30, 2013**

	<u>Motor Fuel Tax</u>
ASSETS	
Cash and Cash Equivalents	\$ 57,190
Receivables - Net of Allowances Other Taxes	<u>7,343</u>
Total Assets	<u><u>64,533</u></u>
LIABILITIES	
Due to Other Funds	<u>-</u>
FUND BALANCES	
Restricted	64,533
Unassigned	-
Total Fund Balances	<u><u>64,533</u></u>
Total Liabilities and Fund Balances	<u><u>64,533</u></u>

Special Revenue		Capital Projects		Totals
Economic Development	Tax Incremental Financing	Special Service Area #1	Special Service Areas #4-8	
68,747	-	8,254	16,878	151,069
-	-	-	-	7,343
68,747	-	8,254	16,878	158,412
-	19,196	-	-	19,196
68,747	-	8,254	16,878	158,412
-	(19,196)	-	-	(19,196)
68,747	(19,196)	8,254	16,878	139,216
68,747	-	8,254	16,878	158,412

TOWN OF CORTLAND, ILLINOIS

Nonmajor Governmental Funds

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended April 30, 2013**

	<u>Motor Fuel Tax</u>
Revenues	
Intergovernmental	\$ 118,860
Grants and Donations	-
Interest	129
Miscellaneous	-
Total Revenues	<u>118,989</u>
Expenditures	
General Government	-
Highways and Streets	<u>165,686</u>
Total Expenditures	<u>165,686</u>
Net Change in Fund Balances	(46,697)
Fund Balances - Beginning as Restated	<u>111,230</u>
Fund Balances - Ending	<u><u>64,533</u></u>

Special Revenue		Capital Projects		Totals
Economic Development	Tax Incremental Financing	Special Service Area #1	Special Service Areas #4-8	
-	-	-	-	118,860
-	-	16,896	-	16,896
59	-	1	2	191
-	-	22,853	30,000	52,853
59	-	39,750	30,002	188,800
-	-	37,908	23,573	61,481
-	-	-	-	165,686
-	-	37,908	23,573	227,167
59	-	1,842	6,429	(38,367)
68,688	(19,196)	6,412	10,449	177,583
68,747	(19,196)	8,254	16,878	139,216

TOWN OF CORTLAND, ILLINOIS

Motor Fuel Tax - Special Revenue Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2013**

	Budget		Actual
	Original	Final	
Revenues			
Intergovernmental			
Motor Fuel Tax Allotments	\$ 206,000	206,000	118,860
Interest	250	250	129
Total Revenues	<u>206,250</u>	<u>206,250</u>	<u>118,989</u>
Expenditures			
Highways and Streets			
Contractual Services	<u>206,000</u>	<u>206,000</u>	<u>165,686</u>
Net Change in Fund Balance	<u>250</u>	<u>250</u>	(46,697)
Fund Balance - Beginning as Restated			<u>111,230</u>
Fund Balance - Ending			<u>64,533</u>

TOWN OF CORTLAND, ILLINOIS

Economic Development - Special Revenue Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Year Ended April 30, 2013**

	Budget		Actual
	Original	Final	
Revenues			
Interest	\$ 40	40	59
Expenditures			
Economic Development			
Miscellaneous	-	-	-
Net Change in Fund Balance	<u>40</u>	<u>40</u>	59
Fund Balance - Beginning as Restated			<u>68,688</u>
Fund Balance - Ending			<u>68,747</u>

TOWN OF CORTLAND, ILLINOIS

Water - Enterprise Fund

**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Year Ended April 30, 2013**

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services			
Customer Charges	\$ 335,000	335,000	346,939
Meter Sales	3,500	3,500	830
Miscellaneous	9,500	9,500	24,584
Total Operating Revenues	<u>348,000</u>	<u>348,000</u>	<u>372,353</u>
Operating Expenses			
Operations	510,158	510,158	373,845
Depreciation	-	-	364,602
Total Operating Expenses	<u>510,158</u>	<u>510,158</u>	<u>738,447</u>
Operating Income (Loss)	<u>(162,158)</u>	<u>(162,158)</u>	<u>(366,094)</u>
Nonoperating Revenues			
Disposal of Capital Assets	-	-	351
Interest Income	1,000	1,000	571
	<u>1,000</u>	<u>1,000</u>	<u>922</u>
Change in Net Position	<u>(161,158)</u>	<u>(161,158)</u>	<u>(365,172)</u>
Net Position - Beginning as Restated			<u>11,368,641</u>
Net Position - Ending			<u>11,003,469</u>

TOWN OF CORTLAND, ILLINOIS

Water - Enterprise Fund

**Schedule of Operating Expenses - Budget and Actual
Year Ended April 30, 2013**

	Budget		Actual
	Original	Final	
Operations			
Personal Services	\$ 131,158	131,158	153,911
Contractual Services	204,600	204,600	154,308
Commodities	93,400	93,400	63,626
	<u>429,158</u>	<u>429,158</u>	<u>371,845</u>
Capital Outlay	81,000	81,000	36,949
Less Nonoperating Items			
Capital Assets Capitalized	-	-	(34,949)
	<u>81,000</u>	<u>81,000</u>	<u>2,000</u>
Total Operations	<u>510,158</u>	<u>510,158</u>	<u>373,845</u>
Depreciation	-	-	364,602
Total Operating Expenses	<u>510,158</u>	<u>510,158</u>	<u>738,447</u>

TOWN OF CORTLAND, ILLINOIS

Sewer - Enterprise Fund

**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Year Ended April 30, 2013**

	Budget		Actual
	Original	Final	
Operating Revenues			
Charges for Services			
Customer Charges	\$ 510,000	510,000	530,196
Miscellaneous	37,225	37,225	23,524
Total Operating Revenues	<u>547,225</u>	<u>547,225</u>	<u>553,720</u>
Operating Expenses			
Operations	1,765,245	1,765,245	333,536
Depreciation	-	-	490,879
Total Operating Expenses	<u>1,765,245</u>	<u>1,765,245</u>	<u>824,415</u>
Operating Income (Loss)	<u>(1,218,020)</u>	<u>(1,218,020)</u>	<u>(270,695)</u>
Nonoperating Revenues			
Debt Issuance	1,325,000	1,325,000	-
Interest Income	700	700	558
	<u>1,325,700</u>	<u>1,325,700</u>	<u>558</u>
Change in Net Position	<u>107,680</u>	<u>107,680</u>	(270,137)
Net Position - Beginning as Restated			<u>15,150,273</u>
Net Position - Ending			<u>14,880,136</u>

TOWN OF CORTLAND, ILLINOIS

Sewer - Enterprise Fund

**Schedule of Operating Expenses - Budget and Actual
Year Ended April 30, 2013**

	Budget		Actual
	Original	Final	
Operations			
Personal Services	\$ 105,245	105,245	81,214
Contractual Services	213,300	213,300	231,195
Commodities	63,700	63,700	12,298
	<u>382,245</u>	<u>382,245</u>	<u>324,707</u>
Capital Outlay	1,383,000	1,383,000	30,266
Less Nonoperating Items			
Capital Assets Capitalized	-	-	(21,437)
	<u>1,383,000</u>	<u>1,383,000</u>	<u>8,829</u>
Total Operations	<u>1,765,245</u>	<u>1,765,245</u>	<u>333,536</u>
Depreciation	-	-	490,879
Total Operating Expenses	<u>1,765,245</u>	<u>1,765,245</u>	<u>824,415</u>

TOWN OF CORTLAND, ILLINOIS

Agency Funds

**Combining Statement of Changes in Assets and Liabilities
Year Ended April 30, 2013**

	Beginning Balances	Additions	Deductions	Ending Balances
All Funds				
ASSETS				
Cash and Investments	\$ 1,598,019	1,422,085	1,598,019	1,422,085
LIABILITIES				
Due to Bondholders	1,598,019	1,422,085	1,598,019	1,422,085
Special Service Area #1				
ASSETS				
Cash and Investments	332,400	322,257	332,400	322,257
LIABILITIES				
Due to Bondholders	332,400	322,257	332,400	322,257
Special Service Area #4-8				
ASSETS				
Cash and Investments	413,896	451,188	413,896	451,188
LIABILITIES				
Due to Bondholders	413,896	451,188	413,896	451,188
Special Service Area #9-10				
ASSETS				
Cash and Investments	851,723	648,640	851,723	648,640
LIABILITIES				
Due to Bondholders	851,723	648,640	851,723	648,640

**CORTLAND COMMUNITY LIBRARY
DISCRETELY PRESENTED COMPONENT UNIT**

**Statement of Net Position and Balance Sheet
April 30, 2013**

	Balance Sheet	Adjustments	Statement of Net Position
ASSETS			
Current Assets			
Cash and Investments	\$ 39,718	-	39,718
Receivables - Net of Allowances			
Taxes	238,053	-	238,053
Total Current Assets	<u>277,771</u>	<u>-</u>	<u>277,771</u>
Noncurrent Assets			
Capital Assets			
Depreciable	-	119,587	119,587
Accumulated Depreciation	-	(66,380)	(66,380)
Total Noncurrent Assets	<u>-</u>	<u>53,207</u>	<u>53,207</u>
Total Assets	<u>277,771</u>	<u>53,207</u>	<u>330,978</u>
LIABILITIES			
Accrued Payroll	3,341	-	3,341
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	238,053	-	238,053
Total Liabilities and Deferred Inflows of Resources	<u>241,394</u>	<u>-</u>	<u>241,394</u>
FUND BALANCE/NET POSITION			
Investment in Capital Assets	-	53,207	53,207
Unassigned/Unrestricted	36,377	-	36,377
Total Fund Balance/Net Position	<u>36,377</u>	<u>53,207</u>	<u>89,584</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position	<u>277,771</u>	<u>53,207</u>	<u>330,978</u>

**CORTLAND COMMUNITY LIBRARY
DISCRETELY PRESENTED COMPONENT UNIT**

**Statement of Activities and Statement of Revenues, Expenditures and
Changes in Fund Balances/Net Position
Year Ended April 30, 2013**

	Budget		Actual	Adjustments	Statement of Activities
	Original	Final			
Revenues					
Taxes					
Property Taxes	\$ 261,000	261,000	259,849	-	259,849
Grant Revenue	6,500	6,500	10,879	-	10,879
Contributions	1,000	1,000	3,615	-	3,615
Interest Income	-	-	53	-	53
Miscellaneous	5,000	5,000	3,645	-	3,645
Total Revenues	<u>273,500</u>	<u>273,500</u>	<u>278,041</u>	<u>-</u>	<u>278,041</u>
Expenditures					
Current					
Culture and Recreation	276,653	276,653	271,607	10,347	281,954
Capital Outlay	20,000	20,000	12,697	(12,697)	-
Total Expenditures/Expenses	<u>296,653</u>	<u>296,653</u>	<u>284,304</u>	<u>(2,350)</u>	<u>281,954</u>
Net Change in Fund Balances/Net Position	<u>(23,153)</u>	<u>(23,153)</u>	(6,263)	2,350	(3,913)
Fund Balances/Net Position - Beginning as Restated			<u>42,640</u>	<u>50,857</u>	<u>93,497</u>
Fund Balances/Net Position - Ending			<u>36,377</u>	<u>53,207</u>	<u>89,584</u>

SUPPLEMENTAL SCHEDULES

TOWN OF CORTLAND, ILLINOIS

Schedule of Long-Term Debt Requirements

Truck Loan Payable of 2010

April 30, 2013

Date of Issue	December 28, 2010
Date of Maturity	December 28, 2013
Authorized Issue	\$16,637
Interest Rate	4.50%
Interest Dates	Monthly on the 28th
Principal Maturity Date	Monthly on the 28th
Payable at	The American National Bank of DeKalb County, Sycamore IL

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements		
	Principal	Interest	Totals
2014	\$ 3,893	66	3,959

TOWN OF CORTLAND, ILLINOIS

Schedule of Long-Term Debt Requirements

Police Truck Loan Payable of 2011

April 30, 2013

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 West Bank, Sycamore IL

CURRENT AND LONG-TERM PRINCIPAL AND INTEREST REQUIREMENTS

Fiscal Year	Requirements		
	Principal	Interest	Totals
2014	\$ 10,330	504	10,834
2015	7,117	106	7,223
	17,447	610	18,057

TOWN OF CORTLAND, ILLINOIS

Schedule of Long-Term Debt Requirements

**Ford Interceptor Loan Payable of 2012
April 30, 2013**

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		Totals
	Principal	Interest	
2014	\$ 9,194	500	9,694
2015	9,426	268	9,694
2016	5,608	47	5,655
	24,228	815	25,043

TOWN OF CORTLAND, ILLINOIS

Schedule of Long-Term Debt Requirements

Dump Truck Loan Payable of 2012

April 30, 2013

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	
2014	\$ 20,144	2,707	22,851
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>99,387</u>	<u>7,250</u>	<u>106,637</u>

TOWN OF CORTLAND, ILLINOIS

Schedule of Long-Term Debt Requirements

**Bobcat Loan Payable of 2012
April 30, 2013**

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	
2014	\$ 8,004	719	8,723
2015	8,247	475	8,722
2016	8,497	226	8,723
2017	2,165	16	2,181
	<u>26,913</u>	<u>1,436</u>	<u>28,349</u>

TOWN OF CORTLAND, ILLINOIS

Schedule of Long-Term Debt Requirements

**Building Note Payable of 2011
April 30, 2013**

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	
2014	\$ 22,028	27,406	49,434
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
	<u>634,178</u>	<u>189,617</u>	<u>823,795</u>

TOWN OF CORTLAND, ILLINOIS

Schedule of Assessed Valuations, Tax Rates, Tax Extensions, and Collections - Last Ten Tax Levy Years
April 30, 2013

	2003	2004	2005	2006
Assessed Valuations				
DeKalb County	\$ 35,421,329	41,641,222	50,462,813	57,665,131
Tax Rates - Town				
Corporate	0.5900	0.5523	0.5380	0.5400
IMRF	0.0821	0.0784	0.0674	0.0669
Social Security	0.0658	0.0793	0.0694	0.0669
Police Protection	0.0697	0.0750	0.0750	0.0772
	0.8076	0.7850	0.7498	0.7510
Tax Rates - Library				
Library Maintenance	0.0200	0.0169	0.0159	0.0081
Library Maintenance	0.1500	0.1409	0.1496	0.2832
Library IMRF	0.0056	0.0090	0.0050	0.0162
Library Audit	0.0034	0.0034	0.0050	0.0065
Library Tort Judgments, Liability	0.0127	0.0158	0.0059	0.0097
Library Social Security	0.0085	0.0135	0.0079	0.0162
	0.2002	0.1995	0.1893	0.3399
Total Tax Rates	1.00780	0.98450	0.93910	1.09090
Tax Extensions - Town				
Corporate	\$ 208,986	229,984	271,490	311,392
IMRF	29,081	32,647	34,012	38,578
Social Security	23,307	33,021	35,021	38,578
Police Protection	24,689	31,231	37,847	44,517
	286,063	326,884	378,370	433,065
Tax Extensions - Library				
Library Maintenance	\$ 7,084	7,037	8,024	4,671
Library Maintenance	53,132	58,672	75,492	163,308
Library IMRF	1,984	3,748	2,523	9,342
Library Audit	1,204	1,416	2,523	3,748
Library Tort Judgments, Liability	4,499	6,579	2,977	5,594
Library Social Security	3,011	5,622	3,987	9,342
	70,914	83,074	95,526	196,004
Total Tax Extensions	356,976	409,958	473,896	629,069
Tax Collections - Town				
Corporate	\$ 208,311	229,557	270,832	310,725
IMRF	28,982	32,588	33,918	38,480
Social Security	23,241	32,937	34,915	38,480
Police Protection	24,597	31,171	37,754	44,394
	285,131	326,253	377,419	432,079
Tax Collections - Library				
Library Maintenance	\$ 7,061	7,024	7,984	4,643
Library Maintenance	52,958	58,538	75,317	162,940
Library IMRF	1,995	3,753	2,497	9,321
Library Audit	1,197	1,409	2,517	3,728
Library Tort Judgments, Liability	4,487	6,567	2,995	5,592
Library Social Security	2,990	5,623	3,992	9,321
	70,688	82,914	95,302	195,545
Total Tax Collections	355,819	409,167	472,721	627,624
Percentage of Extensions Collected	99.68%	99.81%	99.75%	99.77%

Note: 2012 taxes will be collected in FY2014.

2007	2008	2009	2010	2011	2012
68,242,687	76,396,856	81,482,372	77,920,413	71,006,914	61,888,203
0.5129	0.5098	0.4913	0.5345	0.5985	0.6908
0.0696	0.0668	0.0604	0.0678	0.0751	0.0867
0.0586	0.0551	0.0540	0.0613	0.0680	0.0785
0.0733	0.0728	0.0736	0.0818	0.0946	0.1092
0.7144	0.7045	0.6793	0.7454	0.8362	0.9652
0.0073	0.0079	0.0074	0.0078	0.0200	0.0200
0.2931	0.2958	0.2896	0.3000	0.3000	0.3000
0.0095	0.0079	0.0074	0.0078	0.0169	0.0226
0.0022	0.0020	0.0019	0.0019	0.0042	0.0097
0.0088	0.0052	0.0049	0.0052	0.0113	0.0129
0.0088	0.0085	0.0079	0.0083	0.0155	0.0194
0.3297	0.3273	0.3191	0.3310	0.3679	0.3847
1.04410	1.03180	0.99840	1.07640	1.20410	1.34985
350,017	389,471	400,323	416,485	424,976	427,524
47,497	51,033	49,215	52,830	53,326	53,657
39,990	42,095	44,000	47,765	48,285	48,582
50,022	55,617	59,971	63,739	67,173	67,582
487,526	538,216	553,510	580,819	593,760	597,345
4,982	6,035	6,030	6,078	14,201	12,378
200,019	225,982	235,973	233,761	213,021	185,665
6,483	6,035	6,030	6,078	12,000	14,005
1,501	1,528	1,548	1,480	2,982	6,003
6,005	3,973	3,993	4,052	8,024	8,002
6,005	6,494	6,437	6,467	11,006	12,000
224,996	250,047	260,010	257,917	261,234	238,053
712,522	788,263	813,520	838,735	854,994	835,398
349,895	388,789	399,610	416,017	422,729	-
47,489	50,927	49,121	52,765	53,069	-
39,991	41,982	43,924	47,722	48,047	-
49,986	55,549	59,899	63,629	66,791	-
487,361	537,247	552,554	580,133	590,636	-
4,999	5,994	5,995	6,071	14,125	-
199,868	225,604	235,595	233,481	211,880	-
6,499	5,994	5,995	6,071	11,936	-
1,500	1,502	1,505	1,525	2,988	-
6,001	3,996	3,994	4,024	7,959	-
6,001	6,490	6,491	6,467	10,947	-
224,868	249,580	259,575	257,639	259,835	-
712,229	786,827	812,129	837,772	850,471	-
99.96%	99.82%	99.83%	99.89%	99.47%	0.00%

TOWN OF CORTLAND, ILLINOIS

**Schedule of Legal Debt Margin
April 30, 2013**

Assessed Valuation - 2012	<u>\$ 61,888,203</u>
Legal Debt Limit - 8.625% of Assessed Value	<u>5,337,858</u>
Amount of Debt Applicable to Limit	
Truck Loan Payable of 2010	3,893
Police Truck Loan Payable of 2011	17,447
Ford Interceptor Loan Payable of 2012	24,228
Dump Truck Loan Payable of 2012	99,387
Bobcat Loan Payable of 2012	26,913
Building Note Payable of 2011	<u>634,178</u>
	<u>806,046</u>
Legal Debt Margin	<u><u>4,531,812</u></u>