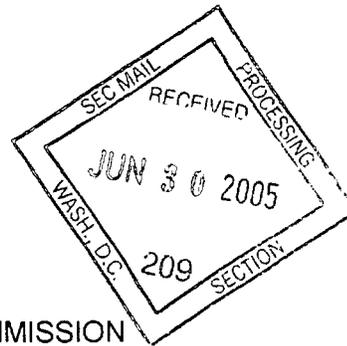




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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 11-K

Pursuant to Section 15(d) of the
Securities Exchange Act of 1934

For the year ended December 31, 2004

Commission File Number 0-13814

The Cortland Savings and Banking 401(k) Plan
(Full title of the plan)

Cortland Bancorp INC
(Name of issuer of the securities held pursuant to the plan)

194 West Main Street
Cortland, Ohio 44410
(address of principal executive office)

PROCESSED

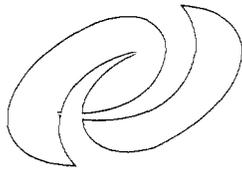
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FINANCIAL

REQUIRED INFORMATION

Financial Statements Provided

Report of Independent Auditors	3
Statements of Net Assets Available for Benefits - December 31, 2004 and December 31, 2003	4
Statements of Changes in Net Assets Available for Benefits - Years Ended December 31, 2004 and 2003	5
Notes to Financial Statements	6
Supplemental Schedules	10
Signatures	13
Consent of Independent Auditors	14



PACKER THOMAS

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

REPORT OF INDEPENDENT AUDITORS

BOARD OF DIRECTORS
CORTLAND BANCORP

We have audited the accompanying statements of net assets available for benefits of the Cortland Savings and Banking 401(k) Plan (the Plan) as of December 31, 2004 and 2003, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Cortland Savings and Banking 401(k) Plan as of December 31, 2004 and 2003, and the changes in its net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of (1) assets held for investment purposes at end of year, and (2) reportable transactions, together referred to as "supplemental information" are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental information is the responsibility of the Plan's management. The supplemental information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Youngstown, Ohio
June 20, 2005
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Packer Thomas

2001 WINNER
BBB NATIONAL TORCH AWARD
FOR MARKETPLACE ETHICS

3 OF 14

-1-

The Cortland Savings and Banking 401(k) Plan

STATEMENT OF NET ASSETS

AVAILABLE FOR BENEFITS

	December 31,	
	2004	2003
ASSETS		
Receivables		
Employee's contribution	\$ 28,165	\$ 30,849
Employer's contribution	17,140	18,110
Accrued interest and dividends	48,480	-
Total receivables	93,785	48,959
Investments at fair value		
Cortland ER Stock Fund	\$ 2,317,528	\$ 2,751,298
Mutual funds	5,133,307	4,395,809
Personal brokerage accounts	1,277,313	1,452,159
Loans to participants	266,625	229,591
Total investments	8,994,773	8,828,857
TOTAL ASSETS	\$ 9,088,558	\$ 8,877,816
NET ASSETS AVAILABLE FOR BENEFITS	\$ 9,088,558	\$ 8,877,816

The Cortland Savings and Banking 401(k) Plan

**STATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR BENEFITS**

	Years ended December 31,	
	2004	2003
ADDITIONS		
Contributions		
Employee	\$ 330,744	\$ 315,059
Employer	214,692	211,990
	<u>545,436</u>	<u>527,049</u>
Investment income		
Net (depreciation) appreciation in the aggregate current value of investments	(380,053)	1,173,583
Interest and dividend income	209,535	159,217
	<u>(170,518)</u>	<u>1,332,800</u>
 Total additions	 374,918	 1,859,849
DEDUCTIONS		
Distributions to participants	158,660	315,503
Administrative expense	5,516	5,988
Other expense	-	633
	<u>164,176</u>	<u>322,124</u>
 Total deductions	 164,176	 322,124
NET ADDITIONS	210,742	1,537,725
NET ASSETS AVAILABLE FOR BENEFITS		
BEGINNING OF YEAR	8,877,816	7,340,091
END OF YEAR	\$ 9,088,558	\$ 8,877,816

The Cortland Savings and Banking 401(k) Plan
NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE 1 - ACCOUNTING POLICIES

Basis of Presentation

The accompanying statements of net assets available for benefits and changes in net assets available for benefits are prepared on the accrual basis of accounting.

Valuation of Investments

Investments are stated at fair value as determined by quoted market prices. The market price for Cortland Bancorp common stock (trade symbol "CLDB") held in the Cortland ER Stock Fund and Personal Brokerage Accounts is determined by prices quoted on the NASDAQ OTC Bulletin Board. Shares of mutual funds are valued at quoted market prices. Loans to participants are valued at cost, which approximates market value.

Net Change in Aggregate Current Value of Investments

In accordance with the policy of stating investments at fair value, the change in the aggregate current value of investments for the year is reflected in the statement of changes in net assets available for benefits.

Payments of Benefits

Benefits are recorded when paid.

Use of Estimates

The preparation of financial statements requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

Administrative Costs

The Company pays a portion of the administrative fees in addition to trustee fees.

NOTE 2 - DESCRIPTION OF PLAN

The following description of The Cortland Savings and Banking 401(k) Plan provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering all eligible employees of Cortland Bancorp and its subsidiary (collectively, "the Company"). Employees are eligible to participate immediately upon their hire date. The Plan is subject to the provisions of Employee Retirement Income Security Act of 1974 (ERISA).

Although it has not expressed any intent to do so, the Company reserves the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA.

Contributions

Participants may make salary deferral contributions at their discretion of up to 15% of annual compensation for 2004 and 2003. However, the participant's contributions may not exceed the dollar limit set by law, which for 2004 and 2003 were \$13,000 and \$12,000, respectively. The Company matches each participant's contributions up to a maximum of 5% of the participant's annual compensation. Additional amounts may be contributed at the discretion of the Board of Directors. The IRS allows individuals who are at least 50 years of age to make catch-up contributions. The maximum amount of the catch-up contributions for 2004 and 2003 were \$3,000 and \$2,000, respectively.

Participant-Directed Accounts

The participant's elective deferrals, Company contributions and an allocation of the Plan earnings and losses are allocated to participant-directed accounts. Allocations are based on participant compensation, contributions and account balances, as defined. The benefit to which a participant is entitled is the current value of the participant's account.

The Cortland Savings and Banking 401(k) Plan
NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

**NOTE 2 - DESCRIPTION OF PLAN
(continued)**

Separate Investment Options

Each participant may direct that contributions and earnings be invested in one or more investment options in the Plan. The options are summarized as follows:

Cortland ER Stock Fund

These funds are invested in a unitized fund of Cortland Bancorp common stock. Unitizing assets changes their accounting characteristics to match mutual funds. Unitized accounting is a method of valuing a group of assets using units in place of dollars and assigning a unit value on a daily basis. These units are priced daily to determine the market value of the fund.

Mutual Funds

These funds are invested in various mutual funds offered by the Plan.

Personal Brokerage Accounts

These funds are invested in self-directed brokerage accounts. Charles Schwab and ING Financial Services administer these accounts. All investments are directed by the participant.

Vesting

Participants are immediately vested in their salary deferral contribution, the Company's matching contribution, and any earnings or losses thereon.

Payment of Benefits

Upon termination of service with the Company, a participant may elect to receive a lump-sum amount equal to the value of his or her account, remain in the Plan and receive periodic payments for a specific number of years, or transfer the participant's balance to another qualified plan.

Loan Provisions

The Plan provides that participants can borrow funds against their account balances limited to the lesser of 50% of their vested account balance or \$50,000.

The Cortland Savings and Banking 401(k) Plan
NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE 3 - INVESTMENTS

The following table presents the fair values of investments. Investments representing five percent or more of the Plan's net assets are separately identified.

	December 31,	
	2004	2003
Cortland ER Stock Fund--excess of 5% in 2004 and 2003	\$ 2,317,528	\$ 2,751,298
Mutual Funds--excess of 5% in 2004 and 2003	5,133,307	4,395,809
Personal brokerage accounts--excess of 5% in 2004 and 2003	1,277,313	1,452,159
Participant loans	266,625	229,591
TOTAL INVESTMENTS AT FAIR VALUE	\$ 8,994,773	\$ 8,828,857

The Plan's investments, including investments bought and sold as well as held during the periods, appreciated (depreciated) as follows:

	For the year ended December 31,	
	2004	2003
Cortland ER Stock Fund	\$ (379,817)	\$ 472,324
Mutual Funds	221,283	488,109
Personal brokerage accounts	(221,519)	213,150
NET (DEPRECIATION) APPRECIATION IN FAIR VALUE OF INVESTMENTS	\$ (380,053)	\$ 1,173,583

The Cortland Savings and Banking 401(k) Plan
NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE 4 - TAX STATUS

The Plan obtained its latest determination letter on November 7, 2001, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. However, the Plan administrator and the plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

NOTE 5 - PARTY-IN-INTEREST TRANSACTIONS

ING National Trust Company is the Trustee for the Plan except for the Personal Brokerage Accounts. Charter One Bank, N.A. replaced Independence Bank as Trustee of the Personal Brokerage Accounts effective August 11, 2003. Effective January 11, 2005 Sky Trust was appointed Successor Trustee of the Personal Brokerage Accounts.

ING Financial Services is the administrator of the Plan. ING is responsible for providing recordkeeping and asset segregation services for the Plan. Certain Plan investments are mutual funds managed by ING and, therefore, these transactions qualify as party-in-interest transactions. Fees for the services provided by ING are paid by the Company.

The Cortland ER Stock Fund is a unitized fund that is comprised solely of Cortland Bancorp common stock and cash.

There were no other related party or party-in-interest transactions during 2004 or 2003.

NOTE 6 - CONCENTRATIONS OF RISK

The Plan has investments in a variety of investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Net Assets Available for Benefits.

Since the assets held by the Plan include Cortland Bankcorp common stock, the anticipated assets available for benefits in 2005 will be the result of the Company's future stock market performance, which is subject to various risk factors.

The market value of Cortland Bancorp common stock held indirectly by the Plan through the Cortland ER Stock Fund and Personal Brokerage Accounts totaled \$3,304,297 and \$3,959,380 at December 31, 2004 and 2003, respectively. The common stock is thinly traded. Thus, the market value at the time of sale or purchase may be affected by the number of shares sold or bought, and/or other market conditions.

The Cortland Savings and Banking 401(k) Plan
SCHEDULE H, line 4i - SCHEDULE OF ASSETS
(HELD AT END OF YEAR)

EIN: 34-0165477
 Plan Number: 002
 December 31, 2004

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value		(d) Cost	(e) Current Value
CORTLAND ER STOCK FUND					
*	Cortland ER Stock Fund	Unitized Fund	142,820 Units	N/A	\$ 2,317,528
TOTAL CORTLAND ER STOCK FUND					2,317,528
MUTUAL FUNDS					
*	Baron Growth Fund	Mutual Fund	1,075 Units	N/A	48,199
*	Europacific Growth Fund (R2)	Mutual Fund	5,680 Units	N/A	199,637
*	Fidelity Advisor Mid Cap Fund	Mutual Fund	6,838 Units	N/A	172,454
*	Franklin Balance Sheet Investment Fund A	Mutual Fund	307 Units	N/A	17,850
*	ING Aeltus Money Market Fund A	Mutual Fund	1,537 Units	N/A	1,537
*	ING Equity Income Fund A	Mutual Fund	528 Units	N/A	5,385
*	ING Fixed Account	Mutual Fund	2,230,771 Units	N/A	2,230,771
*	ING Government Fund A	Mutual Fund	20,025 Units	N/A	205,059
*	ING Global Science and Technology Fund A	Mutual Fund	47,548 Units	N/A	179,730
*	ING Index Plus Large Cap Fund A	Mutual Fund	13,380 Units	N/A	204,707
*	ING Index Plus Mid Cap Fund A	Mutual Fund	1,722 Units	N/A	27,688
*	ING Index Plus Small Cap Fund A	Mutual Fund	1,954 Units	N/A	32,644
*	ING Intermediate Bond Fund A	Mutual Fund	6,388 Units	N/A	66,692
*	ING Oppenheimer Global Portfolio (Adv)	Mutual Fund	1,701 Units	N/A	21,262
*	ING T. Rowe Price Growth Equity Portfolio	Mutual Fund	182 Units	N/A	8,961
*	ING Strategic Allocation Balance Fund A	Mutual Fund	738 Units	N/A	8,445
*	ING Strategic Allocation Group Fund A	Mutual Fund	442 Units	N/A	5,077
*	ING Strategic Allocation Income Fund A	Mutual Fund	1,957 Units	N/A	20,740
*	INVESCO Health Sciences Fund (Inv)	Mutual Fund	979 Units	N/A	50,203
*	Lord Abbett Mid Cap Value Fund	Mutual Fund	1,661 Units	N/A	37,592
*	Lord Abbett Small Cap Value Fund	Mutual Fund	2,746 Units	N/A	75,404
*	Massachusetts Investors Growth Stk.	Mutual Fund	49,428 Units	N/A	610,925
*	New Perspective Fund (R2)	Mutual Fund	2,982 Units	N/A	81,625
*	Pioneer Equity Income Fund A	Mutual Fund	5,940 Units	N/A	171,618
*	The Growth Fund of America (R2)	Mutual Fund	21,851 Units	N/A	588,216
*	The Income Fund of America (R2)	Mutual Fund	3,298 Units	N/A	60,886
TOTAL MUTUAL FUNDS					5,133,307

N/A Cost information is not required, as all investments are participant directed.

* Denotes party-in-interest transaction as the investment is managed by ING.

The Cortland Savings and Banking 401(k) Plan
SCHEDULE H, line 4i - SCHEDULE OF ASSETS (Continued)
(HELD AT END OF YEAR)

EIN: 34-0165477
 Plan Number: 002
 December 31, 2004

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value	(d) Cost	(e) Current Value
PERSONAL BROKERAGE ACCOUNT				
	Charles Schwab Personal Brokerage Account	Brokerage Account	N/A	1,274,763
	ING Ultimate Account	Self-Directed Account	N/A	2,550
TOTAL PERSONAL BROKERAGE ACCOUNT				1,277,313
LOANS TO PARTICIPANTS				
	Participant Loans	5.00% to 10.50%	-	266,625
TOTAL LOANS TO PARTICIPANTS				266,625
TOTAL INVESTMENTS				\$ 8,994,773

The Cortland Savings and Banking 401(k) Plan

**SCHEDULE H, LINE 4j - SCHEDULE OF REPORTABLE
TRANSACTIONS**

EIN: 34-0165477

Plan Number: 002

Year ended December 31, 2004

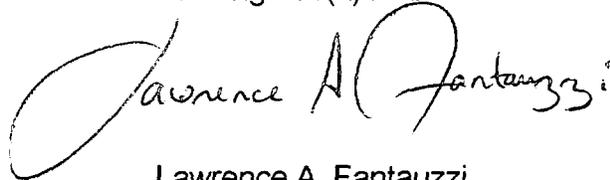
(a) Identity of Party Involved	(b) Description of Asset	(c) Purchase Price	(d) Selling Price	(g) Cost of Asset	(h) Current Value of Asset on Transaction Date	(i) Net Gain or Loss
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There were no category (i), (ii), (iii) or (iv) reportable transactions.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

The Cortland Savings and
Banking 401(k) Plan

A handwritten signature in black ink that reads "Lawrence A. Fantauzzi". The signature is written in a cursive style with a large, looping initial "L".

June 20, 2005

Date

Lawrence A. Fantauzzi
Pension Committee for Cortland
Savings and Banking Company,
Subsidiary of Cortland Bancorp

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement on Form S-8 pertaining to The Cortland Savings and Banking 401(k) Plan (the "Plan") of Cortland Bancorp of our report dated June 20, 2005, with respect to the financial statements and schedules of the Plan included in this Annual Report on Form 11-K for the year ended December 31, 2004.

Youngstown, Ohio
June 20, 2005



Packer Thomas