

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series A Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Series A Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series A Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (Including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. Interest on the Series B Note is included in gross income for federal tax purposes. See "TAX MATTERS" herein.

The Notes will not be designated "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

\$17,863,019
CITY OF ITHACA

TOMPKINS COUNTY, NEW YORK

\$17,728,019 Bond Anticipation Notes, 2012 Series A

Dated: February 15, 2012

Due: February 15, 2013

AND

\$135,000 Bond Anticipation Notes, 2012 Series B (Federally Taxable Series)

Dated: February 15, 2012

Due: February 15, 2013

(collectively referred to herein as the "Notes")

The Notes are general obligations of the City of Ithaca, New York (the "City") all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to applicable statutory limitations. See "New Tax Levy Limitation Law" herein.

The Notes will be issued in bearer certificated form, in the denominations of \$5,000 each or multiples thereof, except for one necessary odd denomination related to the Series A Notes, as determined by the successful bidder(s) or as stated below, without the option of prior redemption. If issued in bearer relating to the Series A Notes certificated form, principal and interest will be payable at maturity in Federal Funds at such bank(s) or trust company(ies) located and authorized to do business in the State of New York as may be selected by such successful bidder(s). Paying agent fees, if any, will be paid by the successful bidder(s).

At the option of the purchaser(s), the Notes will be issued as registered notes, and, when issued, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the securities depository for the Notes. Noteholders will not receive certificates representing their ownership interest in the Notes purchased. Under this option, payment of the principal of and interest on the Notes to the Beneficial Owner of the Notes will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices. Payment will be the responsibility of DTC, subject to any statutory and regulatory requirements as may be in effect from time to time. See "Book-Entry-Only System" herein.

The Notes will not be subject to redemption prior to maturity.

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the respective receipt of the unqualified legal opinions as to the validity of the Notes of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York City. It is anticipated that the Notes will be available for delivery in New York, New York or at such place as may be agreed upon with the purchaser(s) on or about February 15, 2012.

January 27, 2012

THE CITY DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 ("THE RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S), AS MORE FULLY DESCRIBED IN THE NOTICES OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. THE CITY WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS AS DEFINED IN THE RULE WITH RESPECT TO THE NOTES. SEE "MATERIAL EVENT NOTICES HEREIN.

CITY OF ITHACA, NEW YORK

CITY OFFICIALS

SVANTE MYRICK

Mayor

COMMON COUNCIL

CYNTHIA BROCK
JOSEPH MURTAGH
ELLEN MCCOLLISTER
EDDIE ROOKER
CHRIS PROULX

JENNIFER DOTSON
DEBORAH MOHLENHOFF
DONNA FLEMING
J.R. CLAIRBORNE
GRAHAM KERSLICK

* * * * *

DEBRA A. PARSONS

City Chamberlain

JULIE CONLEY HOLCOMB

City Clerk

STEVEN P. THAYER

City Comptroller

SCOTT A. ANDREW

Deputy City Comptroller

AARON LAVINE, ESQ.

City Attorney

FISCAL ADVISORS & MARKETING, INC.

City Financial Advisors

ORRICK, HERRINGTON & SUTCLIFFE LLP

Bond Counsel

No person has been authorized by the City of Ithaca to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City of Ithaca

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
DESCRIPTION OF THE NOTES	4	SPECIAL PROVISIONS AFFECTING	
Optional Redemption	4	REMEDIES UPON DEFAULT	24
Book-Entry-Only System	5	MATERIAL EVENT NOTICES	25
Certificated Notes.....	6	MARKET AND RISK FACTORS	26
Purposes of Issue – Series A	7	TAX MATTERS – SERIES A NOTES	27
Purposes of Issue – Series B	8	TAX MATTERS – SERIES B NOTES	27
THE CITY	9	LEGAL MATTERS	27
General Information	9	LITIGATION	28
Major Employers.....	10	RATING	28
Population Trends	11	MISCELLANEOUS	28
Wealth and Income Indicators.....	11		
Form of City Government.....	11	APPENDIX - A	
Financial Organization	11	GENERAL FUND - Balance Sheets	
Budgetary Procedures	11	APPENDIX - A1	
Investment Policy	12	GENERAL FUND – Revenues, Expenditures and	
State Aid.....	12	Changes in Fund Balance	
Other Market Factors	12	APPENDIX - A2	
Employees.....	13	GENERAL FUND – Revenues, Expenditures and	
Status and Financing of Employee Pension Benefits	13	Changes in Fund Balance - Budget and Actual	
Unemployment Rate Statistics	16	APPENDIX – A3	
Other Information.....	16	GENERAL FUND – Revenues, Expenditures and	
Building Permits.....	16	Changes in Fund Balance - Budget	
Independent Audit.....	17	APPENDIX – A4	
TAX INFORMATION	17	CHANGES IN FUND EQUITY	
Valuations	17	APPENDIX - B	
Tax Rates Per \$1,000 (Assessed)	17	BONDED DEBT SERVICE	
Tax Collection Record	18	APPENDIX - B1-B5	
City Sales Tax	18	CURRENT BONDS OUTSTANDING	
Tax Collection Procedure.....	18	APPENDIX - C	
Ten Largest Taxpayers (2011-2012 Tax Roll)	19	GENERAL PURPOSE FINANCIAL STATEMENTS	
Constitutional Tax Margin	19	DECEMBER 31, 2009	
Additional Tax Information.....	19	APPENDIX – D	
New Tax Levy Limitation Law	20	FORM OF BOND COUNSEL’S OPINION – SERIES A	
NEW TAX LEVY LIMITATION LAW	20	APPENDIX – E	
CITY INDEBTEDNESS	20	FORM OF BOND COUNSEL’S OPINION – SERIES B	
Constitutional Requirements	20		
Statutory Procedure.....	21		
Debt Outstanding End of Fiscal Year.....	21		
Details of Outstanding Indebtedness	22		
Debt Statement Summary.....	22		
Bonded Debt Service.....	22		
Cash Flow Borrowings.....	22		
Energy Performance Contracts.....	23		
Estimated Overlapping Indebtedness	23		
Cayuga Street Parking Project.....	23		
Estimate of Obligations to be Issued.....	24		
Debt Ratios.....	24		

PREPARED WITH THE ASSISTANCE OF
FA FISCAL ADVISORS & MARKETING, INC.
CORPORATE HEADQUARTERS
120 Walton Street • Suite 600
Syracuse NY 13202
Ph • 315.752.0051 • Fax • 315.752.0057
Internet • <http://www.fiscaladvisors.com>

OFFICIAL STATEMENT
of the
CITY OF ITHACA
TOMPKINS COUNTY, NEW YORK

Relating to
\$17,728,019 Bond Anticipation Notes, 2012 Series A
AND
\$135,000 Bond Anticipation Notes, 2012 Series B (Federally Taxable Series)

This Official Statement, which includes the cover page and appendices, has been prepared by the City of Ithaca, Tompkins County, New York (the "City", "County", and "State", respectively), in connection with the sale by the City of its aggregate principal amount of \$17,728,019 Bond Anticipation Notes, 2012 Series A (the "Series A Notes") and also the aggregate principal amount of \$135,000 Bond Anticipation Notes, 2012 Series B (Federally Taxable Series) (the "Series B Notes") (collectively referred to herein as the "Notes").

The factors affecting the City's financial condition and the Notes are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the City's tax base, revenues, and expenditures, this Official Statement should be read in its entirety.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and such proceedings.

DESCRIPTION OF THE NOTES

The Notes are general obligations of the City, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes as required by the Constitution and laws of the State of New York (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the City is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to applicable statutory limitations. See "New Tax Levy Limitation Law" herein.

The Notes are dated February 15, 2012 and mature, without option of prior redemption, on February 15, 2013. The Notes will be issued in either (i) bearer form, in denominations of \$5,000 each or multiples thereof, except for one necessary odd denomination relating to the Series A Notes, as may be determined by the successful bidder(s) with principal and interest payable in Federal Funds at such bank(s) or trust company(ies) located and authorized to do business in the State as may be selected by such successful bidder(s); or (ii) at the option of the purchaser(s), as registered notes, and, if so issued, registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the securities depository for the Notes. Under this option, payment of the principal of and interest on the Notes to the Beneficial Owner(s) of the Notes will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices. Payment will be the responsibility of the DTC, subject to any statutory and regulatory requirements as may be in effect from time to time. See "Book-Entry-Only System" herein.

Optional Redemption

The Notes are not subject to redemption prior to maturity.

Book-Entry-Only System

If so elected, the Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each series of Notes bearing the same rate of interest and CUSIP number, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company.

THE CITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE CITY MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Notes

DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law, or the City may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is utilized by purchasers of the Notes upon issuance and later discontinued, the following provisions will apply:

The Notes will be issued in bearer form in denominations of \$5,000 or integral multiples thereof, except for a necessary odd denomination relating to the Series A Notes. Interest on the Notes will remain payable on February 15, 2013. Principal of and interest on the Notes will be payable at a principal corporate trust office of a bank or trust company located and authorized to do business in the State to be named as fiscal agent by the City. The Notes will remain not subject to redemption prior to their stated final maturity date.

In the event that the purchaser(s) request bearer certificated Notes upon issuance, said provisions will apply, however, the fiscal agent shall be named by the purchaser(s).

Purposes of Issue – Series A

The Notes are issued pursuant to the Constitution and statutes of the State including among others, the Local Finance Law and various bond resolutions to provide funds for the following purposes and in the following amounts:

Renewal Notes

Authorized Dec 2, 2009	Cass Park Rink Renovations	\$ 1,108,085
Authorized Dec 2, 2009	GIAC Facility Reconstruction	523,669
Authorized July 5, 2006	GIAC Facility Reconstruction	77,581
Authorized Dec 2, 2009	Cayuga Waterfront Trail Phase III	204,030
Authorized Dec 2, 2009	Hanger Theater Bldg Site Improvements	45,466
Authorized Dec 2, 2009	GIAC Pool Improvements	47,450
Authorized Dec 2, 2009	Southwest Urban Neighborhood Planning/Design	134,398
Authorized Dec 2, 2009	Acquisition Bus & Related Transit Equipment	57,599
Authorized Dec 2, 2009	Water & Sewer Hardfill Disposal Site Plan & Design	39,653
Authorized Dec 2, 2009	Water & Sewer Mains Replace Prospect Street	363,784
Authorized Dec 2, 2009	Columbia Street Bridge Reconstruction	648,062
Authorized Dec 2, 2009	Purchase Mower Tractor Parks/Forestry	16,368
Authorized Dec 2, 2009	Purchase Asphalt Recycler DPW/Highway	118,621
Authorized Dec 2, 2009	Purchase Dump Truck DPW/Highway	24,552
Authorized Dec 2, 2009	Purchase Street Sweeper DPW/Highway	156,581
Authorized Dec 2, 2009	Purchase Community Service Vehicles	19,968
Authorized Dec 2, 2009	Purchase Passenger Van Youth Bureau	18,432
Authorized Dec 2, 2009	Purchase Police Vehicles	39,941
Authorized Dec 3, 2009	Green Street Reconstruction	93,262
Authorized Jan 1, 2000	Water Treatment Plant Improv/Replace	296,872
Authorized Dec 1, 2010	Cayuga Waterfront Trail Phase III	300,000
Authorized Dec 1, 2010	Stewart Park Small Pavilion Reconstruction	105,000
Authorized Dec 1, 2010	Plan & design The Commons Pedestrian Mall	800,000
Authorized Dec 1, 2010	Reconstruction of Roads	125,000
Authorized Dec 1, 2010	Plan & Design Cass Park Ice Rink Renovation Project	77,000
Authorized Dec 1, 2010	Roof Replace & Reconstruct Cass Park Pool Filter Bldg	31,000
Authorized Dec 1, 2010	Plan & Design Collegetown Area	50,000
Authorized Dec 1, 2010	Replace Sewer Mains 300 Block of East Seneca St	65,000
Authorized Dec 1, 2010	Design Reconstruct Brindley Street Bridge	205,000
Authorized Dec 1, 2010	Replace Water Main Brindley Street Bridge	25,000
Authorized Dec 1, 2010	Mowing Tractor for Golf Course	30,000
Authorized Dec 1, 2010	Asphalt Paver for DPW/Highway Dept.	281,250
Authorized Dec 1, 2010	Dump Truck for DPW/Highway Dept.	156,250
Authorized Dec 1, 2010	Street Sweeper for DPW/Highway Dept.	18,250
Authorized Dec 1, 2010	Platform Lift Truck for DPW/Highway Dept.	99,250
Authorized Dec 1, 2010	Passenger Vans for GIAC	61,000
Authorized Dec 1, 2010	Police Vehicles	130,000
Authorized Dec 1, 2010	City Share City Court Pedestrian Bldg.	50,000
Authorized Dec 1, 2010	Replace Traffic Signal Hardware	174,000
Authorized Dec 1, 2010	Purchase & Install Sewer Main Third Str Exten.	254,000
Authorized Dec 1, 2010	Water Main Replace University Avenue	210,000
Authorized Dec 1, 2010	Reconstruct Water Storage Tanks For Various	1,654,645
Authorized Dec 2, 2009	Hanger Theater Bldg Site Improvements	50,000
Authorized July 5, 2006	GIAC Facility Renovate	800,000
Authorized July 7, 2010	Water & Sewer Storm Water Site Improvements	<u>250,000</u>

Total Renewal \$ 10,036,019

New Money Notes

Authorized Dec 7, 2011	Floral Ave Multi-use Trail Facility	\$ 250,000
Authorized Dec 7, 2011	Citiwide Retaining wall Evaluation	150,000
Authorized Dec 7, 2011	Youth Bureau Bldg Roof replacement	197,000
Authorized Dec 2, 2009	Hangar Theater Bldg Improvements	50,000
Authorized Dec 7, 2011	Purchase Fire Rescue Vehicles	870,000
Authorized Dec 7, 2011	Seneca Street Parking Garage Improvements	865,000
Authorized Dec 7, 2011	Data Network Replacement	195,000
Authorized Dec 7, 2011	E. State St., MLK St., & Mitchell St. Intersection	400,000
Authorized Dec 7, 2011	Traffic Signal Upgrade Phase II	630,000
Authorized Dec 7, 2011	Purchase 4 Police Vehicles	155,000
Authorized Dec 7, 2011	Bulb-Outs Extension Curbs & Sidewalks W Green & W Seneca	200,000
Authorized Dec 7, 2011	Parking Pay Stations	50,000
Authorized Jan 5, 2000	Water Treatment Plant Improve/Replace	500,000
Authorized Dec 7, 2011	Water Mains Pump Improvements	60,000
Authorized Dec 7, 2011	Sewer Mains Pump Improvements	120,000
Authorized July 6, 2011	IAWWTF Energy Performance Upgrades	<u>3,000,000</u>
	Sub Total New Money	<u>\$ 7,692,000</u>

Total New and Renewal \$ 17,728,019

The proceeds of the Notes, together with \$265,606 available funds, will refund \$10,311,625 bond anticipation notes which mature on February 15, 2012 and will provide \$7,672,000 new monies for the aforementioned projects.

The borrowing for Collegetown Urban Planning and Design financed in the prior notes will be paid in full February 15, 2012.

Purposes of Issue – Series B

The Notes are issued pursuant to the Constitution and statutes of the State including among others, the Local Finance Law and a bond resolution to provide funds for the following purpose and in the following amount:

New Money Notes

Authorized Dec 7, 2011	Seneca Street Parking Garage Improvements	<u>135,000</u>
	Total New	<u>\$ 135,000</u>

The proceeds of the Notes will provide \$135,000 new monies for the aforementioned project.

THE CITY

General Information

The City of Ithaca, with an area of six square miles and a current estimated population of 30,014 (2010 U.S. Census), is located in upstate New York at the southern tip of Cayuga Lake. It is approximately 35 miles northwest of the City of Binghamton and 45 miles south – southwest of the City of Syracuse.

Established in 1888, Ithaca serves as the Tompkins County Seat and its economic base is in education, research and manufacturing. It is also the commercial center for the surrounding agricultural and resort area. It is the home of Cornell University, the New York State College of Agriculture, Ithaca College and several preparatory schools.

The Ithaca campus of Cornell University has approximately 16,150 students and 10,000 employees. These employees generate an annual payroll of some \$200,000,000. Ithaca College, with 4,200 students and 1,650 employees has an annual payroll of approximately \$17,500,000. These two institutions are stabilizing factors for the economy of the area.

Large industries and businesses located in Ithaca include Borg Warner-Axiohm Corporation, Therm, Inc. and Verizon Telecommunications (formerly Bell Atlantic). Other industries in the surrounding area include Cargill, Inc., the New York State Electric and Gas Corporation and Emerson Power Transmission. In the surrounding farmland, dairy products account for approximately one-half of production, while the balance consists of poultry products, field crops and livestock.

The recreational facilities of the Cayuga Lake area in the center of the Finger Lakes Region, including three State Parks - Treman, Buttermilk Falls and Taughannock Falls, annually attract many thousands of visitors.

Transportation facilities are provided by various independent bus lines and air travel operating from the Tompkins County Airport. The City is also a terminus of the New York State Barge Canal. Major highways include New York State Routes #13, #34, #79, #96 and #366.

The City provides water supply and distribution and sanitary sewage collection and treatment services. The New York State Electric and Gas Company provides electric and gas service to the City.

Commercial banking services are provided by the Tompkins County Trust Company, Bank of America, N.A., HSBC Bank USA and Manufacturers & Traders Trust Company (M&T Bank).

A \$600 million Science Technology Center was constructed in 1998 on the Cornell University Campus. Funded in part by the State of New York, Cornell and private businesses including IBM and Corning Glass, the Center now houses one of the world's largest super-computers bringing recognition to the City of Ithaca as the Silicon Valley of the East.

Construction of a downtown 500-person office building and a 105-room hotel and conference center was completed with an opening in the summer, 2005. Cornell University is occupying several offices in the new office building.

The Ithaca Urban Renewal Agency and the Tompkins County Industrial Development Agency have financed the construction of a seven story-parking garage for 700 cars with retail space on the ground floor. The debt is not a general obligation of the City itself, however, the City has certain financial responsibilities. See "Cayuga Street Parking Project" herein. Also financed is the construction of a creek walk and related items. The project has been completed and opened June 2005. The retail space is fully leased.

The City has seen a recent growth of retail in the southwest area of the City. Home Depot opened in October 2003 with a number of other smaller businesses. Wal-Mart, Lowe's, Bed Bath and Beyond and other smaller stores have opened since January 2005. A Health Center on Inlet Island is open. A Kohl's department store opened in October 2007. An additional 48,000 square feet of retail space is expected to be constructed and occupied in the near future. Two smaller retail buildings of 11,000 square feet each were constructed in 2010. A 25,000 square foot Maines Paper and Food Service store opened in May 2010. In addition, construction for a 90,500 square foot downtown housing complex with 16,100 square feet of retail space is complete and the 68 apartment units are fully rented. The retail space has been fully leased. Wal-Mart is now a Super Wal-Mart. The 48,000 square foot expansion was completed October 2010.

The Green Street parking garage reconstruction and rehabilitation is complete. The bottom floor of the garage contains a five screen movie theater complex. The theater complex opened in June 2009. The reconstruction and rehabilitation did not include areas occupied by the Theater Complex.

Due to the downturn in the economy, several development projects in the City have been delayed. However, the following projects are still expected to start construction in the next two years.

Discussions are on-going for additional development on Inlet Island including retail, housing and parking. Also, the Cayuga Green III Project with the potential of 35 apartment units and ground floor commercial is scheduled to start construction during 2012. These units will be located in downtown. A project for a 12 story, 124 room boutique hotel is in the planning stages for a location near the Ithaca Commons. A 2013 construction start is likely.

A large scale development project called the Collegetown Terrace Apartments has completed the approval process. A groundbreaking took place in spring 2011. The building demolition phase of the project is complete. The total project cost is between \$70-80 million with the first phase expected to be completed in August 2012. The project includes the demolition of 33 current buildings and the construction of 18 3-story apartment buildings. In all, 400,000 square feet of new housing will be constructed that will provide 1,064 new bedrooms and 640 new parking spaces.

The former Ithaca Gun Factory site has a proposed Gun Hill Development, which will feature 60 apartment units. The project is expected to break ground by 2013.

Breckenridge Apartments are scheduled to start construction in 2012. This complex will replace the existing Womens Community Building with a six-story mixed use building with 52 apartments and meeting and office space.

Fairfield Inn will start construction in 2012. There will be a four-story 106 room hotel with 108 parking spaces located on Elmira Road. In addition, The Holiday Inn located in the City will expand during 2012. The expanded will include additional rooms and a 15,000 square foot conference center.

A proposed construction of for-sale townhouses, 3 story apartment buildings with first floor commercial space for a total of approximately 200 units of housing with waterfront access and boat slip availability is scheduled to start construction in 2012. The project will be located on the Johnson's Boatyard site.

Seneca Way Apartments is scheduled to start construction in 2012. The project will be a mixed-use building with 5 stories including ground floor commercial space and 32 apartments. The project will be located on the former Challenge Industries site.

A 14,000 square foot retail and restaurant space is currently under construction in the southwest area of the City. It is expected to be complete by Summer 2012.

Finally, preliminary discussions for the development of 62 acres of southwest land the City owns, have started. The early design includes plans for approximately 300 units of mixed housing and some retail space. A preferred developer has been selected for the 62 acre site. Based on several completed studies for this area, it has been determined that of the 62 acre site, a smaller acreage can be used for commercial development or some mixed housing. Development discussions continue. No time frame has been established.

Major Employers

Some of the major employers located within and/or surrounding the City are as follows:

<u>Name of Employer</u>	<u>Type of Business</u>	<u>Approximate Number Employed</u>
Cornell University	Education	10,000
Ithaca College	Education	1,600
Borg Warner-Axiohm Corporation	Manufacturing	1,300
Ithaca City School District	Education	1,200
Cayuga Medical Center at Ithaca	Health Center	1,000
Tompkins City	Government	750
Wegmans Food Market	Retail Grocery	570
Franziska Racker Center	Education/Learning Disability	425
William George Agency	Social Services	350
Tops Markets	Retail Grocery	290

Source: City Officials.

Population Trends

<u>Year</u>	<u>City of Ithaca</u>	<u>Tompkins County</u>	<u>New York State</u>
1960	28,737	66,102	16,782,304
1970	26,226	75,337	18,236,882
1980	28,732	87,085	17,558,072
1990	29,541	94,097	17,990,455
2000	29,287	96,501	18,796,457
2009	30,013	101,779	19,541,453
2010	30,014	101,564	19,378,102

Source: U.S. Census.

Wealth and Income Indicators

Per capita income statistics are available for the City, County and State, and are listed below.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
City of:						
Ithaca	\$ 9,213	\$ 13,408	\$ 17,346	\$ 30,787	\$ 42,304	\$ 65,935
County of:						
Tompkins	13,171	19,659	25,737	37,874	53,041	72,231
State of:						
New York	16,501	23,389	42,492	39,741	51,691	54,047

Note: 2011 figures are currently unavailable.

Source: U.S. Bureau of the Census, 2006-2010 American Community Survey 5-Year Estimates.

Form of City Government

The governing body (Common Council) of the City is composed of an elected mayor and ten Aldermen, two representing each of the five wards comprising the City as prescribed by the City Charter. The Mayor is elected for a four-year term and the members of the Common Council are elected for four-year terms, with elections held in November of the even numbered years. The positions of the Controller, City Clerk and City Chamberlain and the Department heads are all appointed. All serve under tenure. All elected officers may succeed themselves. The Corporate Counsel is appointed and serves at the discretion of the Mayor.

Financial Organization

The Controller is the chief fiscal officer of the City whose responsibility it is to receive, disburse and account for all financial transactions of the City.

Budgetary Procedures

The department heads present their needs to the Controller for the forthcoming year on September 1st. The Mayor and Controller submit a proposed budget to the Common Council in October. A public hearing is held in November and any interested party may then challenge any provision of the budget. If necessary, changes are made at the hearing and final adoption is made on or before December 31st. The budget is not subject to referendum. The fiscal year of the City is from January 1 to December 31.

Investment Policy

Pursuant to the statutes of the State of New York, the City is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the City; (6) obligations of a New York public corporation which are made lawful investments by the City pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and, (8) in the case of City moneys held in certain reserve funds established pursuant to law, obligations issued by the City. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

Consistent with the above statutory limitations, it is the City's current policy to invest in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America or (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America. In the case of obligations of the United States government, the City may purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities to be delivered to a bank or trust company located and authorized to do business in the State of New York as a third party custodian.

State Aid

The City receives financial assistance from the State. In its budget for the 2012 fiscal year, approximately 6.43% of the operating revenues of the City were estimated to be received from the State as State aid. In its budget for the 2011 fiscal year, approximately 6.41% of the operating revenues of the City were received from the State as State aid. The State is not constitutionally obligated to maintain or continue State aid to the City and no assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse effect upon the City, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. Furthermore, if a significant default or other financial crisis should occur in the affairs of New York State or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

There can be no assurance that the State appropriation for State aid to cities will be continued in future years, either pursuant to existing formulas or any form whatsoever. State aid appropriated and apportioned to the City can be paid only if the State has such monies available therefore. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget or their elimination therefrom.

While the City has received State aid in recent years, both the determination of the amount of State aid and the apportionment of State aid are legislative acts and the State Legislature may amend or repeal the chapter relating to State aid and the formulas which determine the amount of State aid payable to the City. The current financial crisis in the State or future financial conditions in the State may affect the amount of State aid appropriated by the State Legislature.

Other Market Factors

The financial condition of the City as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the City's control. There can be no assurance that adverse events in the State and in other jurisdictions of the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The City is dependent in part on financial assistance from the State. However, if the State should experience difficulty in appropriating or borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the City, in any year, the City may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the City. While no delay in State aid is anticipated this fiscal year, in previous years, the City has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. See also "State Aid" herein.

Employees

The City provides services through approximately 427 full-time employees. The bargaining units, approximate number of members and contract expiration dates are as follows:

<u>Bargaining Unit</u>	<u>Number of Members</u>	<u>Contract Expiration Date</u>
City Executive Association	19	12/31/11 ⁽¹⁾
DPW Unit of Tompkins City	85	12/31/11 ⁽¹⁾
Administration Unit of Tompkins City	120	12/31/10 ⁽¹⁾
Firefighters' Association	63	12/31/15
Police Benevolent Association	71	12/31/11 ⁽¹⁾
Assistant Fire Chiefs	5	12/31/15

⁽¹⁾ Currently under negotiations.

Status and Financing of Employee Pension Benefits

Substantially all employees of the City are members of the New York State and Local Employees' Retirement System ("ERS") or the New York State and Local Police and Fire Retirement System ("PFRS"; with ERS, the "Retirement Systems"). The ERS and PFRS together are generally also known as the "Common Retirement Fund". The Retirement Systems are cost-sharing multiple public employer retirement systems. The obligation of employers and employees to contribute and the benefit to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. The Retirement Systems are non-contributory with respect to members working ten or more years. All members working less than ten years must contribute 3% of gross annual salary towards the cost of retirement programs.

On December 12, 2009, a new Tier V was signed into law. The law is effective for new ERS hires beginning on January 1, 2010. New ERS employees will now contribute 3 percent of their salaries. There is no provision for these contributions to cease after a certain period of service. Overtime in excess of \$15,000 will not be subject to ERS either in contribution from the City or the employee. A new Tier VI has recently been proposed by the Governor in his budget for the State's next fiscal year beginning April 1, 2012. Some of the potential changes related to Tier VI are: increasing employee contributions from 3% to 4%, 5% or 6% depending on salary level, implementing variable risk/reward systems, raising the retirement age from 62 to 65 and prohibiting early retirements, decreasing pension multiplier from 2% to 1.67% for each year of credited service, excluding overtime and other payments from the formula used to calculate the final average salary, and creating a defined contribution option for public employees which would be voluntary for new employees.

The City's payments to ERS and PFRS since the 2005 year have been as follows:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2005	\$ 1,262,556	\$ 1,335,617
2006	1,310,486	1,561,804
2007	1,091,968	1,474,914
2008	920,059	1,490,763
2009	851,645	1,902,971
2010	1,351,552	1,803,734
2011 (Budgeted)	2,029,000	2,332,741
2011 (Actual)	1,978,934	2,379,602
2012 (Budgeted)	2,406,000	2,906,000

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees.

Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

Chapter 49 of the Laws of 2003 ("Chapter 49") amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for the ERS and PFRS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning the actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS and PFRS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the new system, a contribution for a given fiscal year is based on the valuation of the pension fund prior to April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.

In 2004, Chapter 260 of the Laws of 2004 ("Chapter 260") was signed into law. Chapter 260 contains three components which alter the way municipalities and school districts contribute to the State pension system: (1) revision of the payment due date, (2) extension of the period of time for pension debt amortization, and (3) authorization to establish a pension reserve fund. Prior to the effective date of the provisions of Chapter 260, the annual retirement bill sent to municipalities and school districts from the State has reflected pension payments due between April 1 and March 31, consistent with the State fiscal year.

Chapter 260 provided for the following changes:

- **Contribution Payment Date Change:** The law changed the date on which local pension contributions are due to the State. The annual required contribution is now due Feb. 1 annually instead of Dec. 15. As a result, no payment was due in calendar year 2004. With many municipalities (but no school districts except those whose pension payments are made through the related city, such as Buffalo, Rochester, Syracuse and Yonkers) in the State on a calendar fiscal year end, this adjustment provided, a significant one-time benefit for fiscal 2004, allowing certain municipalities to use 2004 resources otherwise meant for pension expenditures for other budgeting purposes or to add to fund balance.
- **Pension Cost Amortization-Extension of Payout Period:** The law also permitted municipalities to amortize a portion of the current year pension cost over a period of 10 years, extending the term from five years as authorized under the 2003 Chapter 49 legislation. Municipalities would amortize, either directly through the State retirement system at a fixed interest rate annually determined by the State Comptroller or through the capital markets, pension payments in excess of 7% of eligible payroll in 2005, 9.5% in 2006, and 10.5% in 2007. The City has chosen to pay its contributions in full.
- **Pension Contributions Reserve Fund:** The law creates special authorization to create a new category of reserve fund under the General Municipal Law. Municipalities and school districts may now establish a retirement contribution reserve fund that can be funded from other available current government resources.

In September 2006, the State Comptroller announced that the amortization rate for 2007 was 5% for those employers choosing to amortize through ERS, any portion of the 2007 bill in excess of 10.5% of payroll. The first installment was due with the February 2008 payment. The City has made its payments in full. The City has not amortized any pension payments due to the Common Retirement Systems and has no plans to do so in the foreseeable future.

On May 30, 2009, Comptroller DiNapoli released a preliminary estimate that the rate of return for the State Common Retirement Fund was a negative 26.3% for the fiscal year ended March 31, 2009. DiNapoli said that the market downturn would require higher employer pension contributions rates in future years.

On September 3, 2009, the New York State Comptroller's Office announced the employer contribution rates for the ERS would increase in 2011. The impact of the global recession on the \$116.5 billion New York State Common Retirement Fund (Fund) raised the average ERS rate up to 11.9 percent (up from 7.4 percent in 2010). This rate is on par with the rates from 2005, 2006 and 2007 when ERS rates were 12.9%, 11.3% and 10.7%, respectively. PFRS have shown similar increases as well from 18.2%, to 21.6% for 2010-2011.

On September 10, 2010, Comptroller Thomas P. DiNapoli announced increases over the previous year in the 2011-2012 employer contribution rates for the New York State Common retirement Fund (the "Fund"). The average contribution rate for ERS will increase from 11.9% of salaries to 16.3% of salaries, and for PFRS the will be from 21.6% of salaries to 25.8% of salaries.

While the City is aware of the potential negative impact on its budget and will take the appropriate steps to budget accordingly for the increase, there can be no assurance that its financial position will not be negatively impacted.

The investment of monies and assumptions underlying same, of the Retirement Systems covering the City's employees is not subject to the direction of the City. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems ("UAALs"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the City which could affect other budgetary matters. Concerned investors should contact the State Common Retirement administrative staff for further information on the latest actuarial valuations of the State Common Retirement Fund.

It should also be noted that the City provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that will require governmental entities, such as the City, to account for post-retirement healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), described below, requires such accounting. Although GASB 45 encourages earlier adoption, implementation is required by the following dates, based on the size of government measured by annual revenue:

Annual Revenue	Effective for Fiscal Year Beginning After:
Greater than \$100 million	December 15, 2006
Between \$10 million and \$100 million	December 15, 2007
Less than \$10 million	December 15, 2008

GASB 45 and OPEB. OPEB refers to "other post-employment benefits," meaning other than pension benefits, disability benefits and OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 45 will require municipalities and school districts to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC.

Actuarial Valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members.

The City contracted with Armory Associates LLC to calculate its "other post-employment benefits" ("OPEB") in accordance with GASB 45. The interim report for fiscal year ending December 31, 2011 has been completed. The Annual Required Contribution (ARC) is shown to be \$18,904,029 and the Annual OPEB cost is \$18,085,169. The present value of total future liabilities is \$271,132,810 for the City. The City is currently funding its OPEB on a pay-go basis.

The City is taking steps to address escalating post retirement health care costs. In 2009, the City reduced costs by requiring retirees over 65 to use Medicare as primary insurance before using City health insurance. Also in 2009, the City went to a single insurance carrier, resulting in additional savings.

Unemployment Rate Statistics

Unemployment statistics are not available for the City as such. The smallest area for which such statistics are available (which includes the City) is Tompkins County. The information set forth below with respect to Tompkins County is included for informational purposes only. It should not be implied from the inclusion of such data in this Official Statement that Tompkins County is necessarily representative of the City, or vice versa.

	<u>Annual Average</u>						
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Tompkins County	4.0%	3.6%	3.5%	3.4%	4.1%	6.0%	6.1%
New York State	5.8%	5.0%	4.6%	4.5%	5.3%	8.4%	8.6%

	<u>2011 Monthly Figures</u>											
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
Tompkins County	6.6%	5.9%	5.4%	5.3%	5.4%	6.4%	6.5%	5.9%	5.6%	5.2%	5.4%	5.5%
New York State	8.9%	8.7%	8.0%	7.6%	7.8%	8.0%	8.0%	7.7%	7.8%	7.7%	7.9%	8.0%

Source: Department of Labor, State of New York. (Note: Figures not seasonally adjusted).

Note: 2011 annual average information is not available at this time.

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose for which the Notes are to be issued is the City Charter and the Local Finance Law.

The City is in the process of complying with the procedure for the validation of the new money portion of the Notes as provided in Title 6 of Article 2 of the Local Finance of Law. The City has complied with such procedure for the renewal portion of the Notes.

No principal or interest upon any obligation of this City is past due.

The fiscal year of the City is the calendar year.

This Official Statement does not include the financial data of any political subdivision having power to levy taxes within the City.

Building Permits

Fiscal Years Ending	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>YTD 2011</u> ⁽¹⁾
<u>December 31:</u>					
<u>One & Two Family Residential</u>					
Number of Permits	4	6	7	5	3
Estimated Value	\$ 599,802	\$ 732,715	\$ 1,362,000	\$ 911,000	\$ 409,316
<u>New Retail/Commercial/Industrial/Other Residential</u>					
Number of Permits	15	7	4	4	12
Estimated Value	\$178,652,969	\$ 4,816,000	\$ 7,748,000	\$ 4,568,900	\$ 11,512,330
<u>Repairs</u>					
Number of Permits	301	316	299	346	396
Estimated Value	\$ 7,622,930	\$ 10,817,477	\$ 3,295,025	\$ 6,977,607	\$ 7,176,101
<u>Others</u>					
Number of Permits	468	488	466	472	752
Estimated Value	\$ 25,545,605	\$ 31,956,233	\$ 37,140,778	\$ 24,966,611	\$ 34,729,496
<u>Yearly Total</u>					
Number of Permits	788	817	776	827	1,163
Estimated Value	\$212,421,306	\$ 48,322,425	\$ 49,545,803	\$ 37,424,118	\$ 53,827,243

⁽¹⁾ As of December 15, 2011.

Independent Audit

The City retains independent Certified Public Accountants. The financial affairs of the City are also subject to periodic compliance audits by the State Comptroller. The last audit report is for the period ending December 31, 2009 and may be found attached hereto as appendices to this Official Statement. Certain financial information may be found in the Appendices to this Official Statement.

The City complies with the Uniform System of Accounts as prescribed for cities in New York State by the Office of the State Comptroller. Except for the accounting for fixed assets, this System conforms to generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units," and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board (GASB).

Since the fiscal year ending December 31, 2003 the City has been required to issue its financial statements in accordance with GASB Statement No. 34. This statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as a Management's Discussion and Analysis. The City is now compliant with Statement No. 34.

The 2006 audit was overdue as the City's Finance Department went without a Deputy Controller for 18 months and fell behind on many of its financial reporting activities mainly in part due to the heavy daily work volume and the need for more staff. The City has filled the Deputy position, and has become current with all financial reporting.

The 2009 audit has been completed and is attached hereto. Requests for additional information regarding these figures may be directed to the City. Copies of certain annual update documents (unaudited statements) are also available by contacting the City or Fiscal Advisors & Marketing, Inc. or by the Electronic Municipal Market Access website: www.emma.msrb.org. The 2010 audit has not been completed as of the date of this official statement. The auditors are currently finishing outstanding items for 2010. This City expects the draft to be available on or about February 14, 2012.

The unaudited financial report for year ending December 31, 2010 indicates that the general fund expenditures are expected to exceed revenues by \$71,164 after taking into account adjustments, which compares to a planned deficit of \$950,000 provided for in the budget as adopted for the year. Operating revenue is projected above budgeted amounts primarily due to non-property tax items coming in \$227,000 above budget. Budgetary expenses are under budgeted amounts by approximately \$764,000 due primarily to delayed or not hiring of several positions.

For the year ending December 31, 2011 the City anticipates being at or near budgeted amounts. The actual amount is not known at this time, however it is anticipated to replenish most of the \$792,000 fund balance appropriation, resulting in a small draw down of fund balance.

TAX INFORMATION

Valuations

Fiscal Years Ending <u>December 31:</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Assessed Valuation New York State	\$ 1,182,853,795	\$ 1,192,983,826	\$ 1,429,887,741	\$ 1,480,922,619	\$ 1,492,021,006	\$ 1,512,975,624
Equalization Rate	90.00%	85.00%	100.00%	100.00%	100.00%	100.00%
Full Valuation	\$ 1,314,281,994	\$ 1,403,510,384	\$ 1,429,887,741	\$ 1,480,922,619	\$ 1,492,021,006	\$ 1,512,975,624

Note: Approximately 61% of the assessed value of the City is tax exempt, mainly as a result of the presence of Cornell University.

Tax Rate Per \$1,000 (Assessed)

Fiscal Years Ending <u>December 31:</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
	\$ 13.60	\$ 14.12	\$ 12.23	\$ 12.31	\$ 12.63	\$ 12.93

Tax Collection Record

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u> ⁽²⁾	<u>2012</u>
Total Tax Levy	\$ 16,666,522	\$ 17,402,913	\$ 18,027,193	\$ 18,233,868	\$ 18,838,117	\$ 19,562,775
Uncollected End of Year ⁽¹⁾	167,986	211,407	281,777	229,646	193,191	N/A
% Uncollected	1.01%	1.21%	1.56%	1.26%	1.03%	N/A

⁽¹⁾ The City holds tax sales annually. See "Tax Collection Procedure" below.

⁽²⁾ As of July 1, 2011.

City Sales Tax

As permitted by State Law, the City pre-empts 1.5% of the 3% City sales tax generated with the City. In addition, the City shares sales tax revenue with the City, Towns and Villages. The distribution of the City sales tax is as follows:

- 1.50% distribution within City (New York State Law)
- .25% sharing of City 1% within the City (New York State Law)
- .25% additional agreement with Tompkins City for amount equal to the preceding year's actual 25% share of the additional State authorized 1% sales tax proceeds received by the City of Ithaca. The City total is 2%.

Total City receipts since 2001 are as follows:

		<u>Percentage of General Fund Revenues</u>
2001	\$ 7,534,537	26.69%
2002	7,668,570	26.25%
2003	7,998,704	25.96%
2004	8,408,416	24.79%
2005	9,761,642	25.21%
2006	10,160,861	24.57%
2007	11,048,064	24.95%
2008	12,162,170	26.03%
2009	11,476,920	24.72%
2010	11,929,543 (Unaudited)	25.01%
2011	12,289,000 (Budgeted)	25.38%
2011	12,414,739	25.64%
2012	12,580,000 (Budgeted)	25.33%

Note: The City budgeted \$10,879,793 for sales tax collections for the 2007 fiscal year, \$11,415,000 for sales tax collection for the 2008 fiscal year, \$12,427,600 for sales tax collection for the 2009 fiscal year and \$11,820,691 for sales tax for the 2010 fiscal year.

Tax Collection Procedure

City taxes are collected in two equal installments. The first installment may be paid during January without penalty. A 5% penalty is added for payments received in February and an additional 1% per month thereafter through the end of October.

The second installment is payable in June without penalty. A penalty of 5% is added for payments made in July and an additional 1% for each month thereafter through October. Delinquent tax liens are foreclosed about two years after lien date pursuant to Article 11 of New York State Real Property Tax Law.

Ten Largest Taxpayers - (2011-2012 Tax Roll)

<u>Name</u>	<u>Type</u>	<u>Estimated Assessed Valuation</u>
N.Y.S. Electric & Gas Corporation	Utility	\$ 34,441,732
Buffalo-Ithaca Associates	Retail/Commercial	20,941,000
312 College Ave. Assoc. LLC	Apartments	16,650,000
Fane Jason	Apartments/Commercial	15,490,000
Wegmans Enterprises Inc.	Retail Grocery	14,520,000
Wal-Mart Real Estate Bus Trust	Retail	14,450,000
Widewaters Route 13 II Company, LLC	Retail Development	14,400,000
Collegetown Center, LLC	Apartments	13,960,000
Valentine Vision Associates	Advertising/Marketing	13,124,000
S I HP Acquisition LLC	Apartments	<u>12,950,000</u>
	Total:	<u>\$ 170,926,732</u>

The ten largest taxpayers listed above have a total estimated assessed valuation of \$170,926,732 that represents 11.3% of the City's tax base.

Source: City tax rolls.

Constitutional Tax Margin

Computation of Constitutional Tax Margin for fiscal years ending December 31, 2007 to 2012:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Five-Year Average Full Valuation	\$1,052,478,908	\$1,160,105,616	\$1,262,385,003
Tax Limit - 2% of Five Year Average.....	21,049,578	23,202,112	25,247,700
Add: Exclusions From Tax Limit.....	<u>7,225,085</u>	<u>7,038,435</u>	<u>7,067,873</u>
Total Taxing Power	\$ 28,274,663	\$ 30,240,547	\$ 32,315,573
Less Total Levy	<u>16,086,812</u>	<u>16,880,721</u>	<u>17,487,527</u>
Tax Margin	<u>\$ 12,187,851</u>	<u>\$ 13,359,826</u>	<u>\$ 14,828,046</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Five-Year Average Full Valuation	\$1,353,830,446	\$1,424,198,349	\$1,463,863,475
Tax Limit - 2% of Five Year Average.....	27,076,609	28,483,967	29,277,269
Add: Exclusions From Tax Limit.....	<u>6,857,557</u>	<u>6,245,583</u>	<u>6,834,589</u>
Total Taxing Power	\$ 33,934,166	\$ 34,729,550	\$ 36,111,858
Less Total Levy	<u>18,230,157</u>	<u>18,844,225</u>	<u>19,562,775</u>
Tax Margin	<u>\$ 15,704,009</u>	<u>\$ 15,885,325</u>	<u>\$ 16,549,083</u>

Additional Tax Information

Real property located in the City is assessed by Tompkins County.

Veterans and senior citizens' exemptions are offered to those who qualify.

The estimated total annual property tax bill of a \$100,000 market value residential property located in the City is approximately \$3,649 including City, County and School District taxes.

The City assessment roll is estimated to be constituted as follows: 43.3% residential; 51.6% commercial, 0.9% industrial and 4.2% other.

NEW TAX LEVY LIMITATION LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. It expires on June 15, 2016 unless other legislation is extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index ("CPI"), over the amount of the prior year's tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are permissible exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, the Police and Fire Retirement System, and the Teachers' Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of its fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for such fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation debt of municipalities or such debt incurred after the effective date of the Tax Levy Limitation Law (June 24, 2011).

While the Tax Levy Limitation Law may constrict an issuer's power to levy real property taxes for the payment of debt service on debt contracted after the effective date of the Tax Levy Limitation Law, it is clear no statute is able (1) to limit an issuer's pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit an issuer's levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a municipality authority to treat all debt service payments for capital projects as a constitutional exception to such statutory tax levy limitation is not clear.

CITY INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the City (and other municipalities and certain school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations in summary form, and as generally applicable to the City and the Notes include the following:

Purpose and Pledge. Subject to certain enumerated exceptions, the City shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The City may contract indebtedness only for a City purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining annual debt service is authorized and utilized, no installment may be more than fifty percent in excess of the smallest prior installment. The City is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Debt Limit. The City has the power to contract indebtedness for any City purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven per centum of the average full valuation of taxable real

estate of the City and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

Pursuant to Article VIII of the State Constitution and Title 9 of Article 2 of the Local Finance Law, the debt limit of the City is calculated by taking 7% of the latest five-year average of the full valuation of all taxable real property.

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the City to borrow and incur indebtedness by the enactment of the Local Finance Law subject, of course, to the provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the City Charter and the General Municipal Law.

Pursuant to the Local Finance Law and its Charter, the City authorizes the issuance of bonds by the adoption of a bond resolution approved by at least two-thirds of the members of the Common Council, the finance board of the City. Customarily, the Common Council has delegated to the City Controller, as chief fiscal officer of the City, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- (1) Such obligations are authorized for a purpose for which the City is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations and an action contesting such validity, is commenced within twenty days after the date of such publication,

or, (3) Such obligations are authorized in violation of the provisions of the Constitution.

Except on rare occasions the City complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto. The City has authorized bonds for a variety of City objects or purposes.

Statutory law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such bonds and provided that such renewals do not exceed five years beyond the original date of borrowing. (See “Payment and Maturity” under “Constitutional Requirements” herein).

In general, the Local Finance Law contains provisions providing the City with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget and capital notes.

Debt Outstanding End of Fiscal Year

Fiscal Years					
<u>Ending December 31:</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Bonds	\$ 42,753,481	\$ 50,565,256	\$ 46,900,795	\$ 62,377,053	\$ 58,533,015
Bond Anticipation Notes	28,338,971	22,955,687	25,705,436	9,059,381	18,271,572
Other Debt ⁽¹⁾	<u>2,398,254</u>	<u>2,229,310</u>	<u>4,282,033</u>	<u>3,993,488</u>	<u>3,696,181</u>
Totals	<u>\$ 73,490,706</u>	<u>\$ 75,750,253</u>	<u>\$ 76,888,264</u>	<u>\$ 75,429,922</u>	<u>\$ 79,648,753</u>

⁽¹⁾ Represents lease purchase obligations. See “Energy Performance Contract” herein.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the City evidenced by Notes as of January 10, 2012.

	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2012-2035	\$ 58,533,015
<u>Bond Anticipation Notes</u>		
Various Purposes	August 3, 2012	7,959,947 ⁽¹⁾
Various Purposes	February 15, 2012	<u>10,311,325</u> ⁽²⁾
	Total Indebtedness	<u>\$ 76,804,287</u>

- (1) To be refunded at maturity with the proceeds of bond anticipation renewal notes, along with \$303,654 available funds.
- (2) To be retired with the proceeds of bond anticipation renewal notes along with \$225,606 available funds.

Debt Statement Summary

Statement of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of January 10, 2012:

Average Full Valuation of Taxable Real Property	\$ 1,463,863,475
Debt Limit - 7% thereof	102,470,443

Inclusions:

Bonds	\$ 58,533,015	
Bonds Anticipation Notes	<u>18,271,576</u>	
Total Inclusions.....		\$ 76,804,287

Exclusions:

Appropriations Bonds	\$ 3,534,185	
Appropriations BANs.....	529,260	
Cash on hand	0	
Sewer Indebtedness ⁽¹⁾	10,718,683	
Water Indebtedness ⁽²⁾	<u>11,297,032</u>	
Total Exclusions.....		<u>\$ 26,079,160</u>

Total Net Indebtedness Subject to Debt Limit	<u>\$ 50,725,127</u>
Net Debt-Contracting Margin.....	<u>\$ 51,745,316</u>
The percent of debt contracting power exhausted is	49.50%

Note: The issuance of the Notes is expected to increase the total net indebtedness of the City by \$4,022,000 as \$3,680,000 will be excluded. This Table does not include \$3,696,181 of lease purchase obligations

- (1) Sewer Debt is excluded pursuant to Section 124.10 of the Local Finance Law.
- (2) Water Debt is excluded pursuant to Article VIII, Section 5B of the New York State Constitution.

Bonded Debt Service

A schedule of Bonded Debt Service may be found attached hereto as APPENDIX - B of this Official Statement.

Cash Flow Borrowings

The City has found it necessary to borrow revenue anticipation notes from time to time. The last such borrowing occurred in 2003. The City found that such borrowing was not necessary in recent years and does not anticipate such borrowing will be necessary in 2012. The City has not borrowed tax anticipation notes in the past 15 years and does not intend to issue such notes in the foreseeable future.

Energy Performance Contracts

The City entered into an Energy Performance Contract with Johnson Controls, Inc. during 2007. The contract required improvements to several City buildings to become more energy efficient at a cost of \$2,398,254. The City financed the contract through Chase Equipment Leasing on August 30, 2007. The lease is allocated in two tranches:

\$992,313 NYSERDA Assisted at .03% with a final maturity date of August 30, 2017

\$1,405,941 NYSERDA Assisted at 4.03% with a final maturity date of August 30, 2022

The City entered into an additional Energy Performance Contract with Johnson Controls, Inc. during 2009. The contract will allow for upgrades and replacements of the various water meters in city residences. The City financed the contract through Municipal Leasing Consultants using SunTrust on January 9, 2009. The total contract is \$2,348,211. The annual interest rate is 4.91% with a final maturity date of November 20, 2023.

Estimated Overlapping Indebtedness

In addition to the City, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the City. Estimated bonds and bond anticipation notes are listed as of the close of the last fiscal year of the respective municipalities, adjusted to include subsequent bond issues.

<u>Unit</u>	<u>Outstanding Indebtedness</u>	<u>Exclusions</u> ⁽¹⁾	<u>Net Indebtedness</u>	<u>Approximate % Applicable</u>	<u>Overlapping Indebtedness</u>
County of:					
Tompkins	\$ 89,748,585	\$ 8,433,732	\$ 81,314,853	22.2%	\$ 18,051,897
School District:					
Ithaca City SD	93,810,000	54,503,610 ⁽²⁾	33,906,390	38.6%	<u>13,087,867</u>
					<u>\$ 31,139,764</u>

⁽¹⁾ Pursuant to applicable constitutional and statutory provisions, this indebtedness is deductible from gross indebtedness for debt limit purposes.

⁽²⁾ Estimated State Building aid.

Cayuga Street Parking Project

In 2003, the City entered into an agreement with a not-for-profit corporation (the “Corporation”) to construct an approximately 267,000 square foot seven-story parking garage containing approximately 700 parking spaces in the downtown area of the City (the “Garage”). The parking facility construction was completed in late 2004. The Corporation contracts with a manager to operate the Garage. The revenues from the operation and maintenance of the Garage will not be sufficient to pay costs of operation and maintenance of the Garage and debt service on the obligations issued for the Garage by the Tompkins City Industrial Development Agency. The Agency has entered into agreements with the Corporation under which the Agency will agree to pay any shortfalls in such operation and maintenance and debt service costs. The City has entered into an agreement with the Agency to provide assistance thereto with respect to the Garage and will pay to the Agency any amount which the Agency is required to pay to the Corporation as a shortfall in operation and maintenance and debt service costs for the Garage together with certain other costs (the “Financial Assistance Agreement”).

It was anticipated that during the first ten years of operation of the Garage, commencing in 2005, (the forecast period) an annual shortfall in revenues to pay operation and maintenance costs and debt service for the Garage would be approximately \$636,000. The term of the \$19,305,000 variable rate revenue bonds issued by the Tompkins City Industrial Development Agency in 2003 for the Garage extends until 2030. The 2006 annual appropriation for the Financial Assistance Agreement was \$1,135,000 and was included in the City’s 2006 budget. The 2007 annual appropriation paid was \$1,700,000. The 2008 annual appropriation paid for the Garage was \$1,700,000. The 2009 annual appropriation paid for the Garage was \$1,422,979. The 2010 annual appropriation paid for the Garage was \$1,192,951. The 2011 annual appropriation paid for the garage was \$870,000. The 2012 annual appropriation for the garage is \$840,000 and is included in the City’s 2012 budget. A schedule of the repayment of the principal of the bonds can be found in “APPENDIX – B4” attached hereto.

The City’s obligation to make payments under the Financial Assistance Agreement is subject to annual appropriation by the Common Council of the City. Furthermore, it has been proposed that the City lease to the Agency the City’s existing Seneca Street and Green Street parking garages with the revenues therefrom, after payment of the City’s continuing

operation and maintenance costs of those garages and debt service on the City's existing general obligation bonds issued for those garages, to be paid to an account for expenditure in payment of the afore described shortfall in costs of the Garage. Any such revenues will reduce the amount to be raised by the City under the Financial Assistance Agreement. No formal agreement on this has been reached at this time.

Estimate of Obligations to be Issued

The City has a variety of projects which are continually being reviewed and evaluated. Additional borrowings will depend on which projects the City elects to undertake.

The City's current projects are being financed using bond anticipation notes. Pending market conditions, such renewal notes may be refunded by bonds in 2013.

Debt Ratios

The following table sets forth certain ratios related to the City's indebtedness as of January 10, 2012:

	<u>Amount of Indebtedness</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Valuation</u> ^(b)
Gross Direct Indebtedness ^(c)	\$ 76,804,287	\$ 2,558.95	5.08%
Net Direct Indebtedness ^(c)	50,725,127	1,690.04	3.35%
Gross Direct Plus Net Overlapping Indebtedness ^(d)	107,941,051	3,596.36	7.09%
Net Direct Plus Net Overlapping Indebtedness ^(d)	81,861,891	2,727.46	5.41%

- Note: ^(a) The City's 2010 population is 30,014. (See "Population Trends" herein.)
^(b) The City's full valuation of taxable real estate for 2012 is \$1,512,975,624. (See "Valuations, Rates and Tax Levies" herein.)
^(c) See "Debt Statement Summary" herein.
^(d) The City's applicable share of net overlapping indebtedness is \$31,136,764. (See "Estimated Overlapping Indebtedness" herein.)

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the City upon any judgment or accrued claim against it shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of or interest on the Notes.

In accordance with the general rule with respect to municipalities, judgments against the City may not be enforced by levy and execution against property owned by the City.

The Federal Bankruptcy Code allows public bodies recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the City.

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness."

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes, such as the Notes.

No principal of or interest on City indebtedness is past due. The City has never defaulted in its payment of principal of or interest on any indebtedness.

MATERIAL EVENT NOTICES

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, the City has agreed to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, during the period in which the Notes are outstanding, to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults, if material
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Note, or other material events affecting the tax status of the Notes
- (g) modifications to rights of Note holders, if material
- (h) note calls, if material and tender offers
- (i) defeasances
- (j) release, substitution, or sale of property securing repayment of the Notes
- (k) rating changes
- (l) bankruptcy, insolvency, receivership or similar event of the City
- (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Notes.

With respect to event (d) the City does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the securities.

The City may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the City determines that any such other event is material with respect to the Notes; but the City does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The City reserves the right to terminate its obligation to provide the aforescribed notices of material events, as set forth above, if and when the City no longer remains an obligated person with respect to the Notes within the meaning of the Rule. The City acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the City's obligations under its material event notices undertaking and any failure by the City to comply with the provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Notes to recover monetary damages.

The City reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City, provided that the City agrees that any such modification will be done in a manner consistent with the Rule.

A Material Event Notices Certificate to this effect shall be provided to the purchaser(s) at closing.

The City is in compliance with all prior undertakings pursuant to the Rule, except as follows: Prior to fiscal year ending December 31, 2003 the City had not made yearly filings in regards to Continuing Disclosure. In 2003 the City made all necessary filings and a Material Events notice was filed for failure to file for the prior years. The City has fallen behind in the preparation of Audited financial statements; see "Independent Audit" herein. As a result, the City was not in full compliance with the filing requirements for fiscal year 2004 or 2005. For these years, portions of the annual update document were filed along with the most recent official statements. The City has also filed a Material Events notice for these years. The City is now up to date with all filings except the 2010 audit and the City has duly filed a notice as to this delay in accordance with disclosure requirements. An additional filing will be completed once the audit for year ending December 31, 2010 is completed. The audit is anticipated to be approved soon. The City expects the 2010 audit to be completed by February, 2012 and to be made available in keeping with its existing agreements.

MARKET AND RISK FACTORS

The financial and economic condition of the City as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the City's control. There can be no assurance that adverse events in the State and in other jurisdictions in the Country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The City is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and school districts in the State, including the City, in any year, the City may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the City. In several recent years, the City has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "State Aid").

TAX MATTERS – SERIES A NOTES

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in “APPENDIX - D” hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to insure that interest on the Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Notes.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Notes or the interest thereon if any such change occurs or action is taken or omitted.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect a Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Tax Disclosure: American Jobs Act of 2011

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, on September 12, 2011, the Obama Administration announced a legislative proposal entitled the American Jobs Act of 2011. For tax years beginning on or after January 1, 2013, the American Jobs Act of 2011 generally would limit the exclusion from gross income of interest on obligations like the Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

TAX MATTERS – SERIES B NOTES

In the opinion of Orrick Herrington & Sutcliffe LLP, Bond Counsel, interest on the Series B Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including the City of New York). No opinion will be rendered by Bond Counsel regarding Federal tax consequences arising with respect to the Series B Notes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in “APPENDIX – E” hereto.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the respective approving legal opinions of Orrick, Herrington & Sutcliffe, LLP, Bond Counsel. Bond Counsel’s opinions will be in substantially the forms attached hereto as APPENDIX – D & E.

LITIGATION

The City is subject to a number of lawsuits in the ordinary conduct of its affairs. The City does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the City.

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the City, threatened against or affecting the City to restrain or enjoin the issuance, sale or delivery of the Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the City taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the City.

RATING

The Notes are not rated.

Moody's Investors Service, Inc. ("Moody's") has assigned its municipal bond rating of "Aa2" with respect to the City's outstanding bonds. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Notes or the outstanding bonds. A rating reflects only the view of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the rating of the bonds may have an adverse effect on the market price of the Notes.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Notes.

Statements in this official statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the City management's beliefs as well as assumptions made by, and information currently available to, the City's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the City's files with the repositories. When used in City documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

Orrick, Herrington & Sutcliffe LLP, New York, New York Bond Counsel to the City, expressed no opinions as to the accuracy or completeness of information in any documents prepared by or on behalf of the City for use in connection with the offer and sale of the Notes, including but not limited to, the financial or statistical information in this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Notes, the City will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the City.

The Official Statement is submitted only in connection with the sale of the Notes by the City and may not be reproduced or used in whole or in part for any other purpose.

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at www.fiscaladvisors.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the City nor Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. and the City disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Fiscal Advisors & Marketing, Inc. and the City also assumes no liability or responsibility for any errors or omissions or for any updates to dated website information.

If the purchaser(s) requests the Notes to be issued in registered form, the City will act as Paying Agent for the Notes. If the purchaser(s) requests the Note to be issued in bearer form, the purchaser(s) will act as or name a bank or trust company located and authorized to do business in the State of New York as the Paying Agent for the Notes. The City's contact information is as follows: Steven Thayer, City Controller, Ithaca City Hall, 108 East Green Street, Ithaca, New York 14850, Phone: (607) 274-6577, Telefax: (607) 272-7348, email: stevet@cityofithaca.org.

This Official Statement has been duly executed and delivered by the City Controller of the City of Ithaca.

CITY OF ITHACA, NEW YORK

Dated: February 15, 2012

STEVEN P. THAYER
City Controller
and Chief Fiscal Officer

GENERAL FUND

Balance Sheets

Fiscal Year Ending December 31:	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>ASSETS</u>				
Unrestricted Cash	\$ 1,285,092	\$ 5,460	\$ 5,897,038	\$ 6,269,481
Temporary Investments	2,165,658	6,500,000	-	-
Restricted Cash	2,496,637	2,483,562	833,858	954,538
Taxes Receivable (Net)	596,364	608,665	799,740	927,500
Due From Other Funds	762,250	723,675	747,755	503,063
Due From State and Federal Governments	1,002,014	1,010,759	1,055,784	702,606
Due From Other Governments	998,187	1,361,270	1,322,539	844,573
Other Receivables (Net)	576,883	374,324	427,763	376,806
Prepaid Expenses	514,554	496,771	466,721	-
Inventories	135,269	125,864	132,054	170,281
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 10,532,908</u>	<u>\$ 13,690,350</u>	<u>\$ 11,683,252</u>	<u>\$ 10,748,848</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
Accounts Payable	\$ 157,372	\$ 1,856,793	\$ 996,418	\$ 189,376
Notes Payable	-	-	-	-
Accrued Liabilities	-	-	-	-
Due to Other Funds	20,650	219,996	63,451	381,503
Due to Other Governments	184,712	728,580	234,099	521,659
Compensated Absences	119,922	119,922	119,922	119,922
Other Liabilities	673,421	643,481	454,420	283,005
Deferred Revenues	805,852	818,153	1,009,228	1,136,988
Overpayments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>\$ 1,961,929</u>	<u>\$ 4,386,925</u>	<u>\$ 2,877,538</u>	<u>\$ 2,632,453</u>
 <u>FUND EQUITY</u>				
Reserved	\$ 3,469,317	\$ 3,377,629	\$ 3,479,480	\$ 3,590,114
Unreserved:				
Appropriated	496,435	492,045	950,000	792,000
Unappropriated	4,605,227	5,433,751	4,376,234	3,734,281
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND EQUITY	<u>\$ 8,570,979</u>	<u>\$ 9,303,425</u>	<u>\$ 8,805,714</u>	<u>\$ 8,116,395</u>
 TOTAL LIABILITIES and FUND EQUITY	 <u>\$ 10,532,908</u>	 <u>\$ 13,690,350</u>	 <u>\$ 11,683,252</u>	 <u>\$ 10,748,848</u>

Sources: Audited financial reports of the City for Fiscal Years 2007-2009. Annual Update Document of the City for Fiscal Year 2010.
This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending December 31:	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
REVENUES					
Real Property Taxes	\$ 13,550,796	\$ 15,153,293	\$ 16,121,497	\$ 16,844,011	\$ 17,487,547
Real Property Tax Items	352,601	324,525	427,763	596,808	533,719
Non-Property Tax Items	10,268,102	10,703,303	11,591,639	12,707,396	12,052,517
Departmental Income	2,571,164	2,702,608	2,526,996	2,989,313	3,373,141
Intergovernmental Charges	3,393,967	3,357,192	3,634,499	3,909,807	4,054,865
Use of Money & Property	310,373	456,836	641,785	566,141	394,486
Licenses and Permits	988,087	407,146	1,552,855	484,216	404,584
Fines and Forfeitures	722,668	838,653	968,036	938,713	909,157
Sale of Property and Compensation for Loss	47,391	53,479	97,744	147,318	117,788
Miscellaneous	1,293,594	1,310,857	1,208,289	1,230,958	1,302,784
Interfund Revenues	225,500	234,025	240,390	265,196	278,609
Revenues from State Sources	2,700,384	3,148,760	3,395,658	3,893,916	3,444,596
Revenues from Federal Sources	96,344	329,411	218,437	390,828	431,137
Total Revenues	<u>\$ 36,520,971</u>	<u>\$ 39,020,088</u>	<u>\$ 42,625,588</u>	<u>\$ 44,964,621</u>	<u>\$ 44,784,930</u>
Other Sources:					
Interfund Transfers (1)	2,207,412	2,326,407	1,662,627	1,753,451	1,647,997
Reserve Revenues	-	-	-	-	-
Total Revenues and Other Sources	<u>\$ 38,728,383</u>	<u>\$ 41,346,495</u>	<u>\$ 44,288,215</u>	<u>\$ 46,718,072</u>	<u>\$ 46,432,927</u>
EXPENDITURES					
General Government Support	\$ 3,295,002	\$ 3,366,669	\$ 3,638,990	\$ 4,129,210	\$ 4,299,275
Public Safety	12,228,945	12,872,660	13,540,925	14,163,399	14,382,614
Transportation	3,500,413	4,239,482	5,078,428	5,563,804	5,244,767
Economic Opportunity and Development	58,500	61,000	61,000	61,000	61,000
Culture and Recreation	3,856,184	4,221,277	4,519,133	4,973,770	5,002,839
Home and Community Services	596,586	660,211	708,849	836,584	902,410
Employee Benefits	8,873,820	8,365,109	9,203,656	9,980,168	10,487,105
Debt Service	5,390,721	5,973,661	5,902,508	6,180,691	6,297,347
Total Expenditures	<u>\$ 37,800,171</u>	<u>\$ 39,760,069</u>	<u>\$ 42,653,489</u>	<u>\$ 45,888,626</u>	<u>\$ 46,677,357</u>
Other Uses:					
Interfund Transfers	98,176	75,000	120,000	97,000	253,281
Reserve Expenditures	-	-	-	-	-
Total Expenditures and Other Uses	<u>\$ 37,898,347</u>	<u>\$ 39,835,069</u>	<u>\$ 42,773,489</u>	<u>\$ 45,985,626</u>	<u>\$ 46,930,638</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>830,036</u>	<u>1,511,426</u>	<u>1,514,726</u>	<u>732,446</u>	<u>(497,711)</u>
FUND BALANCE					
Fund Balance - Beginning of Year	4,714,791	5,544,827	7,056,253	8,570,979	9,303,425
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	<u>\$ 5,544,827</u>	<u>\$ 7,056,253</u>	<u>\$ 8,570,979</u>	<u>\$ 9,303,425</u>	<u>\$ 8,805,714</u>

(1) Represents unneeded proceeds from capital projects.
Source: Audited financial reports of the City. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending December 31:	2010		
	Adopted Budget	Modified Budget	Actual
REVENUES			
Real Property Taxes	\$ 18,230,157	\$ 18,230,157	\$ 18,230,175
Real Property Tax Items	485,150	485,150	609,475
Non-Property Tax Items	12,368,691	12,368,691	12,423,311
Departmental Income	3,549,394	3,549,394	3,364,115
Intergovernmental Charges	4,017,416	4,017,416	4,018,620
Use of Money & Property	508,050	508,050	311,929
Licenses and Permits	287,050	287,050	369,486
Fines and Forfeitures	1,076,800	1,076,800	1,224,768
Sale of Property and Compensation for Loss	77,000	77,000	113,159
Miscellaneous	1,234,770	1,234,770	1,453,620
Interfund Revenues	2,006,330	288,610	288,610
Revenues from State Sources	3,161,976	3,161,976	3,244,623
Revenues from Federal Sources	231,488	231,488	321,618
Total Revenues	<u>\$ 47,234,272</u>	<u>\$ 45,516,552</u>	<u>\$ 45,973,509</u>
Other Sources:			
Interfund Transfers (1)	-	1,717,720	1,717,721
Reserve Revenues	-	-	-
Total Revenues and Other Sources	<u>\$ 47,234,272</u>	<u>\$ 47,234,272</u>	<u>\$ 47,691,230</u>
EXPENDITURES			
General Government Support	\$ 4,374,559	\$ 4,374,559	\$ 4,448,772
Public Safety	14,813,537	14,813,537	14,895,511
Transportation	5,054,581	5,054,581	4,930,248
Economic Opportunity and Development	61,000	61,000	61,000
Culture and Recreation	4,954,070	4,954,070	4,837,253
Home and Community Services	829,790	829,790	732,987
Employee Benefits	11,224,341	11,224,341	10,975,410
Debt Service	6,778,049	6,778,049	6,779,779
Total Expenditures	<u>\$ 48,089,927</u>	<u>\$ 48,089,927</u>	<u>\$ 47,660,960</u>
Other Uses:			
Interfund Transfers	94,345	94,345	274,345
Reserve Expenditures	-	-	-
Total Expenditures and Other Uses	<u>\$ 48,184,272</u>	<u>\$ 48,184,272</u>	<u>\$ 47,935,305</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(950,000)</u>	<u>(950,000)</u>	<u>(244,075)</u>
FUND BALANCE			
Fund Balance - Beginning of Year	950,000	950,000	8,805,714
Prior Period Adjustments (net)	-	-	(445,244)
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,116,395</u>

(1) Represents unneeded proceeds from capital projects.

Source: Annual Update Document of the City. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget

Fiscal Years Ending December 31:	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
	Adopted	Adopted	Adopted	Adopted	Adopted
	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>
REVENUES					
Real Property Taxes	\$ 16,844,932	\$ 17,487,527	\$ 18,230,157	\$ 18,844,225	\$ 19,601,364
Real Property Tax Items	446,530	485,050	485,150	536,000	589,500
Non-Property Tax Items	11,958,000	12,971,000	12,368,691	12,827,000	13,060,000
Departmental Income	3,041,520	3,137,284	3,549,394	3,587,988	3,732,148
Intergovernmental Charges	3,888,520	4,018,791	4,017,416	4,046,029	3,966,886
Use of Money & Property	480,050	445,050	508,050	476,000	379,310
Licenses and Permits	528,650	415,700	287,050	469,850	446,250
Fines and Forfeitures	851,000	930,678	1,076,800	1,121,500	1,215,000
Sale of Property and Compensation for Loss	44,700	66,121	77,000	76,000	217,000
Miscellaneous	1,191,727	1,252,186	1,234,770	1,250,611	1,274,475
Interfund Revenues	1,708,637	1,626,906	2,006,330	2,060,369	1,963,592
Revenues from State Sources	3,362,380	3,488,511	3,161,976	3,105,412	3,196,186
Revenues from Federal Sources	152,328	272,646	231,488	15,000	15,000
Total Revenues	<u>\$ 44,498,974</u>	<u>\$ 46,597,450</u>	<u>\$ 47,234,272</u>	<u>\$ 48,415,984</u>	<u>\$ 49,656,711</u>
Other Sources:					
Interfund Transfers (1)	310,000	300,000	-	-	-
Reserve Revenues	-	-	-	-	-
Total Revenues and Other Sources	<u>\$ 44,808,974</u>	<u>\$ 46,897,450</u>	<u>\$ 47,234,272</u>	<u>\$ 48,415,984</u>	<u>\$ 49,656,711</u>
EXPENDITURES					
General Government Support	\$ 4,282,778	\$ 4,636,502	\$ 4,374,559	\$ 4,482,485	\$ 4,382,076
Public Safety	14,317,883	14,661,149	14,813,537	14,915,503	14,350,411
Transportation	5,526,071	5,472,982	5,054,581	4,713,455	4,900,606
Economic Opportunity and Development	61,000	61,000	61,000	61,000	61,000
Culture and Recreation	4,629,027	5,061,457	4,954,070	4,920,077	5,207,629
Home and Community Services	817,963	936,487	829,790	828,196	804,483
Employee Benefits	9,586,931	10,293,129	11,224,341	12,822,066	14,353,549
Debt Service	5,986,745	6,175,508	6,778,049	6,383,202	6,511,957
Total Expenditures	<u>\$ 45,208,398</u>	<u>\$ 47,298,214</u>	<u>\$ 48,089,927</u>	<u>\$ 49,125,984</u>	<u>\$ 50,571,711</u>
Other Uses:					
Interfund Transfers	97,000	91,281	94,345	82,000	80,000
Reserve Expenditures	-	-	-	-	-
Total Expenditures and Other Uses	<u>\$ 45,305,398</u>	<u>\$ 47,389,495</u>	<u>\$ 48,184,272</u>	<u>\$ 49,207,984</u>	<u>\$ 50,651,711</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(496,424)</u>	<u>(492,045)</u>	<u>(950,000)</u>	<u>(792,000)</u>	<u>(995,000)</u>
FUND BALANCE					
Fund Balance - Beginning of Year	496,424	492,045	950,000	792,000	995,000
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Represents unneeded proceeds from capital projects.

Source: Annual budgets of the City. This Appendix is not itself audited.

CHANGES IN FUND EQUITY

Fiscal Year Ending December 31:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>WATER FUND</u>					
Fund Equity - Beginning of Year	\$ 6,437,409	\$ 6,326,792	\$ 6,414,402	\$ 6,131,734	\$ 5,566,903
Prior Period Adjustments (net)	-	-	-	-	-
Revenues & Other Sources	3,092,385	3,176,702	3,083,632	2,864,139	3,166,930
Expenditures & Other Uses	3,203,002	3,089,092	3,366,300	3,382,846	3,283,712
Fund Equity - End of Year	6,326,792	6,414,402	6,131,734	5,613,027	5,450,121
<u>SEWER FUND</u>					
Fund Equity - Beginning of Year	\$ 3,832,025	\$ 3,468,166	\$ 3,824,228	\$ 3,630,059	\$ 3,439,463
Prior Period Adjustments (net)	-	-	-	-	-
Revenues & Other Sources	4,487,263	4,975,588	4,805,076	5,094,528	5,434,876
Expenditures & Other Uses	4,851,122	4,619,526	4,999,245	5,183,500	5,246,498
Fund Equity - End of Year	3,468,166	3,824,228	3,630,059	3,541,087	3,627,841
<u>SPECIAL GRANT</u>					
Fund Equity - Beginning of Year	\$ 527,280	\$ 775,065	\$ 1,835,007	\$ 2,119,195	N/A
Prior Period Adjustments (net)	-	-	-	-	N/A
Revenues & Other Sources	2,278,696	1,931,172	1,978,507	3,219,589	N/A
Expenditures & Other Uses	2,030,911	871,230	1,724,319	3,472,515	N/A
Fund Equity - End of Year	775,065	1,835,007	2,089,195	1,866,269	N/A

Sources: Audited financial reports of the City for Fiscal Years 2006-2009. Annual Update Document of the City for Fiscal Year 2010.
This Appendix is not itself audited.

APPENDIX - B
City of Ithaca

BONDED DEBT SERVICE

Fiscal Year Ending December 31	Principal	Interest	Total
2012	\$ 4,327,175	\$ 2,231,633.75	\$ 6,558,808.75
2013	4,105,070	2,079,367.35	6,184,437.35
2014	4,138,610	1,933,163.14	6,071,773.14
2015	4,203,900	1,784,981.75	5,988,881.75
2016	3,847,330	1,645,019.87	5,492,349.87
2017	4,025,930	1,509,687.00	5,535,617.00
2018	4,000,000	1,367,792.14	5,367,792.14
2019	3,260,000	1,247,283.67	4,507,283.67
2020	3,415,000	1,135,111.94	4,550,111.94
2021	2,940,000	1,018,294.88	3,958,294.88
2022	3,065,000	921,715.45	3,986,715.45
2023	3,205,000	819,192.40	4,024,192.40
2024	2,825,000	711,866.29	3,536,866.29
2025	2,840,000	623,223.90	3,463,223.90
2026	1,560,000	564,705.95	2,124,705.95
2027	1,635,000	531,250.75	2,166,250.75
2028	740,000	297,619.49	1,037,619.49
2029	780,000	251,884.08	1,031,884.08
2030	820,000	203,412.60	1,023,412.60
2031	865,000	152,057.50	1,017,057.50
2032	580,000	97,859.96	677,859.96
2033	610,000	62,843.65	672,843.65
2034	640,000	25,724.03	665,724.03
2035	105,000	4,335.46	109,335.46
TOTALS	\$ 58,533,015	\$ 21,220,026.95	\$79,753,041.95

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	1999		
	Public Improvements		
	Principal	Interest	Total
2012	\$ 98,493	\$ 3,988.97	\$ 102,481.97
TOTALS	\$ 98,493	\$ 3,988.97	\$ 102,481.97

Fiscal Year Ending Dec 31st	2002		
	Public Improvements		
	Principal	Interest	Total
2012	\$ 104,520	\$ 8,524.40	\$ 113,044.40
2013	108,590	4,343.60	112,933.60
TOTALS	\$ 213,110	\$ 12,868.00	\$ 225,978.00

	2000		
	Public Improvements		
	Principal	Interest	Total
	\$ 105,682	\$ 5,601.15	\$ 111,283.15
TOTALS	\$ 105,682	\$ 5,601.15	\$ 111,283.15

Fiscal Year Ending Dec 31st	2001		
	Public Improvements		
	Principal	Interest	Total
2012	\$ 64,480	\$ 20,214.95	\$ 84,694.95
2013	67,480	17,216.63	84,696.63
2014	70,610	14,078.81	84,688.81
2015	73,900	10,795.44	84,695.44
2016	77,330	7,359.09	84,689.09
2017	80,930	3,763.25	84,693.25
2018			
2019			
2020			
2021			
2022			
2023			
2024			
TOTALS	\$ 434,730	\$ 73,428.17	\$ 508,158.17

	2008		
	Public Improvements		
	Principal	Interest	Total
	\$ 50,000	\$ 55,931.25	\$ 105,931.25
	55,000	52,978.13	107,978.13
	60,000	49,743.75	109,743.75
	65,000	46,228.13	111,228.13
	65,000	42,571.88	107,571.88
	70,000	38,775.00	108,775.00
	75,000	34,696.88	109,696.88
	80,000	30,337.50	110,337.50
	85,000	25,696.88	110,696.88
	90,000	20,718.75	110,718.75
	95,000	15,281.25	110,281.25
	100,000	9,431.25	109,431.25
	105,000	3,215.63	108,215.63
TOTALS	\$ 995,000	\$ 425,606.25	\$ 1,420,606.25

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	1996		
	Public Improvements		
	Principal	Interest	Total
2012	\$ 205,000	\$ 5,227.50	\$ 210,227.50
TOTALS	\$ 205,000	\$ 5,227.50	\$ 210,227.50

Fiscal Year Ending Dec 31st	1998		
	Public Improvements		
	Principal	Interest	Total
2112	\$ 100,000	\$ 31,903.76	\$ 131,903.76
2113	105,000	26,953.76	131,953.76
2114	105,000	21,703.76	126,703.76
2115	105,000	16,401.26	121,401.26
2116	105,000	11,046.26	116,046.26
2117			
2118			
2119			
2120			
TOTALS	\$ 520,000	\$ 108,008.80	\$ 628,008.80

	2000		
	Public Improvements		
	Principal	Interest	Total
	\$ 50,000	\$ 28,875.00	\$ 78,875.00
	50,000	26,125.00	76,125.00
	55,000	23,237.50	78,237.50
	55,000	20,212.50	75,212.50
	60,000	17,050.00	77,050.00
	65,000	13,612.50	78,612.50
	70,000	9,900.00	79,900.00
	70,000	6,050.00	76,050.00
	75,000	2,062.50	77,062.50
TOTALS	\$ 550,000	\$ 147,125.00	\$ 697,125.00

Fiscal Year Ending Dec 31st	2001		
	Public Improvements		
	Principal	Interest	Total
2012	\$ 430,000	\$ 73,026.26	\$ 503,026.26
2013	455,000	53,828.13	508,828.13
2014	475,000	33,187.50	508,187.50
2015	500,000	11,250.00	511,250.00
2016			
2017			
2018			
TOTALS	\$ 1,860,000	\$ 171,291.89	\$ 2,031,291.89

	2004		
	Public Improvements		
	Principal	Interest	Total
	\$ 700,000	\$ 183,593.76	\$ 883,593.76
	725,000	159,546.88	884,546.88
	750,000	134,187.50	884,187.50
	775,000	107,500.00	882,500.00
	800,000	78,937.50	878,937.50
	840,000	48,187.50	888,187.50
	865,000	16,218.75	881,218.75
TOTALS	\$ 5,455,000	\$ 728,171.89	\$ 6,183,171.89

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	2004			2006		
	Public Improvements			Public Improvements		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 109,000	\$ 12,276.00	\$ 121,276.00	\$ 375,000	\$ 160,743.76	\$ 535,743.76
2013	114,000	8,352.00	122,352.00	400,000	146,681.26	546,681.26
2014	118,000	4,248.00	122,248.00	400,000	131,681.26	531,681.26
2015				425,000	115,681.26	540,681.26
2016				450,000	98,681.26	548,681.26
2017				470,000	80,681.26	550,681.26
2018				490,000	61,881.26	551,881.26
2019				500,000	42,281.26	542,281.26
2020				525,000	21,656.26	546,656.26
TOTALS	\$ 341,000	\$ 24,876.00	\$ 365,876.00	\$ 4,035,000	\$ 859,968.84	\$ 4,894,968.84

Fiscal Year Ending Dec 31st	2005			2007		
	EFC Bonds			Public Improvements		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 60,000	\$ 72,876.36	\$ 132,876.36	\$ 785,000	\$ 590,609.38	\$ 1,375,609.38
2013	60,000	70,956.96	130,956.96	820,000	557,506.25	1,377,506.25
2014	60,000	68,947.56	128,947.56	850,000	523,062.50	1,373,062.50
2015	60,000	66,878.16	126,878.16	890,000	487,175.00	1,377,175.00
2016	60,000	64,760.76	124,760.76	925,000	449,740.63	1,374,740.63
2017	65,000	62,589.36	127,589.36	965,000	410,759.38	1,375,759.38
2018	65,000	60,191.50	125,191.50	1,010,000	370,025.00	1,380,025.00
2019	65,000	57,761.16	122,761.16	1,050,000	327,537.50	1,377,537.50
2020	70,000	55,311.30	125,311.30	1,100,000	283,193.75	1,383,193.75
2021	70,000	52,638.00	122,638.00	1,145,000	236,890.63	1,381,890.63
2022	70,000	49,936.70	119,936.70	1,190,000	188,731.25	1,378,731.25
2023	75,000	47,207.40	122,207.40	1,250,000	138,406.25	1,388,406.25
2024	75,000	44,253.16	119,253.16	1,300,000	85,000.00	1,385,000.00
2025	80,000	41,276.40	121,276.40	1,350,000	28,687.50	1,378,687.50
2026	80,000	38,077.20	118,077.20			
2027	85,000	34,862.00	119,862.00			
2028	85,000	31,428.86	116,428.86			
2029	90,000	27,987.20	117,987.20			
2030	90,000	24,325.10	114,325.10			
2031	95,000	20,645.00	115,645.00			
2032	95,000	16,722.46	111,722.46			
2033	100,000	12,799.90	112,799.90			
2034	105,000	8,670.90	113,670.90			
2035	105,000	4,335.46	109,335.46			
TOTALS	\$ 1,865,000	\$ 1,035,438.86	\$ 2,900,438.86	\$ 14,630,000	\$ 4,677,325.00	\$ 19,307,325.00

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	2008			2008 Series B		
	Public Improvements			Public Improvements		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 325,000	\$ 198,368.75	\$ 523,368.75	\$ 90,000	\$ 234,591.25	\$ 324,591.25
2013	340,000	185,368.75	525,368.75	95,000	228,628.75	323,628.75
2014	355,000	171,768.75	526,768.75	100,000	222,335.00	322,335.00
2015	370,000	157,568.75	527,568.75	110,000	215,710.00	325,710.00
2016	380,000	142,768.75	522,768.75	115,000	208,422.50	323,422.50
2017	395,000	127,568.75	522,568.75	120,000	200,803.75	320,803.75
2018	410,000	111,768.75	521,768.75	130,000	192,853.75	322,853.75
2019	430,000	95,368.75	525,368.75	140,000	184,241.25	324,241.25
2020	445,000	78,168.75	523,168.75	150,000	174,966.25	324,966.25
2021	465,000	59,812.50	524,812.50	160,000	165,028.75	325,028.75
2022	485,000	40,631.25	525,631.25	170,000	154,428.75	324,428.75
2023	500,000	20,625.00	520,625.00	180,000	143,166.25	323,166.25
2024				190,000	131,241.25	321,241.25
2025				205,000	118,653.75	323,653.75
2026				220,000	105,072.50	325,072.50
2027				235,000	90,332.50	325,332.50
2028				250,000	74,587.50	324,587.50
2029				265,000	57,712.50	322,712.50
2030				285,000	39,825.00	324,825.00
2031				305,000	20,587.50	325,587.50
TOTALS	\$ 4,900,000	\$ 1,389,787.50	\$ 6,289,787.50	\$ 3,515,000	\$ 2,963,188.75	\$ 6,478,188.75

Fiscal Year Ending Dec 31st	2003A Sinking Fund Bonds Cayuga Street Parking Project			2009 A Public Improvements		
	Principal	Interest	Total	Principal	Interest	Total
	2012	\$ 550,000		\$ 550,000.00	\$ 490,000	\$ 438,887.50
2013	575,000		575,000.00	515,000	418,787.50	933,787.50
2014	605,000		605,000.00	535,000	397,787.50	932,787.50
2015	630,000		630,000.00	560,000	375,887.50	935,887.50
2016	660,000		660,000.00	585,000	352,987.50	937,987.50
2017	690,000		690,000.00	610,000	329,087.50	939,087.50
2018	725,000		725,000.00	635,000	304,187.50	939,187.50
2019	760,000		760,000.00	665,000	278,187.50	943,187.50
2020	790,000		790,000.00	690,000	251,087.50	941,087.50
2021	830,000		830,000.00	720,000	222,887.50	942,887.50
2022	870,000		870,000.00	755,000	193,387.50	948,387.50
2023	910,000		910,000.00	785,000	162,587.50	947,587.50
2024	950,000		950,000.00	820,000	130,487.50	950,487.50
2025	995,000		995,000.00	855,000	96,987.50	951,987.50
2026	1,040,000		1,040,000.00	895,000	60,868.75	955,868.75
2027	1,090,000		1,090,000.00	930,000	20,925.00	950,925.00
2028	1,135,000		1,135,000.00			
2029	1,175,000		1,175,000.00			
2030	1,220,000		1,220,000.00			
TOTALS	\$ 16,200,000		\$ 16,200,000.00	\$ 11,045,000	\$ 4,035,018.75	\$ 15,080,018.75

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	2009 B Public Improvements		
	Principal	Interest	Total
2012	\$ 185,000	\$ 444,781.25	\$ 629,781.25
2013	195,000	435,281.25	630,281.25
2014	205,000	425,281.25	630,281.25
2015	215,000	414,781.25	629,781.25
2016	225,000	403,781.25	628,781.25
2017	235,000	392,281.25	627,281.25
2018	250,000	380,156.25	630,156.25
2019	260,000	367,406.25	627,406.25
2020	275,000	352,656.25	627,656.25
2021	290,000	335,706.25	625,706.25
2022	300,000	318,006.25	618,006.25
2023	315,000	299,556.25	614,556.25
2024	335,000	280,056.25	615,056.25
2025	350,000	259,506.25	609,506.25
2026	365,000	238,056.25	603,056.25
2027	385,000	215,556.25	600,556.25
2028	405,000	191,603.13	596,603.13
2029	425,000	166,184.38	591,184.38
2030	445,000	139,262.50	584,262.50
2031	465,000	110,825.00	575,825.00
2032	485,000	81,137.50	566,137.50
2033	510,000	50,043.75	560,043.75
2034	535,000	17,053.13	552,053.13
TOTALS	\$ 7,655,000	\$ 6,318,959.38	\$ 13,973,959.38

CITY OF ITHACA
TOMPKINS COUNTY, NEW YORK

GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

December 31, 2009

Such Financial Report and opinions were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

CITY OF ITHACA
 TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

Independent Auditor's Report	1-1a
Required Supplementary Information Management's Discussion and Analysis	2-2i
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	3-4
Statement of Activities	5
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds	6-6a
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	7
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	8-8a
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	9
Statement of Fiduciary Net Assets - Fiduciary Fund	10
Notes to Financial Statements	11-44
Required Supplementary Information	
Budgetary Comparison Schedule (Non-GAAP) - General Fund	45
Budgetary Comparison Schedule (Non-GAAP) - Budgeted Major Special Revenue Funds	46-47
Schedule of Funding Progress.....	48
Notes to Required Supplementary Information	49
Supplementary Information	
Combining Balance Sheet - Non-Major Governmental Funds	50-50a
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	51-51a
Reports Required Under Government Auditing Standards	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	52-53
Reports Required Under the Single Audit Act (OMB Circular A-133)	
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	54-55
Schedule of Expenditures of Federal Awards	56
Notes to Schedule of Expenditures of Federal Awards	57
Schedule of Findings and Questioned Costs	58-59

John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
Thomas K. Van Derzee, C.P.A.
Debbie Conley Jordan, C.P.A.
Patrick S. Jordan, C.P.A.
Duane R. Shoen, C.P.A.
Lesley L. Horner, C.P.A.
D. Leslie Spurgin, C.P.A.



**Ciaschi • Dietershagen • Little • Mickelson
& Company, LLP**

Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Common Council
City of Ithaca
Ithaca, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Ithaca (the City), as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Ithaca's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

During 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of December 31, 2008, in accordance with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Ithaca, as of December 31, 2009, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 5, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

- 1 -

CORTLAND

39 Church Street
Cortland, New York 13045
607-753-7439
fax 607-753-7874

ITHACA

401 East State Street ~ Suite 500
Ithaca, New York 14850
607-272-4444
fax 607-273-8372
www.cdlim.com

WATKINS GLEN

108 West Fourth Street
Watkins Glen, New York 14891
607-535-4443
fax 607-535-6220

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 2 through 2i and 45 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual non-major fund financial statements and the Schedule of Expenditures of Federal Awards 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.

Cinchi, Distulyn, Little, Muckler & Co., LLP

July 5, 2011
Ithaca, New York

CITY OF ITHACA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Our discussion and analysis of the City of Ithaca's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2009. Please read it in conjunction with the City's financial statements, which begin on page 3.

FINANCIAL HIGHLIGHTS

- Assets of the City exceeded liabilities at the close of the most recent fiscal year by \$72,009,593 (net assets). Of this amount, \$13,267,356 is unrestricted. Management has designated certain amounts of net assets for particular purposes. See Note 3.E for management's designation of unrestricted net assets.
- During the year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 45, which requires the reporting of the liability for other postemployment health benefits. Because the City did not report this liability in 2008 as required, beginning net assets have been restated and reduced by \$13,865,323. This liability is expected to grow each year as there is no legal mechanism in New York State to fund it.
- The City's expenses were \$14,744,725 greater than the \$59,957,494 generated in tax and other revenues for all governmental program activities. Expense associated with the implementation of GASB Statement No. 45 for the year ending December 31, 2009 was \$14,275,896, bringing the liability to \$28,141,219 at year-end.
- The City invested \$9,450,994 in capital assets during the year, largely for improvements in its transportation system.
- The General Fund recorded an operating decrease of \$(497,711) in 2009 and had a fund balance of \$8,805,714 at year-end.

USING THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Assets and Statement of Activities (pages 3 through 5) provide information about the City as a whole and present a longer-term view of the City's finances. Governmental Fund financial statements start on page 6. These statements, for Governmental Activities, tell how services were financed in the short term, as well as what remains for future spending. Governmental Fund financial statements also report the City's operations in more detail than the Government-wide financial statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government. Following these statements are notes that provide additional information essential to a full understanding of the data provided in the financial statements.

In addition to basic financial statements, the annual report contains other information in the form of budgetary comparison schedules for the General Fund and Budgeted Major Special Revenue Funds, as well as combining statements for funds that are not considered Major Funds and, therefore, are not presented individually in the basic financial statements.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 3, with the Government-wide financial statements. The Statement of Net Assets and Statement of Activities report information about the City and about its activities in a way that helps answer the question of whether the City, as a whole, is better or worse off as a result of the year's activities. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of current year revenues and expenses are taken into account regardless of when the cash is received or paid.

CITY OF ITHACA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

These two statements report the City's net assets and changes in them. One can think of the City's net assets, the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other nonfinancial factors however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

In the Statement of Net Assets and Statement of Activities, all of the City's activities which are governmental in nature are reported in one column including general governmental support, public safety, transportation, economic assistance and opportunity, culture and recreation, home and community services and interest on long-term debt. Property and sales taxes, and state and federal grants finance most of these activities.

Reporting the City's Most Significant Funds

Governmental Fund Financial Statements

Analysis of the City's Major Funds begins on page 6. The Governmental Fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes and grants.

Governmental Funds: All of the City's services are reported in the Governmental Funds, which focus on how money flows in and out of those funds, and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting* which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund financial statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. The relationship (or differences) between Governmental Activities (reported in the Government-wide financial statements) and Governmental Funds is explained in a reconciliation following the Governmental Fund financial statements.

The City as Trustee: The City is the trustee, or fiduciary, for other assets held on behalf of others. All of the City's Fiduciary Activities are reported in a separate Statement of Fiduciary Net Assets - Fiduciary Fund on page 10. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring the assets reported in this fund are used for their intended purposes.

THE CITY AS A WHOLE

A portion of the City's net assets (64 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided by other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF ITHACA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

An additional portion of the City's net assets (18 percent) represents resources subject to external restrictions on how they may be used and are reported as restricted net assets. The remaining category of total net assets is unrestricted net assets, totaling \$13,267,356. Included in unrestricted net assets is the City's equity interest in two joint ventures of \$18,067,520. The remaining portion of unrestricted net assets may be used to meet the City's ongoing obligations and services to creditors and citizens.

Our analysis below focuses on the net assets (Figure 1) and changes in net assets (Figure 2) of the City's Governmental Activities.

Figure 1
Net Assets

	Governmental Activities and Total Government		Dollar Change	Percent Change
	Restated 2008	2009	2008 - 2009	2008 - 2009
<i>Current assets</i>	\$ 41,733,154	\$ 38,946,434	\$ (2,786,720)	(7)%
<i>Noncurrent assets</i>	28,674,347	29,762,144	1,087,797	4%
<i>Capital assets, net</i>	112,989,984	115,432,743	2,442,759	2%
Total assets	183,397,485	184,141,321	743,836	.4%
<i>Current liabilities</i>	34,794,923	35,895,957	1,101,034	3%
<i>Noncurrent liabilities</i>	61,848,244	76,235,771	14,387,527	23%
Total liabilities	96,643,167	112,131,728	15,488,561	16%
<i>Invested in capital assets, net of debt</i>	50,348,469	45,998,928	(4,349,541)	(9)%
<i>Restricted</i>	9,196,535	12,743,309	3,546,774	39%
<i>Unrestricted</i>	27,209,314	13,267,356	(13,941,958)	(51)%
Total net assets	\$ 86,754,318	\$ 72,009,593	\$ (14,744,725)	(17)%

Current assets consist largely of \$30,150,744 in unrestricted cash and investments, \$910,882 of cash and investments restricted mostly for capital projects, and receivables of \$6,762,160. Noncurrent assets consist of cash restricted for future noncurrent expenses of \$6,197,441 the long-term portion of loans receivable of \$5,497,183 and the City's equity interest in joint ventures of \$18,067,520. The decrease in current assets is due to the result of current operations as well as the timing of receivables and payables. Capital assets, net of accumulated depreciation, increased as a result of the City's investment in infrastructure.

Included in current liabilities are Bond Anticipation Notes (BANs) payable of \$26,735,501, the current portion of long-term liabilities of \$3,817,598 and various payables of \$5,342,858. Noncurrent liabilities consist of bonds payable of \$41,591,664, compensated absences of \$2,509,400, other postemployment benefits payable of \$28,141,219 and lease obligations of \$3,993,488. The increase in current liabilities is primarily due to an increase in BANs to fund capital projects. Noncurrent liabilities increased as a result of the increase in the liability for other postemployment benefits of \$14,275,896 and newly issued long-term debt offset by the scheduled payment of debt.

The amount invested in capital assets, net of related debt decreased overall due to the change in capital assets offset by an increase in the amount of debt incurred to fund capital projects. Restricted net assets consist of \$3,315,830 for debt service and \$9,427,479 for home and community service programs as of December 31, 2009.

CITY OF ITHACA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Figure 2 demonstrates the operations of the City's activities.

Figure 2
Changes in Net Assets

Changes in Net Assets	Governmental Activities and Total Government		Dollar Change 2008 - 2009	Percent Change 2008 - 2009
	2008	2009		
REVENUES				
<i>Program Revenues:</i>				
Charges for services	\$ 16,344,559	\$ 16,973,968	\$ 629,409	4%
Operating grants	3,463,373	4,393,485	930,112	27%
Capital grants	1,757,007	3,241,081	1,484,074	84%
<i>General Revenues:</i>				
Property taxes and tax items	17,453,120	18,212,341	759,221	4%
Nonproperty taxes	12,707,396	12,052,517	(654,879)	(5)%
State sources	3,444,964	3,163,582	(281,382)	(8)%
Use of money and property	1,065,885	462,307	(603,578)	(57)%
Change in equity interest in joint venture	(997,192)	406,994	1,404,186	141%
Other	790,873	1,051,219	260,346	33%
Total Revenues	56,029,985	59,957,494	3,927,509	7%
PROGRAM EXPENSES				
General government	6,024,939	7,732,201	1,707,262	28%
Public safety	20,770,637	29,200,222	8,429,585	41%
Transportation	9,193,948	10,303,329	1,109,381	12%
Economic assistance and opportunity	61,000	61,000	-0-	0%
Culture and recreation	7,130,148	9,979,919	2,849,771	40%
Home and community services	10,116,253	14,710,112	4,593,859	45%
Interest on long-term debt	3,063,336	2,715,436	(347,900)	(11)%
Total Expenses	56,360,261	74,702,219	18,341,958	33%
Excess Before Contributions to Permanent Funds	(330,276)	(14,744,725)	(14,414,449)	4,364%
Contributions to permanent funds	-0-	-0-	-0-	0%
(DECREASE) IN NET ASSETS	\$ (330,276)	\$ (14,744,725)	\$ (14,414,449)	4,364%

Governmental Activities

While revenue was 7 percent higher in 2009, the net assets of the City's activities decreased significantly due to the implementation of GASB Statement No. 45. Property tax and tax items increased 4 percent in 2009 reflecting an increase in the tax levy of 7 percent. Nonproperty taxes were down 5 percent in 2009 as compared to 2008. A majority of the decrease relates to a sales tax revenue decrease of \$685,000 during 2009. The weak economy had negative impacts on the sales tax revenue collections. Local city development slowed considerably in 2009. Lower interest rates, and cash and investment balances resulted in lower interest earnings. The change in the City's equity interest in joint ventures is dependent on those entity's yearly operating results. See Note 4 for more information about the City's joint ventures.

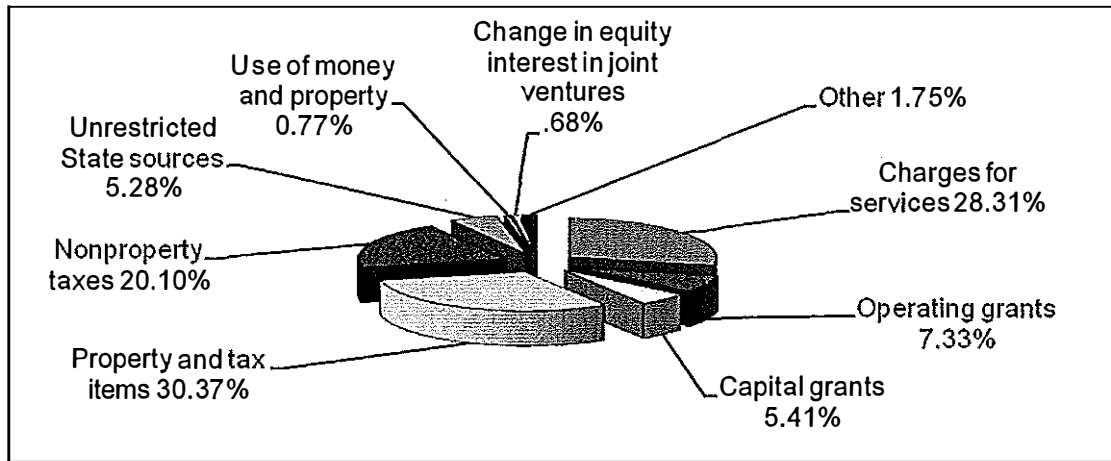
State aid general revenue decreased by \$281,382 in 2009. This is related to the overall budgeted decreases from New York State.

CITY OF ITHACA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2009

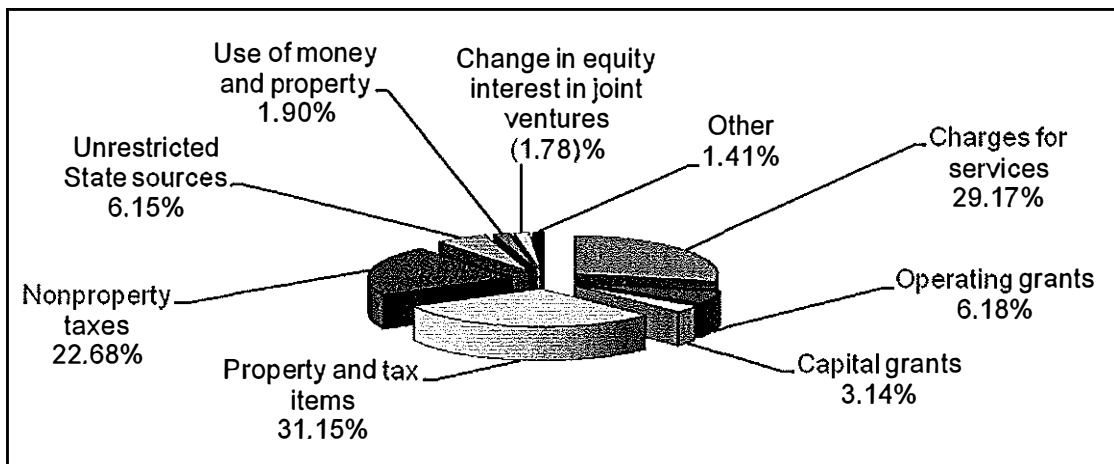
Operating grants increased by 27 percent. Operating and capital grants fluctuate from year to year depending on the types of grants the City has applied for and received. Capital grants were up \$1,484,074, primarily related to the timing of State and Federal funds received for Bridge Projects in the City.

Expenses increased considerably as noted previously due to the implementation of GASB Statement No. 45. Because the increase in liability for other postemployment benefits is allocated to functional areas, this increase affects virtually all City functions, except for interest on debt. Interest on debt decreased as a result of the timing of payments and accruals.

Figure 3
Revenue by Source
2009



Revenue by Source
2008

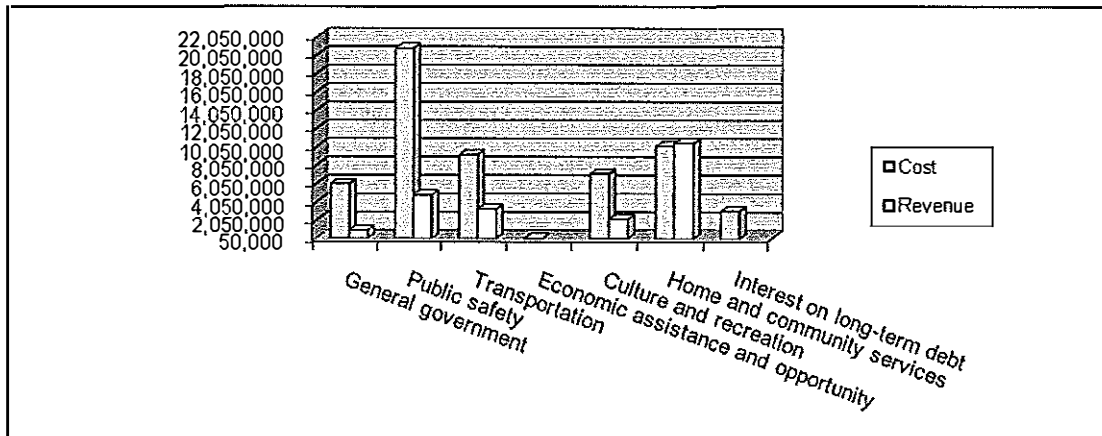


**CITY OF ITHACA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009**

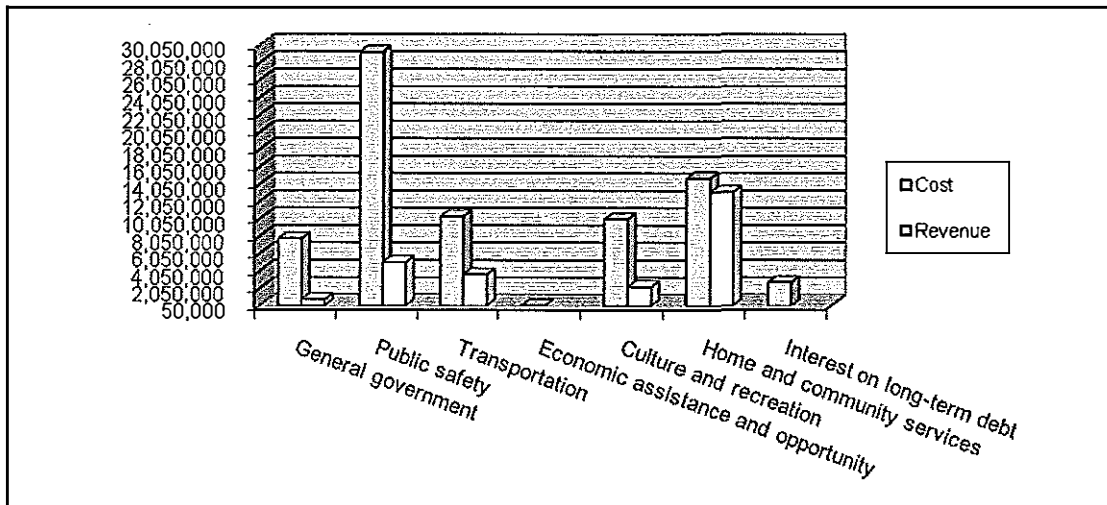
The cost of all Governmental Activities in 2009 in the Statement of Activities was \$74,702,219. However, as shown in the Statement of Activities the amount ultimately financed for these activities through City property and payments in lieu of taxes was \$50,093,685, because some of the cost was paid by those who directly benefited from the programs \$(16,973,968) or by other governments and organizations that subsidized certain programs with grants and contributions \$(7,634,566). Overall, City governmental program revenues, including fees for services and grants, were \$24,608,534. The City paid for the remaining "public benefit" portion of Governmental Activities with \$35,348,960 in taxes and other revenues, such as interest and general entitlements.

Total cost and revenue comparison of the Governmental Activities for each of the City's largest programs is presented below. Note that the City's home and community service activities which provide water and sewer services include debt service costs in their fee structures. Because debt service costs are not expenses of this function, excess revenue generated by these activities is used to make debt principal and interest payments.

**Figure 4
Program Cost and Revenue Comparison
Governmental Activities
2009**



2008



CITY OF ITHACA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

THE CITY'S FUNDS

As the City completed the year, its Governmental Funds, as presented in the balance sheets on pages 6-6a, reported a combined fund balance of \$13,617,784, which is below last year's total of \$19,335,446. The General Fund showed a 5% decrease. The decrease in the General Fund was a budgeted use of fund balance to offset increasing operating costs. Water and Sewer Funds reported an 8% and 2% decrease, respectively, due to budgeted reductions in fund balances to offset increasing operating costs and decreasing consumption. In addition, lower than anticipated revenues related to water and sewer sales occurred. This occurrence was related to a meter replacement project that was causing inaccurate meter readings and bad data. The change in the Special Grant Fund is due to the timing of grants.

Most of the overall decrease was due to issuance of short-term debt in the Capital Fund to finance capital projects. The deficit fund balance in the Capital Projects Fund will be eliminated when short-term debt is refinanced.

Figure 5 shows changes in fund balance for the year for the City's funds.

Figure 5
Governmental Funds
Fund Balance at Year Ending

Governmental Fund Balances			Dollar	Percent
	2008	2009	Change	Change
			2008 - 2009	2008 - 2009
<i>General Fund</i>	\$ 9,303,425	\$ 8,805,714	\$ (497,711)	(5)%
<i>Water Fund</i>	6,131,734	5,613,027	(518,707)	(8)%
<i>Sewer Fund</i>	3,630,059	3,541,087	(88,972)	(2)%
<i>Special Grant Fund</i>	2,089,195	1,866,269	(222,926)	(11)%
<i>Capital Projects Fund</i>	(5,289,752)	(9,718,688)	(4,428,936)	84%
<i>Non-Major Funds:</i>				
<i>Refuse and Garbage Fund</i>	(16,842)	(20,171)	(3,329)	20%
<i>Debt Service Fund</i>	3,273,663	3,315,830	42,167	1%
<i>Permanent Fund</i>	37,641	37,864	223	1%
<i>Urban Renewal Fund</i>	125,000	125,000	-0-	0%
<i>Misc. Special Revenue Fund</i>	51,323	51,852	529	1%
Totals	\$ 19,335,446	\$ 13,617,784	\$ (5,717,662)	(30)%

General Fund Budgetary Highlights

Over the course of the year, the City Council as well as the management of the City revised the City budget several times. These budget amendments consist of transfers between functions, encumbrances from the prior fiscal year and acceptance of grant awards.

Resources available for appropriation were below the final budgeted amount by \$831,341. The actual charges to appropriations (expenditures) were below the final budget amounts by \$845,435.

CITY OF ITHACA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2009, the City had \$115,432,743, net of accumulated depreciation of \$82,722,036, invested in a broad range of capital assets, including buildings, machinery and equipment, roads and bridges. This amount represents a net increase (including additions of \$9,450,994, depreciation expense of \$6,998,578, and a loss on disposal of \$(9,657)) of 2 percent or \$2,442,759 over 2008.

*Figure 6
Capital Assets, Net of Depreciation*

	<i>Governmental Activities and Total Government</i>		<i>Dollar Change</i>	<i>Percent Change</i>
	<i>2008</i>	<i>2009</i>	<i>2008 - 2009</i>	<i>2008 - 2009</i>
<i>Land</i>	\$ 13,495,193	\$ 13,604,491	\$ 109,298	1%
<i>Buildings and improvements</i>	25,950,688	26,926,034	975,346	4%
<i>Equipment</i>	6,764,900	7,335,225	570,325	8%
<i>Infrastructure</i>	66,779,203	67,566,993	787,790	1%
<i>Totals</i>	\$ 112,989,984	\$ 115,432,743	\$ 2,442,759	2%

Debt Administration

Debt (Bonds, RANs, and BANs payable), considered a liability of Governmental Activities, increased overall by \$222,773 and lease obligations payable increased to finance a new energy performance contract by \$2,052,723. Accrued compensated absences increased by \$494,683, while the liability for other postemployment benefits increased \$14,275,896, bringing total debt and long-term liabilities to \$106,788,870 as of December 31, 2009, as shown in Figure 7. Of the amount of bonds and BANs outstanding, \$63,451,480 is subject to the constitutional debt limit and represented 69.0 percent of the City's statutory debt limit. The City's bond rating was assigned an A1 by Moody's. More detailed information about the City's liabilities is presented in Notes 3-B-2 and 3 to the financial statements.

*Figure 7
Outstanding Debt and Long-term Liabilities at Year Ending*

	<i>Governmental Activities and Total Government</i>		<i>Dollar Change</i>	<i>Percent Change</i>
	<i>Restated 2008</i>	<i>2009</i>	<i>2008 - 2009</i>	<i>2008 - 2009</i>
<i>BANs</i>	\$ 24,000,074	\$ 26,735,501	\$ 2,735,427	11%
<i>Serial Bonds</i>	47,513,449	45,000,795	(2,512,654)	(5)%
<i>Compensated absences</i>	2,134,639	2,629,322	494,683	23%
<i>Other postemployment benefits payable</i>	13,865,323	28,141,219	14,275,896	103%
<i>Lease obligation payable</i>	2,229,310	4,282,033	2,052,723	92%
<i>Totals</i>	\$ 89,742,795	\$ 106,788,870	\$ 17,046,075	19%

CITY OF ITHACA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City considered many factors when developing and adopting a budget for the fiscal year ending December 31, 2010. Two factors were State and local economies. Unemployment in Tompkins County continues to be the lowest rate in the State. However, economic concerns are expected to be prevalent for the next 2-3 years. In addition, New York State retirement costs are on the rise, with increases near 47 percent; the City was faced with a 3 percent increase in health insurance premiums; taxable City assessments increased by almost 3.6 percent; State revenue aid is expected to drop by 6 percent; City tax exempt property continues to be high at 62 percent. Lastly, the City's sixth payment of financial activities for the Cayuga Parking Garage of \$1.2 million was budgeted in 2010.

The following is a summary of currently known facts, decisions, or conditions expected to have a significant effect on the City's financial position:

Sales Tax: Commercial development in the City, particularly in the Southwest Area, will slow down in 2010. As a result, the 2010 projected sales tax revenue has been decreased by 4.9 percent, as compared to the 2009 budget. The increase, as it relates from the 2010 budget to actual 2009 activity, will be closer to a 2.9 percent increase. Until we have a solid revenue collection history and new stores stop coming on line, it will be difficult to pinpoint this budget amount. Sales tax collection in the future remains uncertain due to continued weak economic conditions.

Taxable Assessments: Taxable assessments for the City continue to be a positive area. The 2010 taxable assessments will increase by 3.57 percent. Commercial growth in assessments is slightly ahead of residential growth.

Building Permits: Due to the lack of large Cornell University projects planned for 2010, building permit fee revenue is anticipated to decrease by \$130,000. Building permit revenue is projected at \$250,000 in 2010. For comparison, in 2007 the City collected \$1,500,000 in building permit revenue.

Cornell University Contribution: The City and Cornell University signed an amended memorandum of understanding in November 2003. After several years of decreasing contributions, Cornell University contributions will now increase by the Consumer Price Index (CPI). The CPI is estimated to be approximately -0- percent for 2010. The total 2010 contribution from Cornell University will be \$1,173,770. Future annual contributions will be adjusted by the CPI.

Employee Pension Rates: The State has informed the City that 2010 pension costs will be \$2,737,022. The City has budgeted fully and not bonded any of this cost. Pension rates are expected to remain high for the next several years. Overall, the City expects staffing levels to remain fairly constant, and labor costs to increase depending on applicable union agreements.

Health Insurance Costs: Health insurance costs continue to increase. The estimated premium cost for health insurance is expected to increase by slightly over 3 percent in 2010. However, this will be partially offset by employee contributions. The 2010 budgeted health insurance costs will approach \$7.3 million. The continued hope is that costs will begin to level off with assistance from employee contributions and cost control measures. The City is looking at participating in a County Wide Health Insurance Consortium, with hopes of stabilizing costs moving forward.

**CITY OF ITHACA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009**

Debt Service Costs: The debt load for the City continues to climb. The City needed to bond for highway, water, and sewer improvements in the Southwest Area. These large scale infrastructure improvements, approximately \$10 million, will have a significant impact on the City budget for the next ten years. In addition, a \$13.2 million rebuild of the Green Street Parking Garage was issued as debt in 2006 and 2009. Lastly, many of the City's facilities are in need of significant updates and renovations as we go forward. A concentrated effort has begun to reduce the debt load for the City. However, with many infrastructure improvements necessary in the City, reducing debt will be a challenge.

Cayuga Parking Garage: Under a complicated agreement, the City is obligated to pay the deficit of operations related to the Cayuga Parking Garage. The total coverage cost was \$19 million. The 2010 payment will be \$1.2 million. This payment is expected to slowly decrease as we move forward.

Tax Exempt Property: The City has an exceptionally high tax exempt property rate, primarily related to Cornell University. Since 1991, the tax exempt property rate in the City has been between 56 percent and 72 percent; for 2009 the percentage of tax exempt property inside the City was 61.33 percent. As a result of the high rate, the remaining tax base must pick up a majority of the overall City operating costs. The City continues to discuss this problem with both Cornell University and New York State to find some mitigation to the problem.

State Revenue Aid: New York State cut the City's state general revenue aid in the early 1990's by over \$1 million. Since that time the City has struggled to recover financially. In addition, aid payments to the City remained fairly constant until 2005 when general revenue aid started increasing. Although the State promised increase aid to municipalities for several more years, the State's current weak financial position has made it impossible for the State to keep its promise. State aid began decreasing in 2009 and is expected to remain flat or decrease over the next several years. In 2010, State general revenue aid will be \$2,664,000. After considering inflation, 2009 State general revenue aid is at 1991 levels.

The above items were all taken into account when adopting the General Fund Budget for the fiscal year ending December 31, 2010.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about the report or need any additional financial information, contact Steven P. Thayer, City Controller, First Floor, City Hall, 108 East Green Street, Ithaca, New York 14850.

CITY OF ITHACA
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

		<u>Governmental Activities</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$	30,150,744
Restricted cash and cash equivalents		910,882
Investments		
Restricted investments		
Taxes receivable, net		799,740
Due from state and federal governments		1,797,217
Due from other governments		1,422,004
Other receivables, net		2,433,199
Loans receivable, short-term portion		310,000
Inventories		565,451
Prepaid expenses		557,197
Total Current Assets		<u>38,946,434</u>
Noncurrent Assets:		
Restricted cash and cash equivalents		6,197,441
Loans receivable, long-term portion		5,497,183
Equity interest in joint ventures		18,067,520
Capital Assets:		
Land and construction in progress		13,604,491
Depreciable capital assets, net		101,828,252
Total Noncurrent Assets		<u>145,194,887</u>
Total Assets		<u>184,141,321</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable		1,939,203
Accrued liabilities		6,053
Due to other governments		521,904
Bond Anticipation Notes payable		26,735,501
Deferred revenue		587,450
Accrued interest payable		1,681,865
Other		606,383
Current Portion of Long-term Liabilities:		
Bonds payable		3,409,131
Lease obligations payable		288,545
Compensated absences		119,922
Total Current Liabilities		<u>35,895,957</u>
Long-term Liabilities:		
Bonds payable		41,591,664
Lease obligations payable		3,993,488
Other postemployment benefits payable		28,141,219
Compensated absences		2,509,400
Total Long-term Liabilities		<u>76,235,771</u>
Total Liabilities		<u>112,131,728</u>

See Independent Auditor's Report and Notes to Financial Statements

CITY OF ITHACA
STATEMENT OF NET ASSETS
(CONTINUED)
DECEMBER 31, 2009

	Governmental Activities
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	\$ <u>45,998,928</u>
Restricted, expendable, for home and community services	<u>9,351,974</u>
Restricted, expendable, for debt	<u>3,315,830</u>
Restricted, nonexpendable, for home and community services	<u>75,505</u>
Unrestricted	<u>13,267,356</u>
Total Net Assets	\$ <u><u>72,009,593</u></u>

See Independent Auditor's Report and Notes to Financial Statements

CITY OF ITHACA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
				<u>Governmental Activities</u>
Governmental Activities:				
General governmental support	\$ 7,732,201	\$ 149,809	\$ 568,491	\$ (7,013,901)
Public safety	<u>29,200,222</u>	<u>4,219,064</u>	<u>794,286</u>	<u>(24,186,872)</u>
Transportation	<u>10,303,329</u>	<u>2,224,639</u>	<u> </u>	<u>(6,693,641)</u>
Economic assistance and opportunity	<u>61,000</u>	<u> </u>	<u> </u>	<u>(61,000)</u>
Culture and recreation	<u>9,979,919</u>	<u>1,691,205</u>	<u>493,303</u>	<u>(7,795,411)</u>
Home and community services	<u>14,710,112</u>	<u>8,689,251</u>	<u>2,537,405</u>	<u>(1,627,424)</u>
Interest on long-term debt	<u>2,715,436</u>	<u> </u>	<u> </u>	<u>(2,715,436)</u>
Total Governmental Activities	<u>\$ 74,702,219</u>	<u>\$ 16,973,968</u>	<u>\$ 4,393,485</u>	<u>\$ 3,241,081</u>
				<u>(50,093,685)</u>
<u>GENERAL REVENUES</u>				
				<u>17,678,622</u>
Real property taxes				<u>533,719</u>
Real property tax items				<u>12,052,517</u>
Nonproperty tax items				<u>462,307</u>
Use of money and property				<u>86,136</u>
Sale of property and compensation for loss				<u>965,083</u>
Miscellaneous local sources				<u>3,163,582</u>
State sources				<u>406,994</u>
Change in equity interest in joint ventures				<u> </u>
Total General Revenues and Contributions				<u>35,348,960</u>
Change in Net Assets				<u>(14,744,725)</u>
Net Assets - Beginning, as Restated				<u>86,754,318</u>
Net Assets - Ending				<u>\$ 72,009,593</u>

See Independent Auditor's Report and Notes to Financial Statements

CITY OF ITHACA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	Major Funds			
	General Fund	Special Revenue Funds		
		Water Fund	Sewer Fund	Special Grant Fund
<u>ASSETS</u>				
Assets:				
Cash and cash equivalent - Unrestricted	\$ 5,897,038	\$ 1,126,297	\$ 309,702	\$ 2,853,459
Taxes receivable, net	799,740			
Due from other funds	747,755	39,612	55,028	
Due from state and federal governments	1,055,784			154,499
Due from other governments	1,322,539		99,465	
Other receivables, net	427,763	545,631	1,016,037	17,094
Inventory	132,054	355,138	78,259	
Prepaid expenses	466,721	28,393	52,548	
Restricted cash and cash equivalents	833,858	3,754,953	2,417,904	
Loans receivable, net				5,807,183
Total Assets	\$ 11,683,252	\$ 5,850,024	\$ 4,028,943	\$ 8,832,235
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 996,418	\$ 42,535	\$ 65,104	\$ 223,676
Accrued liabilities				6,053
Due to other funds	63,451	140,719	409,801	
Due to other governments	234,099		12,000	
Bond Anticipation Notes payable				930,000
Compensated absences	119,922			
Other liabilities	454,420	53,743	951	
Deferred revenues	1,009,228			5,806,237
Total Liabilities	2,877,538	236,997	487,856	6,965,966
Fund Balances:				
Fund Balances - Reserved:				
Encumbrances	406,227	21,581	2,565	
Debt				
Capital	833,858	3,754,953	2,417,904	
Inventory	132,054	355,138	78,259	
Insurance	2,007,341	52,437	42,186	
Workers' compensation	100,000			
Miscellaneous				
Total Reserved	3,479,480	4,184,109	2,540,914	-0-
Fund Balances - Unreserved, Reported in:				
General Fund:				
Designated - Ensuing year's budget	950,000			
Unappropriated	4,376,234			
Special Revenue Funds:				
Appropriated		371,270		
Unappropriated		1,057,648	1,000,173	1,866,269
Permanent Fund - Appropriated				
Capital Projects Fund				
Total Fund Balances	8,805,714	5,613,027	3,541,087	1,866,269
Total Liabilities and Fund Balances	\$ 11,683,252	\$ 5,850,024	\$ 4,028,943	\$ 8,832,235

See Independent Auditor's Report and Notes to Financial Statements

Major Funds Capital Projects Fund	Total Non-Major Governmental Funds	Total Governmental Funds
\$ 19,197,069	\$ 767,179	\$ 30,150,744
		799,740
296,620	3,084,807	4,223,822
586,934		1,797,217
		1,422,004
	426,674	2,433,199
		565,451
	9,535	557,197
77,024	24,584	7,108,323
		5,807,183
\$ 20,157,647	\$ 4,312,779	\$ 54,864,880
\$ 588,247	\$ 23,223	\$ 1,939,203
		6,053
3,485,131	124,720	4,223,822
	275,805	521,904
25,705,436		26,635,436
		119,922
97,521	(252)	606,383
	378,908	7,194,373
29,876,335	802,404	41,247,096
	10,000	440,373
	3,315,830	3,315,830
		7,006,715
		565,451
		2,101,964
		100,000
	37,864	37,864
-0-	3,363,694	13,568,197
		950,000
		4,376,234
		371,270
	94,829	4,018,919
	51,852	51,852
(9,718,688)		(9,718,688)
(9,718,688)	3,510,375	13,617,784
\$ 20,157,647	\$ 4,312,779	\$ 54,864,880

CITY OF ITHACA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2009

Total Governmental Fund Balances \$ 13,617,784

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Capital assets	\$ 198,154,779	
Accumulated depreciation	<u>(82,722,036)</u>	115,432,743

Equity interests in joint ventures are not reported in the fund financial statements because they do not represent current resources. These are the investments in the City's joint ventures. 18,067,520

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 6,606,923

Certain accrued expenses reported in the Statement of Net Assets do not require the use of current financial resources and, therefore, are not reported as liabilities in Governmental Funds.

Accrued interest payable	\$ (1,681,865)	
Premium on BANs	(100,065)	
Other postemployment benefits payable	(28,141,219)	
Compensated absences	<u>(2,509,400)</u>	(32,432,549)

Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. (45,000,795)

Lease obligations payable are not due and payable in the current period and, therefore, are not reported in the funds. (4,282,033)

Net Assets of Governmental Activities \$ 72,009,593

See Independent Auditor's Report and Notes to Financial Statements

CITY OF ITHACA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Major Funds			
	General Fund	Special Revenue Funds		
		Water Fund	Sewer Fund	Special Grant Fund
<u>REVENUES</u>				
Real property taxes	\$ 17,487,547	\$	\$	\$
Real property tax items	533,719			
Nonproperty tax items	12,052,517			
Departmental income	3,373,141	2,751,373	4,742,107	
Intergovernmental charges	4,054,865	224	249,487	
Use of money and property	394,486	46,537	3,920	13,900
Licenses and permits	404,584			
Fines and forfeitures	909,157			
Sale of property and compensation for loss	117,788	10,984	9,014	
Miscellaneous local sources	1,302,784			698,305
Interfund revenues	278,609			
State sources	3,444,596			
Federal sources	431,137	30,021		2,507,384
Total Revenues	<u>44,784,930</u>	<u>2,839,139</u>	<u>5,004,528</u>	<u>3,219,589</u>
<u>EXPENDITURES</u>				
Current:				
General governmental support	4,299,275	96,968	120,789	
Public safety	14,382,614			
Transportation	5,244,767			
Economic assistance and opportunity	61,000			
Culture and recreation	5,002,839			
Home and community services	902,410	1,932,141	3,029,071	3,472,515
Employee benefits	10,487,105	535,255	912,701	
Debt Service:				
Principal	3,928,309	276,699	436,200	
Interest	2,369,038	209,173	303,038	
Capital outlay				
Total Expenditures	<u>46,677,357</u>	<u>3,050,236</u>	<u>4,801,799</u>	<u>3,472,515</u>
Excess of (Expenditures) Revenues	<u>(1,892,427)</u>	<u>(211,097)</u>	<u>202,729</u>	<u>(252,926)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Interfund transfers in	1,647,997	25,000	90,000	
Interfund transfers (out)	(253,281)	(332,610)	(381,701)	
Premiums on obligations				
BANs redeemed from appropriations				30,000
Proceeds on obligations				
Total Other Financing Sources (Uses)	<u>1,394,716</u>	<u>(307,610)</u>	<u>(291,701)</u>	<u>30,000</u>
Net Changes in Fund Balances	<u>(497,711)</u>	<u>(518,707)</u>	<u>(88,972)</u>	<u>(222,926)</u>
Fund Balances, Beginning	9,303,425	6,131,734	3,630,059	2,089,195
Fund Balances, Ending	<u>\$ 8,805,714</u>	<u>\$ 5,613,027</u>	<u>\$ 3,541,087</u>	<u>\$ 1,866,269</u>

See Independent Auditor's Report and Notes to Financial Statements

<u>Major Funds</u>	<u>Total</u>	<u>Total</u>
<u>Capital Projects</u>	<u>Non-Major</u>	<u>Governmental</u>
<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Funds</u>	<u>Funds</u>
\$	\$	\$
		17,487,547
		533,719
		12,052,517
	472,157	11,338,778
		4,304,576
	3,464	462,307
		404,584
		909,157
	2,700	140,486
177,100		2,178,189
		278,609
1,893,560		5,338,156
1,236,621		4,205,163
3,307,281	478,321	59,633,788
		4,517,032
		14,382,614
		5,244,767
		61,000
		5,002,839
	421,258	9,757,395
	142,053	12,077,114
	6,505	4,647,713
	65,261	2,946,510
11,002,313		11,002,313
11,002,313	635,077	69,639,297
(7,695,032)	(156,756)	(10,005,509)
162,000	96,281	2,021,278
(1,053,686)		(2,021,278)
	100,065	100,065
719,487		749,487
3,438,295		3,438,295
3,266,096	196,346	4,287,847
(4,428,936)	39,590	(5,717,662)
(5,289,752)	3,470,785	19,335,446
\$ (9,718,688)	\$ 3,510,375	\$ 13,617,784

CITY OF ITHACA
 RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Net Change in Fund Balances - Total Governmental Funds \$ (5,717,662)

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

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period. In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the sale of capital assets increase financial resources. The net effect is a loss on sale of capital assets on the Government-wide Statement of Activities vs. proceeds from the sale of capital assets on the Governmental Fund financial statements.

Capital outlay	\$	9,450,994	
Depreciation expense		(6,998,578)	
Net book value of disposed assets		<u>(9,657)</u>	2,442,759

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 2,302,823

Equity interests in joint ventures are not reported in the fund financial statements because they do not represent current resources. This is the change in the investments in the City's joint ventures. 406,994

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which the issuance of new debt and BANs redeemed exceeded repayment of debt principal.

Proceeds of debt	\$	(3,438,295)	
BANs redeemed		(749,487)	
Principal payments		<u>4,647,713</u>	459,931

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds.

Change in accrued interest payable	\$	170,598	
Change in compensated absences		(494,683)	
Change in other postemployment benefits payable		(14,275,896)	
Amortization of premium on Bond Anticipation Notes		<u>(39,589)</u>	<u>(14,639,570)</u>
Change in Net Assets of Governmental Activities			<u>\$ (14,744,725)</u>

See Independent Auditor's Report and Notes to Financial Statements

CITY OF ITHACA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2009

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents - Unrestricted	\$ <u>663,183</u>
Total Assets	\$ <u><u>663,183</u></u>
<u>LIABILITIES</u>	
Agency liabilities	\$ <u>663,183</u>
Total Liabilities	\$ <u><u>663,183</u></u>

See Independent Auditor's Report and Notes to Financial Statements

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

Note 1 - Summary of Significant Accounting Policies

The financial statements of the City of Ithaca (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Financial Reporting Entity

The City, which was established in 1888, is governed by its Charter, General City Law and other general laws of the State of New York and various local laws. The Common Council is the legislative body responsible for overall operations; the Mayor serves as chief executive officer, and the Controller serves as the chief fiscal officer.

The following basic services are provided: public safety (police and fire), highways and streets, sanitation, health, culture and recreation, public improvements, planning and zoning, and general administration.

All Governmental Activities and functions performed for the City are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of the following, as defined by GASB Statement Number 14, "The Financial Reporting Entity," as amended by GASB Statement Number 39, "Determining Whether Certain Organizations are Component Units."

- a. The primary government, which is the City,
- b. Organizations for which the primary government is financially accountable, and;
- c. Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The decision to include a potential component unit in the City's reporting entity is based on several criteria set forth in GASB Statement Number 14, as amended by GASB Statement Number 39, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following has been included in the City's reporting entity.

1. Joint Ventures

a. Ithaca Area Waste Water Treatment Facility

In 1981 the City, Town of Ithaca and Town of Dryden executed an agreement whereby the parties agreed to jointly own and operate a sewage treatment plant and related facilities. Board members of each municipality jointly act as the governing body for the joint venture. The Facility is intended to be self-sustaining. However, any shortfall is to be provided by equal share contributions from the participants. See Note 4 for additional disclosure regarding this joint venture.

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

b. Tompkins Consolidated Area Transit (TCAT)

Tompkins Consolidated Area Transit (TCAT) was formed under a consolidation agreement between the City, Tompkins County, and Cornell University effective April 1, 1998. The agreement shall remain in force until October 9, 2021. TCAT began operations on January 1, 1999, with its purpose to provide public transportation in Tompkins County and surrounding areas. As of January 1, 2005, TCAT was reorganized as a 501(c)(3). However, the structure of the Board, and the interest of each party was not changed. TCAT is governed by a Board of Directors consisting of nine voting members with three members being appointed by each participant in the venture. The General Manager of TCAT is a non-voting ex-officio member of the Board. In addition, the nine voting members of the Board select five additional non-voting, ex-officio members. Interest of each party in surpluses, losses, property, and in debt acquired by TCAT shall be shared equally. Each party makes an annual contribution of equal amounts to the venture. See Note 4 for additional disclosure regarding this joint venture.

2. Related Organizations

Although the following organizations, functions, or activities are related to the City, they are not included in the City's reporting entity because the City does not meet the criteria for manifestation of oversight as defined by the GASB.

a. Ithaca Housing Authority

The Ithaca Housing Authority (Authority) was created pursuant to Section 447 of the Public Housing Law. Its general purpose is to provide housing for low-income residents of the City. Members of the Board are appointed by the Mayor. Specific reasons for excluding the authority from the City's reporting entity are as follows: The Authority's Board of Commissioners control employment of personnel; the City cannot significantly influence the Authority's operations; the City has no budgetary authority; the Authority controls surpluses and deficits; the City has no responsibility for the Authority's debt; and the Authority's Board of Commissioners controls fiscal management.

b. Ithaca City School District

Essentially, the primary function of the Ithaca City School District (School District) is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function. Specific reasons for excluding the School District from the City's reporting entity are as follows: The City cannot significantly influence the School District's operations; the City has no budgetary authority; the School District controls surpluses and deficits; the City has no responsibility for the School District's debt; and the School District's Board of Education controls fiscal management.

B. Basic Financial Statements

The City's basic financial statements include both Government-wide (reporting the City as a whole) and Governmental Fund financial statements (reporting the City's Major Funds.) Both the Government-wide and Governmental Fund financial statements categorize primary activities as either governmental or business-type. The City's general governmental support, education, public safety, health, transportation, highways and streets, economic assistance and opportunity, culture and recreation, and home and community services are classified as Governmental Activities.

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

1. Government-wide Financial Statements

The Government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of activities for the primary government. Government-wide financial statements do not include the activities reported in the Fiduciary Funds. This Government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

In the Government-wide Statement of Net Assets, the Governmental Activities columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities reports both the gross and net cost for each of the City's functions or programs. Gross expenses are direct expenses, including depreciation, that are specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function. These expenses are offset by program revenues - charges paid by the recipient of the goods or services offered by the program, grants, and contributions - that are restricted to meeting the program or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City, with certain limited exceptions. The net cost represents the extent to which each function or program is self-financing or draws from the general revenues of the City.

The City does not allocate indirect costs. Indirect costs are reported in the function entitled "general government."

2. Governmental Fund Financial Statements

The financial transactions of the City are reported in individual funds in the Governmental Fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The City records its transactions in the funds described below:

Governmental Funds

Governmental Funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources, and the related liabilities are accounted for through Governmental Funds. The measurement focus of the Governmental Funds is based upon determination of financial position and changes in financial position.

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

The following are the City's Governmental Funds:

Major Funds

General Fund - Principal operating fund; includes all operations not required to be recorded in other funds.

Special Revenue Funds

Water Fund - Accounts for revenues derived from charges for water consumption and the application of such revenues toward related operating expenses and debt retirement.

Sewer Fund - Accounts for revenues derived from charges for sewer usage and benefited assessments, and the application of such revenues toward related operating expenses and debt retirement.

Special Grant Fund - Accounts for Community Development Block Grant activities.

Capital Projects Fund - Accounts for financial resources to be used for the acquisition, construction, or renovation of major capital facilities, or equipment.

Non-Major Funds

Special Revenue Funds

Refuse and Garbage Fund - Accounts for revenues derived from charges for garbage, refuse, and recycling consumption, and the application of such revenues toward related operating expenses.

Urban Renewal Agency Fund - Accounts for money advanced for the Center Ithaca Project.

Miscellaneous Fund - Accounts for assets held in the capacity of a trustee for assets to benefit the City's public safety program.

Debt Service Fund - Accounts for current payments of principal and interest on general obligation debt and for financial resources accumulated in a reserve for payment of future principal and interest on long-term indebtedness.

Permanent Fund - Reports all trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The City uses this fund to report funds provided for cemetery maintenance.

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Fiduciary Fund Types

Fiduciary Fund Types are used to account for assets held by the local government in a trustee or custodial capacity. The following is the City's Fiduciary Fund:

Agency Fund - Accounts for money and/or property received and held in the capacity of trustee, custodian or agent.

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

1. **Accrual Basis** - The Government-wide financial statements and Fiduciary Fund financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.
2. **Modified Accrual Basis** - Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user charges. The City considers property tax receivables collected within 60 days after year end to be available and recognizes them as revenues of the current year. All other revenues deemed collectible within one year after year end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when incurred. The cost of capital assets is recognized as an expenditure when received. Exceptions to this general rule are that 1) principal and interest on indebtedness are not recognized as an expenditure until due, and 2) compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

D. Deferred Revenues

The City reports deferred revenues on its Statement of Net Assets and its balance sheet. On the Statement of Net Assets, deferred revenue arises when resources are received by the City before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the City has legal claim to resources, the liability for deferred revenue is removed and revenue is recognized. On the balance sheet, deferred revenue arises when potential revenue does not also meet the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the liability for deferred revenue is removed and revenue is recognized in the Governmental Fund financial statements.

E. Inventory

Inventory is valued at cost utilizing the first-in, first-out method for the General, Water, and Sewer Funds.

F. Property Taxes

Real property taxes are levied annually by the City no later than December 31, and become a lien on January 1. City taxes are collected in two installments, the first due in January and the second due in June. The City collects county taxes from January 1, through May 31. Collected County taxes are remitted to the County on a monthly basis.

Unpaid County taxes are enforced pursuant to Article II of Real Property Tax Law. The County retains all right, title, and interest in any unpaid County taxes. Unpaid City taxes and unpaid school taxes plus advertising costs and accrued penalties are foreclosed two years after lien date pursuant to Article II of Real Property Tax Law. Should both the County and the City have liens on a particular property, either may foreclose. The foreclosure is subject to the other's lien. The City and the County, based on the tax liens each hold, share proceeds from the sale of the property.

G. Receivables

Property tax receivables are stated net of estimated allowances for uncollectible amounts. Amounts due from state and federal governments represent amounts owed to the City to reimburse it for expenditures incurred pursuant to state and federally funded programs. Other receivables represent amounts owed to the City including sewer rents, water rents, rehabilitation loans, and assessments. No provision has been made for uncollectible accounts reported as other receivables, as it is believed that such amounts would be immaterial. All receivables net of estimated allowances for uncollectible amounts are expected to be collected within the subsequent fiscal year.

H. Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments with initial maturities of three months or less are considered cash equivalents.

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

I. Capital Assets

All capital assets are valued 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. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets. Governmental capital assets purchased or acquired with an original cost of over \$5,000 for buildings and infrastructure assets and \$2,500 for machinery and equipment, and having a useful life of greater than one year are capitalized. The estimated useful lives for governmental capital assets are as follows:

Buildings and improvements	10 - 45 years
Machinery and equipment	5 - 25 years
Infrastructure	10 - 60 years

No interest on construction in progress has been capitalized.

J. Insurance

The City assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

K. Vacation and Sick Leave and Compensatory Absences

City employees are granted vacation, sick leave, and other leave benefits as defined in agreements between the City and the representative units.

The City recognizes a liability for vacation leave and other compensated absences with similar characteristics and additional salary-related payments as the benefits are earned by the employees, based on the rendering of past service and the probability the employees will be compensated for the benefits through paid time off or some other means. This includes vacation leave and other compensated absences with similar characteristics earned but not used during the current or prior periods and for which employees can receive compensation in a future period. Amounts do not include leave expected to lapse and do include leave that (new) employees will (eventually) qualify for.

In addition, the City recognizes a liability for vesting sick leave and other compensated absences with similar characteristics and additional salary-related payments as employees earn benefits and to the extent it's probable that the City will compensate the employees for the benefits through cash payments (which may be conditioned on the employees' termination or retirement), rather than be taken as absences due to illness or other contingencies.

A portion of the compensated absence liability recognized is attributable to the value of sick leave converted into payment for employees' share of postemployment health care insurance premiums.

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the Governmental Funds inasmuch as it will be funded from current financial resources. The Statement of Net Assets records this current portion, as well as amounts to be paid from future financial resources.

L. Other Postretirement Benefits

In addition to providing pension benefits, the City provides health insurance coverage and survivor benefits for retired employees and their survivors in accordance with employment contracts. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The City recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. During the year, \$2,430,955 was paid on behalf of 218 retirees and recorded as an expenditure in the General Fund. For additional information, see Note 3.B.4.

M. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

N. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the City's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

Certain assets are classified on the balance sheet as restricted because their use is limited. The proceeds of bond and note sales can only be used for the stated purpose of the borrowing. Property taxes collected for debt service payments are legally restricted for that purpose. Community Development Block Grant Funds must be used only for approved programs. Cemetery perpetual care funds cannot be expended. However, the interest earnings can be spent for cemetery maintenance functions. It is the City's policy to spend the interest earnings each fiscal year.

O. Equity Classifications

1. Government-wide Financial Statements

Equity is classified as net assets and displayed in three components:

- Invested in Capital Assets, Net of Related Debt - 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 attributable to the acquisition, construction, or improvement of those assets.

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

- Restricted Net Assets - Consists of net assets 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 legislation.
- Unrestricted Net Assets - Consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

2. Governmental Fund Financial Statements

Governmental Fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. The following reserve funds are utilized by the City:

- Encumbrance Reserve - Represents outstanding encumbrances at the end of the fiscal year and is utilized by any of the Governmental Funds, as needed.
- Capital Reserve - Used to accumulate funds to pay cost of major repairs to capital improvements or equipment. This reserve is accounted for in the General, Water and Sewer Funds.
- Reserve for Debt - Used for payment of the City's bonded indebtedness and is accounted for in the Debt Service Fund.
- Insurance Reserve - Used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve is accounted for in the General, Water and Sewer Funds.
- Reserve for Inventory - Used to restrict portion of fund balance not available for appropriation. This reserve is accounted for in the General, Water and Sewer Funds.
- Workers' Compensation Reserve - Used for payment of compensation, benefits and other expenses authorized by the Workers' Compensation Law, Article 2. This reserve is accounted for in the General Fund.
- Miscellaneous Reserve - Used for various purposes, as described in Note 3.D, and is accounted for in the Miscellaneous Special Revenue Fund.

P. Interfund Activity

Interfund activity is reported as either 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 are 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.

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Q. Reclassification

Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

Note 2 - Stewardship, Compliance, Accountability

A. Deficit Fund Balances

The Capital Projects Fund had a deficit fund balance of \$(9,718,688) at December 31, 2009 due to the use of short-term financing. This deficit will be eliminated upon conversion of short-term to long-term financing.

The Refuse and Garbage Fund had a deficit fund balance of \$(20,171) due to the current and previous years' excess of expenditures over revenue. The City has been reviewing its fee structure and current resources, as well as exploring alternative revenue sources. The General Fund will provide funding over a period of two years in order to eliminate this deficit. The current deficit reflects an increase of \$3,329.

B. Expenditures in Excess of Appropriations

During the year ended December 31, 2009, the General Fund overspent interfund transfers by \$162,000 due to non-budgeting of reserve activity.

Note 3 - Detailed Notes

A. Assets

1. Cash and Investments

The City's investment policies are governed by state statutes. In addition, the City has its own written investment policy. City monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. The Controller is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and school districts.

The written investment policy requires repurchase agreements to be purchased from banks located within the state and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least the cost of the repurchase agreement.

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Deposits and investments are valued at cost or cost plus interest. Total financial institution (bank) balances at December 31, 2009, per the banks, were \$40,163,587, which were insured, and collateral, where required, was held by the City's agent in the City's name.

Cash restricted for General, Water, and Sewer Fund reserves are \$833,858 \$3,754,953, and \$2,417,904, respectively. Other restricted cash consists of \$77,024 for capital projects, and \$- in the Permanent Fund.

2. Other Receivables

Other receivables at December 31, 2009 are as follows:

Major Funds:	
General Fund:	
Accounts receivable	\$ <u>427,763</u>
Total General Fund	<u>427,763</u>
Special Revenue Funds:	
Water Fund:	
Water rents receivable	451,528
Accounts receivable	<u>94,103</u>
Total Water Fund	<u>545,631</u>
Sewer Fund:	
Sewer rents receivable	949,772
Accounts receivable - Special assessments	<u>66,265</u>
Total Sewer Fund	<u>1,016,037</u>
Special Grant Fund:	
Accounts receivable - Reimbursements	<u>17,094</u>
Non-Major Funds:	
Special Revenue Funds:	
Urban Renewal Agency Fund - Due from developer	<u>398,079</u>
Refuse and Garbage Fund - Fees	<u>28,595</u>
Total Other Receivables - Government Activities	<u>\$ 2,433,199</u>

3. Property Taxes

At December 31, 2009, the total real property tax assets of \$799,740 are offset by deferred tax revenue of \$799,740 in the General Fund. In the Statement of Net Assets, these assets are not deferred.

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

4. Sales Taxes and Collection

The City, under the general authority of Article 29 of the Tax Law, imposes a 0.5% sales and compensating use tax. The County of Tompkins, by similar authority, also imposes a 0.5% sales tax within the City and a 3% sales tax in the towns outside the City.

Both the City and County imposed tax are administered and collected by the State Tax Commission in the same manner as that relating to the State imposed 4% (June 1, 2005) sales and compensating use tax.

Net collections, meaning monies collected after deducting expenses of administration and collections and amounts refunded or to be refunded, but inclusive of any applicable penalties and interest, are paid by the State to the City and the County, respectively. In 2009, direct payments from this source aggregated \$11,476,920, were credited to the General Fund and used to finance general City expenses.

Net collections of the 1.5% sales tax imposed within the City by the County are retained by the County, and, together with 0.5% of the tax levied in the towns outside of the City, or 2.0%, is applied to the reduction of taxes levied on a Countywide basis.

The County of Tompkins increased the sales tax collected within the County to 8%. The City, under the 1% increased sales tax, imposes 0.25% of the 1% increase.

5. Property and Equipment

A summary of changes in capital assets at December 31, 2009 follows:

	<u>Balance at</u> <u>12/31/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/09</u>
<u>Governmental Activities:</u>				
<u>Non-depreciable Capital Assets:</u>				
Land	\$ 13,495,193	\$ 109,298	\$ -	\$ 13,604,491
Total Non-depreciable Capital Assets	<u>13,495,193</u>	<u>109,298</u>	<u>-0-</u>	<u>13,604,491</u>
<u>Depreciable Capital Assets:</u>				
Buildings and improvements	51,158,764	2,690,855		53,849,619
Machinery and equipment	16,008,782	2,324,022	(564,492)	17,768,312
Infrastructure	108,605,538	4,326,819		112,932,357
Total Depreciable Capital Assets	<u>175,773,084</u>	<u>9,341,696</u>	<u>(564,492)</u>	<u>184,550,288</u>
Total Historical Cost	<u>189,268,277</u>	<u>9,450,994</u>	<u>(564,492)</u>	<u>198,154,779</u>
<u>Less Accumulated Depreciation:</u>				
Buildings and improvements	(25,208,076)	(2,270,344)	554,835	(26,923,585)
Machinery and equipment	(9,243,882)	(1,189,205)		(10,433,087)
Infrastructure	(41,826,335)	(3,539,029)		(45,365,364)
Total Accumulated Depreciation	<u>(76,278,293)</u>	<u>(6,998,578)</u>	<u>554,835</u>	<u>(82,722,036)</u>
Governmental Activities Capital Assets, Net	<u>\$ 112,989,984</u>	<u>\$ 2,452,416</u>	<u>\$ (9,657)</u>	<u>\$ 115,432,743</u>

CITY OF ITHACA
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Depreciation expense was charged to functions as follows:

Governmental Activities:

General governmental support	\$ 335,681
Public safety	796,576
Transportation	4,594,910
Culture and recreation	622,336
Home and community services	<u>649,075</u>
 Total Governmental Activities Depreciation Expense	 \$ <u>6,998,578</u>

B. Liabilities

1. Pension Plans

Plan Description - The City participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS), and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer defined benefit public employee retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

Funding Policy - The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary. Employees in the System more than 10 years are no longer required to contribute. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The City is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

Year	ERS	PFRS
2009	\$ 806,616	\$ 1,422,174
2008	1,091,968	1,474,914
2007	1,057,285	1,352,042

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

The City's contributions made to the Systems were equal to 100% of the contributions required for each year. Included in the ERS contribution is \$45,075, \$45,210 and \$45,029 attributable to the Ithaca Area Wastewater Treatment Facility for the years 2009, 2008 and 2007, respectively.

The City's contributions made to the System were equal to 100% of the contributions required for each of the years. The System's pension relief legislation (New York State Chapter 620, Laws of 2004) was enacted to provide employers with relief in payment of their annual ERS cost. This legislation provides several options to employers, including delaying payments from December 15 to February 6 of the ensuing year, payment of a portion of their cost over an amortized period, and the means to issue serial bonds to provide funding for the employer's liability. In addition, the employer was given the option of making full payment on December 15 at a discounted amount. The City exercised its option of making payment on December 15, 2009, equal to 100% of the contributions required for the year.

The New York State Legislature has authorized local governments to make available retirement incentive programs. The City participates in early retirement programs when they are offered and has elected to pay the related cost over a five year amortization period, which includes interest at rates ranging from 8% to 8.5%. There is no remaining liability for these incentive programs at December 31, 2009.

a. Change in Payment Due Date

Chapter 260 of the Laws of New York State changed the annual payment due date for employers who participate in the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System. The December 15 payment due date changed to February 1. The covered salary period (April 1 - March 31) will not change for the calculation.

2. Short-term Debt

Liabilities for BANs are generally accounted for in the Capital Projects Fund to finance capital projects. Principal payments on BANs must be made annually.

State law requires BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided stipulated annual reductions of principal are made.

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

BANs payable at December 31, 2009 in the Capital Fund consisted of the following:

Description	Amount	Interest Rate	Date Issued	Maturity Date
Primary Government:				
Thurston Ave. Bridge Rehabilitation (428)	\$ 2,686,204	3.25%	2009	2010
Install Generators Phase II (471)	227,328	3.25%	2009	2010
Building Department Software Acquisition (703)	62,399	3.25%	2009	2010
City Hall/IPD Telephone Replacement (704)	115,198	3.25%	2009	2010
Stewart Park Dock (706)	37,960	3.25%	2009	2010
Cass Park Water Front Trail Phase II (445)	88,368	3.25%	2009	2010
College Ave./Dryden Rd., Traffic Signal Replacement (709)	120,907	3.25%	2009	2010
Salt Storage Shed DPW (710)	216,470	3.25%	2009	2010
Inlet Island Parking/Building Demolition (711)	90,931	3.25%	2009	2010
2007 Equipment Acquisition (712)	450,763	3.25%	2009	2010
Police Vehicle Acquisition 2007 (712)	53,780	3.25%	2009	2010
IFD Pumper Acquisition (713)	444,936	3.25%	2009	2010
IFD Mobile Communications Equipment Acquisition (714)	86,086	3.25%	2009	2010
IFD Management Software Acquisition (715)	127,303	3.25%	2009	2010
IFD Light Rescue Vehicle Acquisition (716)	113,663	3.25%	2009	2010
S. Aurora St. Bridge Reconstruction (486)	480,652	3.25%	2009	2010
Plan Design for Dredging of Inlet (700)	204,559	3.25%	2009	2010
Green St. Garage Construction (469)	500,000	5.75%	2009	2010
Sidewalk, Brick and Concrete IMP-Commons (723)	120,000	3.25%	2009	2010
Ithaca Commons Reconstruction Design (724)	250,000	3.25%	2009	2010
East Clinton St. Bridge Improvement Design (725)	118,000	3.25%	2009	2010
Prospect St. Reconstruction Design (726)	71,000	3.25%	2009	2010
SW Urban Neighborhood Plan/Design (722)	275,000	3.25%	2009	2010
Stewart Ave. Reconstruction Design (728)	270,000	3.25%	2009	2010
Seacord Building Demolition (729)	80,000	3.25%	2009	2010
300 East State St. Reconstruction Design (730)	15,000	3.25%	2009	2010
DPW Garage Truck Lift Replacement (731)	170,000	3.25%	2009	2010
Wood Street Skate Park Renovation (732)	100,000	3.25%	2009	2010
Cass Park Rink Renovations Design (733)	45,000	3.25%	2009	2010
Equipment Acquisition 2008 (734)	329,000	3.25%	2009	2010
IPD Police Vehicle Acquisition 2008	129,000	3.25%	2009	2010
IFD Engine/Pumper Replacement (735)	500,000	3.25%	2009	2010
IFD Municipal Fire Alarm System Upgrade (736)	70,000	3.25%	2009	2010
IFD Fire Station Improvements (737)	275,000	3.25%	2009	2010
IFD Staff Vehicle Acquisition (738)	50,000	3.25%	2009	2010
Sidewalk improvements - 100 Block N. Aurora St. (720)	101,000	3.25%	2009	2010
Plan Design for Dredging of Inlet (700)	28,352	3.25%	2009	2010
GIAC Facility Renovations (499)	306,000	3.25%	2009	2010
Collegetown Urban Plan and Design (721)	75,000	3.25%	2009	2010
Green St. Garage Construction (469)	962,503	4.375%	2007	2010
Green St. Garage Construction (469)	<u>1,060,389</u>	5.75%	2009	2010
Subtotal of Primary Government	\$ 11,507,751			

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Subtotal Carried Forward	\$ 11,507,751			
Green St. Garage Construction (469)	5,857,122	5.75%	2009	2010
Stewart Park Dock (706)	41,000	1.64%	2009	2010
IFD Engine/Pumper Replacement (735)	170,000	1.64%	2009	2010
GIAC Facility Renovations (499)	350,000	1.64%	2009	2010
Collegetown Urban Plan and Design (721)	15,000	1.64%	2009	2010
City Comprehensive Plan (741)	125,000	1.64%	2009	2010
SW Urban Neighborhood Plan/Design (722)	280,000	1.64%	2009	2010
Pedestrian/Traffic Safety-Hector/Floral/Elm (740)	50,000	1.64%	2009	2010
Security Improvements City Facilities (742)	51,000	1.64%	2009	2010
SW Area Sewer Main (614)	34,696	3.25%	2009	2010
Sewer Vacuum Truck Replacement (614)	285,347	3.25%	2009	2010
Water/Sewer Bulldozer Replacement (616)	180,305	3.25%	2009	2010
Acquisition of Solid Waste Dump Truck (739)	94,000	3.25%	2009	2010
Water Storage Tank Reconstruction (513)	346,930	3.25%	2009	2010
Water and Sewer Cold Storage Building (514)	186,951	3.25%	2009	2010
South End Water Main Improvements (512)	69,384	3.25%	2009	2010
Water and Sewer Storm Water Site Improvements (515)	260,000	3.25%	2009	2010
Water and Sewer Cold Storage Building (514)	58,000	1.64%	2009	2010
Neighborhood Housing Initiative Program	930,000	2.10%	2008	2010
Prospect St. Reconstruction Design (726)	143,000	3.25%	2009	2010
Spencer St. Slope (746)	286,000	3.25%	2009	2010
Court Reconstruction and Improvements (747/748)	745,000	3.25%	2009	2010
East State St. Reconstruction (730)	340,000	3.25%	2009	2010
Warm Storage Building (750)	115,000	3.25%	2009	2010
Mobile Command Vehicle (751)	250,000	3.25%	2009	2010
Equipment (752)	347,000	3.25%	2009	2010
Police Vehicle (752)	50,000	3.25%	2009	2010
Transit Equipment (753)	76,000	3.25%	2009	2010
Green St. Garage Improvement (469)	95,000	1.64%	2009	2010
GIAC Renovation (499)	1,300,000	1.64%	2009	2010
Water Distribution Improvement (516)	140,000	1.64%	2009	2010
Water Treatment Plan Improvement (510)	300,000	1.64%	2009	2010
Comprehensive Plan (741)	75,000	1.64%	2009	2010
Pedestrian and Traffic Improvement (740)	50,000	1.64%	2009	2010
IWWWTP Miscellaneous Plant Improvements (416J)	\$ 1,300,000	3.25%	2009	2010
IWWWTP Miscellaneous Plant Improvements (416J)	<u>130,950</u>	1.64%	2009	2010
Total Ithaca Area Wastewater Treatment Plant	<u>\$ 26,635,436</u>			

a. Housing and Urban Development Debt - BAN

The Ithaca Urban Renewal Agency issued a Neighborhood Housing Initiative Program BAN in the amount of \$930,000 on April 30, 2009 at an interest rate of 2.50% per annum, with a maturity date of April 23, 2010.

CITY OF ITHACA
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

The BAN is issued to provide funding for the Agency's Neighborhood Housing Initiative Program. The liability is recorded in the IURA's financial statements. The City has guaranteed the payment of the note's principal and interest.

The principal and interest payments are reflected in the City's financial statements. Under Article XVIII Section 4 of the State Constitution, the City is permitted to guarantee principal of and interest on the City Urban Renewal Agency's bonds. The bonds do not count toward the City's debt limit.

Revenue Anticipation Notes (RANs) are typically issued to provide working capital. There were no RANs issued or redeemed during 2009.

Interest on short-term debt for the year ended December 31, 2009 is as follows:

Interest paid	\$ 838,958
Less: Interest accrued in the prior year	(752,943)
Plus: Interest accrued in the current year	902,949
Less: Amortization of BAN premium	<u>(60,476)</u>
Total Expense	<u>\$ 928,488</u>

See Note 3.B.3. for information concerning short-term debt activity for the year ending December 31, 2009.

3. Long-term Debt

At December 31, 2009, the total outstanding indebtedness of the City aggregated \$75,918,264. Of this amount, \$63,451,480 was subject to the constitutional debt limit and represented approximately 69.0% of its debt limit.

a. Serial Bonds

The City borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the Statement of Net Assets. The provision to be made in future budgets for capital indebtedness represents the amount exclusive of interest, authorized to be collected in future years from taxpayers and others, for the liquidation of the long-term liabilities.

b. Other Long-term Debt and Liabilities

In addition to the above long-term debt, the City had the following non-current liabilities:

- Compensated Absences - Represents the unfunded value of the liability for compensated absences and is liquidated in the General, Water, Sewer, and Refuse and Garbage Funds.
- Other Postemployment Benefits Payable - Represents the liability for future health insurance benefits. See Note 3.B.4 for more information.
- Lease Obligations Payable - Represents the amount outstanding on a capital lease for energy improvements

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

c. Changes in Indebtedness and Other Long-term Liabilities

The following is a summary of changes in the City's indebtedness and long-term liabilities for the period ended December 31, 2009:

<u>Description</u>	<u>Balance 12/31/08 Reclassified</u>	<u>New Issues/ Additions</u>	<u>Maturities/ Payments</u>	<u>Balance 12/31/09</u>	<u>Due Within One Year</u>
General obligation and statutory installment bonds	\$ 47,513,449	\$ 1,090,084	\$ (3,602,738)	\$ 45,000,795	\$ 3,409,131
BANs	23,939,598	4,912,065	(2,216,227)	26,635,436	26,635,436
Add unamortized premium	60,476	100,065	(60,476)	100,065	100,065
Total BANs	<u>24,000,074</u>	<u>5,012,130</u>	<u>(2,276,703)</u>	<u>26,735,501</u>	<u>26,735,501</u>
Lease obligations payable	2,229,310	2,348,121	(295,398)	4,282,033	288,545
Liability for other postemployment benefits	13,865,323	14,275,896		28,141,219	-0-
Compensated absences	<u>2,134,639</u>	<u>494,683</u>		<u>2,629,322</u>	<u>119,922</u>
Total	<u>\$ 89,742,795</u>	<u>\$ 23,220,914</u>	<u>\$ (6,174,839)</u>	<u>\$ 106,788,870</u>	<u>\$30,553,099</u>

Additions and deletions to compensated absences are shown net, as it is impractical to determine these amounts separately.

d. Debt Maturity Schedule

The following is a statement of serial bonds with corresponding maturity schedules.

<u>Description By Fund</u>	<u>Date of Issue</u>	<u>Interest</u>	<u>Maturity Date</u>	<u>Outstanding</u>
General Fund:				
Commons improvements (243)	1997	5.10%	2012	\$ 58,190
GIAC Reconstruction (248)	1997	5.10%	2012	116,380
Reconstruction of N. Cayuga St. Bridge (234)	1997	5.10%	2012	10,900
Municipal Pool Construction (217)	1997	5.10%	2012	22,040
GIAC Reconstruction (248)	1997	5.10%	2012	20,060
City Court Facility Reconstruction (242)	1997	5.10%	2012	110,170
St. and Rd. Construction 96 (318)	2001	4.25%	2015	81,000
ADA Barrier Removal (319)	2001	4.25%	2015	8,910
DPW Equipment Acquisition 96 (321)	2001	4.25%	2015	69,620
Fire Dept. Staff Vehicle Acquisition 96 (322)	2001	4.25%	2015	9,470
Fire Dept. St./Training Center Improvements 96 (323)	2001	4.25%	2015	27,420
Cass Park Ballfield Lights Replacement (324)	2001	4.25%	2015	58,730
Frosh Valley Restoration (327)	2001	4.25%	2015	29,160
West State St. Lights/Landscaping (328)	2001	4.25%	2015	40,500
GIAC Boiler Replacement (248)	2001	4.25%	2015	6,330
Youth Bureau HVAC (244)	2001	4.25%	2015	<u>55,990</u>
Subtotal of General Fund				\$ 724,870

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Description By Fund	Date of Issue	Interest	Maturity Date	Outstanding
Subtotal Carried Forward				\$ 724,870
DPW Cold Storage Building Construction (314)	2001	4.25%	2015	124,400
Fire Dept. Rescue Light Rescue Vehicle (315)	2001	4.25%	2015	15,810
Fire Dept. Aerialscope Vehicle Acquisition (316)	2001	4.25%	2015	360,470
St. and Rd. Construction 1997 (332)	2001	4.25%	2015	130,700
Stewart Park Playground Equipment (333)	2001	4.25%	2015	26,150
DPW Equipment Acquisition 1997 (335)	2001	4.25%	2015	65,770
DPW Sidewalk Program 1997 (249)	2001	4.25%	2015	27,810
Fire Dept. Central Station Improvements (336)	2001	4.25%	2015	31,890
Fire Dept. Training Center Improvements (337)	2001	4.25%	2015	12,110
GIAC Gym Renovations (339)	2001	4.25%	2015	32,590
City Hall Smoke/Records System (340)	2001	4.25%	2015	16,940
Skateboard Park Construction (341)	2001	4.25%	2015	28,310
City Facility Code Compliance Work (345)	2001	4.25%	2015	545,350
St. and Rd. Construction Additional 1997 (332)	2001	4.25%	2015	45,900
Acquisition of Cherry St. Extension (351)	2001	4.25%	2015	208,360
IFD Engine/Pumper Replacement (356)	2001	4.25%	2015	290,570
Cliff St. Parking Lot Requisition (331)	2001	4.25%	2015	27,630
Cascadilla Boathouse Reconstruction (275)	2001	4.25%	2015	57,840
Southside Community Center Reconstruction (347)	2001	4.25%	2015	143,390
Fire Dept. Training Center Renovation (337)	2001	4.25%	2015	21,040
Stewart Ave. Bridge Repair (348)	2001	4.25%	2015	55,860
Giles St. Bridge (265) Federal/State Funds	2004	3.38%	2018	527,590
Linn St. Bridge (280) Federal/State Funds	2004	3.38%	2018	485,120
West Clinton St. Bridge (366)	2004	3.38%	2018	73,870
Seneca St. Parking Garage Phase II (372)	2004	3.38%	2018	677,190
Sidewalk Construction (249)	2004	3.38%	2018	32,730
DPW St. and Rd. Construction '99 (373)	2004	3.38%	2018	167,740
Cass Park Pool Deck Phase III (374)	2004	3.38%	2018	83,870
Inlet Island Improvements(375)	2004	3.38%	2018	43,660
S & F Roof Reconstruction (368)	2004	3.38%	2018	57,570
Stewart Ave. Bridge (266) Federal/State Funds	2004	3.38%	2018	323,830
City Hall Reconstruction (381)	2004	3.38%	2018	77,130
Inlet Island Improvements (375)	2004	3.38%	2018	105,260
DPW St. and Rd. Construction '00 (392)	2004	3.38%	2018	180,460
Tioga St. Reconstruction (393)	2004	3.38%	2018	24,070
IPD Lockup Plumbing Improvements (394)	2004	3.38%	2018	20,470
First St. Reconstruction (397)	2004	3.38%	2018	6,010
Subtotal General Fund				\$ 5,880,330

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Description By Fund	Date of Issue	Interest	Maturity Date	Outstanding
Subtotal Carried Forward				\$ 5,880,330
DPW Sidewalk Maintenance (249)	2004	3.38%	2018	153,560
West State St. Reconstruction (328)	2004	3.38%	2018	481,200
Commons Improvements (386)	2004	3.38%	2018	226,260
DPW Equipment (390)	2004	3.38%	2018	116,090
Cherry St. Land Acquisition (351)	2004	3.38%	2018	6,750
Fire Dept. Pumper Acquisition (356)	2004	3.38%	2018	247,500
Lake Source St. Reconstruction (371)	2004	3.38%	2018	105,260
Parking Ramp Lighting and Security (296)	2004	3.38%	2018	110,330
Demolition of 402 S. Cayuga St. (426)	2004	3.38%	2018	32,640
S & F Roof Reconstruction (368)	2004	3.38%	2018	108,890
DPW Sidewalk Program (249)	2004	3.38%	2018	46,690
DPW St. and Rd. Construction (430)	2004	3.38%	2018	554,060
Fire Dept. Station 9 Rehab. (432)	2004	3.38%	2018	60,170
Fire Emergency Management Comm. (436)	2004	3.38%	2018	5,830
Commons Improvements (386)	2004	3.38%	2018	167,170
DPW Acquisitions - Small Items (438)	2004	3.38%	2018	23,340
DPW Acquisitions - Large Items (438)	2004	3.38%	2018	214,370
Cleveland Ave./Clinton St. Park Acquisition (439)	2004	3.38%	2018	103,980
DPW St. and Rd. Construction 2002 (451)	2004	3.38%	2018	782,880
Ithaca Falls Park Improvements (449)	2004	3.38%	2018	78,240
St. and Rd. Traffic Calming (384)	2004	3.38%	2018	68,050
City Hall Renovations (381)	2004	3.38%	2020	324,510
IFD Pumper Acquisition - Additional (356)	2004	3.38%	2020	214,060
Route 13 Pedestrian Bridge Construction (421)	2004	3.38%	2020	169,400
City Hall Renovations (381)	2004	3.38%	2020	120,770
Traffic Signal Improvements at BJM (349)	2004	3.38%	2020	142,300
West End Improvements Sculpture (207)	2004	3.38%	2020	5,060
Stewart Park Pavilion Improvements (424)	2004	3.38%	2020	16,170
Traffic Signal Improvements City-wide (425)	2004	3.38%	2020	88,090
IPD Computer Software (388)	2004	3.38%	2020	11,890
Thurston Ave. Bridge (428) Grant (a)	2004	3.38%	2020	853,210
Route 13 Pedestrian Bridge (421)	2004	3.38%	2020	80,850
DPW St. and Rd. Construction 2001 (430)	2004	3.38%	2020	84,700
Commons Improvements (386)	2004	3.38%	2020	14,910
Flood Erosion and Storm Improvements (441)	2004	3.38%	2020	94,460
City Hall Renovations (381)	2004	3.38%	2020	24,430
Pedestrian/Bike Path Improvements (444)	2004	3.38%	2020	117,130
Police Department Boiler (459)	2004	3.38%	2020	24,140
Stewart Ave. Bridge Reconstruction Design (460)(a)	2004	3.38%	2020	154,750
N Cayuga St. Bridge Reconstruction (382)(a)	2004	3.38%	2020	<u>366,700</u>
Subtotal General Fund				\$ 12,481,120

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Description By Fund	Date of Issue	Interest	Maturity Date	Outstanding
Subtotal Carried Forward				\$ 12,481,120
SW Improvements - Plain St. Bridge (447)	2004	3.38%	2020	1,156,160
SW Improvements - Spencer St. (447)	2004	3.38%	2020	214,610
Sidewalk Construction (249)	2007	4.125%	2025	59,051
Equipment Acquisition 15 year Life (454)	2007	4.125%	2025	284,261
Equipment Acquisition 10 Year Life (454)	2007	4.125%	2025	64,441
GIAC Gym Renovations (339)	2007	4.125%	2025	218,269
Cayuga Green Design (446)	2007	4.125%	2025	137,288
Parking Meter Acquisition (377)	2007	4.125%	2025	16,431
Computer Network Acquisition (211)	2007	4.125%	2025	74,465
DPW St. and Rd. Construction (462)	2007	4.125%	2025	825,084
Clinton and Cayuga St. Intersection Improvements (463)	2007	4.125%	2025	52,131
Northside Improvements P&C Area (464)	2007	4.125%	2025	7,901
2003 Equipment Acquisition (465) \$30,000+	2007	4.125%	2025	138,224
2003 Equipment Acquisition (465) \$15,000+	2007	4.125%	2025	2,440
Neighborhood Master Plan (468)	2007	4.125%	2025	1,644
Cayuga Green Design (446)	2007	4.125%	2025	63,203
City-wide Traffic Calming (384)	2007	4.125%	2025	88,464
Route 13 SW (450)	2007	4.125%	2025	217,212
Spencer St. SW Improvements (447)	2007	4.125%	2025	927,714
Route 13 SW Improvements (450)	2007	4.125%	2025	2,767,484
Green St. Garage Design (469)	2007	4.125%	2025	184,104
Traffic Signal Improvements (425)	2007	4.125%	2025	136,965
Bile Master Plan (325)	2007	4.125%	2025	49,357
Code Compliance City Facilities (423)	2007	4.125%	2025	28,702
Accounts Receivables Software Acquisition (470)	2007	4.125%	2025	197,430
Parking Meter Acquisition (377)	2007	4.125%	2025	14,806
City Hall Generator (471)	2007	4.125%	2025	61,302
2004 DPW St. and Rd. Construction (472)	2007	4.125%	2025	619,461
Transit Improvements (473)	2007	4.125%	2025	14,315
GIS Improvements (211)	2007	4.125%	2025	12,340
DPW Sidewalk Program (249)	2007	4.125%	2025	57,470
Equipment Acquisition 2004 (274)	2007	4.125%	2025	20,729
Equipment Acquisition 2004 (274)	2007	4.125%	2025	62,835
Equipment Acquisition 2004 (274)	2007	4.125%	2025	81,752
Computer Equipment Acquisition (474)	2007	4.125%	2025	98,715
City Code Compliance City Facilities (423)	2007	4.125%	2025	117,622
IFD Water Delivery Improvements (475)	2007	4.125%	2025	64,099
Youth Bureau Roof and Door Improvements (479)	2007	4.125%	2025	12,289
Youth Bureau Software Acquisition (480)	2007	4.125%	2025	28,916
2005 DPW St. Reconstruction (481)	2007	4.125%	2025	299,232
Transit Improvements 2005 (482)	2007	4.125%	2025	62,856
GIS Improvements (211)	2007	4.125%	2025	9,641
Subtotal General Fund				\$ 22,032,535

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Description By Fund	Date of Issue	Interest	Maturity Date	Outstanding
Subtotal Carried Forward				\$ 22,032,535
Sidewalk Construction (249)	2007	4.125%	2025	179,739
Equipment Acquisition 2005 (483)	2007	4.125%	2025	3,253
Equipment Acquisition 2005 (483)	2007	4.125%	2025	32,353
Equipment Acquisition 2005 (483)	2007	4.125%	2025	254,570
Equipment Acquisition 2005 (483)	2007	4.125%	2025	28,193
IFD Duty Chief Vehicle Replacement (484)	2007	4.125%	2025	32,530
Police Vehicle Acquisition (483)	2007	4.125%	2025	55,442
IFD Driveway Improvements (485)	2007	4.125%	2025	80,393
Elmira Rd. Improvements (488)	2007	4.125%	2025	521,460
Dryden Rd. Garage Improvements (489)	2007	4.125%	2025	432,982
City Network Security Equipment Acquisition (490)	2007	4.125%	2025	61,183
2006 DPW St. and Rd. Construction (491)	2007	4.125%	2025	211,786
Cass Park Improvements (492)	2007	4.125%	2025	34,827
Police Facility Improvements (493)	2007	4.125%	2025	35,767
IPD Generator Improvements (471)	2007	4.125%	2025	129,894
2006 DPW Sidewalk Program (249)	2007	4.125%	2025	188,253
2006 Equipment Acquisition (494)	2007	4.125%	2025	292,731
2006 Equipment Acquisition (494)	2007	4.125%	2025	46,121
2006 Equipment Acquisition (494)	2007	4.125%	2025	112,951
IFD Staff and Fire Alarm Vehicle Acquisition (495)	2007	4.125%	2025	174,134
IFD Driveway Improvements (485)	2007	4.125%	2025	37,650
S. Aurora St. Bridge Over Six Mile Creek (486)	2007	4.125%	2025	94,127
Seneca St. Parking Garage Phase II (372)	2007	4.125%	2025	822,996
Seneca St. Parking Garage Phase II (372)	2007	4.125%	2025	112,076
Commons Improvements (386)	2008	3.750%	2023	179,670
Clinton and Cayuga St. Intersection Improvements (463)	2008	3.750%	2023	72,620
Cass Waterfront Trail Phase II Grant (445)	2008	3.750%	2023	57,890
Stewart Ave. Bridge Over Fall Creek Grant (460)	2008	3.750%	2023	546,380
Traffic Signal Improvements (425)	2008	3.750%	2023	226,150
Spencer St. SW Improvements (447)	2008	3.750%	2023	1,222,450
SW Improvements/Route 13 Improvements (450)	2008	3.750%	2023	1,167,950
S. Aurora St. Bridge Over Six Mile Creek Rehab (486)	2008	3.750%	2023	161,880
Cass Park Waterfront Trail (445)	2008	3.750%	2023	177,770
LED Traffic Signal Replacement (498)	2008	3.750%	2023	43,210
Waterfront Trail (445)	2008	3.750%	2023	48,640
GIAC Building Reconstruction (499)	2008	3.750%	2023	185,810
Green St. Reconstruction (477)	2008	3.750%	2023	274,680
Subtotal General Fund				\$ 30,373,046

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Description By Fund	Date of Issue	Interest	Maturity Date	Outstanding
Subtotal Carried Forward				\$ 30,373,046
Sidewalk and Pedestrian Improvements -				
Route 13 (718)	2008	3.750%	2023	142,540
IPD Radio Equipment Replacement (719)	2008	3.750%	2023	57,030
Green St. Reconstruction (477) (a)	2008	6.625%	2023	90,600
Cayuga Green Project Phase II (469) (a)	2008	6.625%	2023	803,570
Cayuga Green Project Phase II (469) (a)	2008	6.625%	2023	378,110
Parking Garage Equipment Acquisition (487)(a)	2008	6.625%	2023	75,430
Green St. Parking Garage (469)(a)	2008	6.625%	2023	2,407,290
St. and Rd. Construction (279)	1998	4.55%	2011	51,732
Acquisition of Fire Vehicle (264)	1998	4.55%	2011	41,888
Acquisition of Fire Vehicle (264)	1998	4.55%	2011	94,946
St. and Rd. Construction (279)	1999	4.05%	2012	88,774
Purchase DPW Land (287)	1999	4.05%	2012	91,263
Daycare Improvements (290)	1999	4.05%	2012	17,068
Parking Lot and Ramp Improvements				
(297/297/304)	1999	4.05%	2012	81,264
Fire Station Reconstruction (246)	1999	4.05%	2012	4,438
Cass Park Pool Improvement (303)	2000	5.30%	2012	19,067
DPW St. and Rd. Construction (294)	2000	5.30%	2012	147,287
Fire Dept. Vehicle Acquisition (301)	2000	5.30%	2012	18,739
Youth Bureau HVAC (244)	2000	5.30%	2012	107,030
Police Elevator Rehabilitation (242)	2000	5.30%	2012	10,485
DPW Sidewalk 1996 (249)	2001	4.64%	2017	24,270
HVAC Lighting City Building (263)	2001	4.64%	2017	11,340
Reconstruction of Cascadilla Boathouse (275)	2001	4.64%	2017	32,370
Wood St. Park Improvements (277)	2001	4.64%	2017	10,310
Acquisition of Substitute Parklands (291)	2001	4.64%	2017	294,990
Mancini Property Acquisition (293)	2001	4.64%	2017	17,460
Tennis Court Reconstruction (310)	2001	4.64%	2017	31,290
West End Parking Lot (346)	2001	4.64%	2017	16,860
West End Sculpture Project (207)	2001	4.64%	2017	20,640
Esty Street Sidewalks (249)	2001	4.64%	2017	15,160
Reconstruction of Streets and Reconstruction of				
Streets and Roads 1998 (350)	2002	4.00%	2013	101,880
DPW Machinery and Apparatus (353)	2002	4.00%	2013	86,150
DPW Sidewalk Program 1998 (249)	2002	4.00%	2013	22,120
Fire Training Center Improvements 1998 (355)	2002	4.00%	2013	14,810
Fuel Tank Upgrade S&F (359)	2002	4.00%	2013	20,650
Commercial Ave. Signal Improvements (360)	2002	4.00%	2013	14,810
Cass Park Rink Energy Improvements (362)	2002	4.00%	2013	45,620
Subtotal General Fund				\$ 35,882,327

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Description By Fund	Date of Issue	Interest	Maturity Date	Outstanding
Subtotal Carried Forward				\$ 35,882,327
Reconstruction of City Pools (363)	2002	4.00%	2013	19,410
Acquisition of Traffic Sign and Supports (365)	2002	4.00%	2013	11,110
Lake St. and University Ave. Reconstruction (371)	2002	4.00%	2013	73,960
City-wide Traffic Calming Improvements (384)	2004	3.60%	2014	133,710
W State St. Reconstruction (328)	2004	3.60%	2014	110,450
Various Park Improvements (442)	2004	3.60%	2014	10,680
Cass Waterfront Trail (445) Grant (b)	2004	3.60%	2014	210,160
Seneca St. Parking Garage (372)	2009	5.625%	2024	166,847
Seneca St. Parking Garage (372)	2009	5.625%	2024	596,035
Green St. Reconstruction (477)	2009	5.625%	2024	266,382
Green St. Reconstruction (477)	2009	5.625%	2024	<u>60,820</u>
 Total General Fund				 \$ <u>37,541,891</u>
 Sewer Fund:				
Sewer System Improvements State (606)	1998	4.625%	2017	\$ 670,000
Reconstruction of IAWWTP State (403J)	1998	4.625%	2017	160,000
Lake St. Sewer Reconstruction (608)	2004	3.38%	2018	200,170
Sewer System Improvements (606)	2004	3.75%	2020	461,700
Sewer System Improvements State (606)	2007	4.125%	2025	903,599
Replace Sewer Lines (611)	2007	4.125%	2025	854,637
Sewer Interceptor Improvements (612)	2007	4.125%	2025	690,430
Sewer Collection Improvements (613)	2007	4.125%	2025	326,552
W. State St. Sewer Reconstruction (609)	2004	3.60%	2014	<u>40,500</u>
 Total Sewer Fund				 \$ <u>4,307,588</u>

CITY OF ITHACA
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Solid Waste Fund:

Recycling Vehicle Acquisition (260)	1997	5.10%	2012	\$	10,540
Solid Waste Truck Acquisition (329)	2001	4.25%*	2015		18,980
Equipment Acquisition Solid Waste Vehicle (457)	2007	4.125%	2025		<u>16,111</u>
Total Solid Waste Fund				\$	<u>45,631</u>

Water Fund:

Planning and Reconstruction of Water Plant	1997	5.10%	2012	\$	217,910
Reconstruction of Water Shed Dam (504)	1997	5.10%	2012		18,810
Water Treatment Improvement (506)	2000	5.50%	2020		640,000
Reconstruction Water Lines (506)	2007	4.125%	2025		905,703
Water Main Improvements SW (512)	2007	4.125%	2025		251,912
Water Treatment Plant Improvement/Replace (510)	2008	3.750%	2023		950,330
Watershed Property Acquisition (292)	2001	4.64%	2017		80,520
W State St. Water Reconstruction (509)	2004	3.60%	2014		<u>40,500</u>
Total Water Fund				\$	<u>3,105,685</u>

Total Serial Bonds - Primary Government \$ 45,000,795

IAWWTP Phosphorus Removal Improvements (409)J EFC

2005 2.769% 2035 \$ 1,975,000

The following table summarizes the City's future debt service requirements as of December 31, 2009:

Year Ending December 31,	Bonds		Bonds and BANs	
	Principal	Interest	Principal	Interest
2010	\$ 3,464,131	\$ 1,938,867	\$ 30,099,567	\$ 2,918,101
2011	3,593,649	1,764,242	3,593,649	1,764,242
2012	3,647,175	1,615,141	3,647,175	1,615,141
2013	3,390,070	1,473,496	3,390,070	1,473,496
2014	3,393,610	1,335,528	3,393,610	1,335,528
2015-2020	15,057,160	4,696,174	15,057,160	4,696,174
2021-2025	10,115,000	2,051,354	10,115,000	2,051,354
2026-2030	2,870,000	548,576	2,870,000	548,576
2031-2035	1,340,000	118,126	1,340,000	118,126
2036-2039	<u>105,000</u>	<u>-0-</u>	<u>105,000</u>	<u>-0-</u>
Total	\$ <u>46,975,795</u>	\$ <u>15,541,504</u>	\$ <u>73,611,231</u>	\$ <u>16,520,738</u>

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

The following table summarizes the City's future lease obligation requirements as of December 31, 2009:

Year Ending <u>December 31,</u>	<u>Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 288,545	\$ 158,236
2011	297,307	149,474
2012	306,475	140,306
2013	316,069	130,712
2014	326,109	120,673
2015-2020	1,599,425	435,711
2021-2022	<u>1,148,103</u>	<u>115,667</u>
 Total	 <u>\$ 4,282,033</u>	 <u>\$ 1,250,779</u>

The following table summarizes the future debt service requirements of the Wastewater Treatment Plant joint venture as of December 31, 2009:

Year Ending <u>December 31,</u>	<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 55,000	\$ 75,367
2011	55,000	73,720
2012	60,000	71,916
2013	60,000	69,952
2014	60,000	67,913
2015-2019	315,000	306,399
2020-2024	360,000	242,330
2025-2029	420,000	165,157
2030-2034	485,000	73,169
2035	<u>105,000</u>	<u>2,168</u>
 Total	 <u>\$ 1,975,000</u>	 <u>\$ 1,148,091</u>

Interest on long-term debt for the year ended December 31, 2009 is as follows:

Interest paid	\$ 2,107,552
Less: Interest accrued in the prior year	(1,099,520)
Plus: Interest accrued in the current year	<u>778,916</u>
 Total Expense	 <u>\$ 1,786,948</u>

CITY OF ITHACA
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

4. Postemployment Benefits Other Than Pensions

In 2008, the City adopted GASB Statement Number 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." Prior to 2008, the City reported the cost of its retiree health care postretirement benefits on a "pay-as-you-go" basis. An actuarial valuation of the City Postretirement Health Care Plans (The Plan) was performed as of January 1, 2010 for the fiscal years ending December 31, 2009 and 2008.

An actuarial valuation of the Plan was performed as of January 1, 2010 using the projected unit cost method.

Plan Description. The Plan is a single-employer, defined benefit healthcare plan administered by the City. The Plan consists of a self insured minimum premium traditional indemnity plan, a self insured PPO plan, and a community rated Medicare supplemental plan to eligible retirees and dependents. The Plan provides medical, prescription drug, dental, and vision benefits to eligible retirees, spouses, and their covered dependents. Benefit provisions are established through negotiations between the City and bargaining units and are renegotiated each three-year period. The City assigns the authority to establish and amend benefit provisions to the City Council for non-bargaining unit employees. The Plan does not issue a stand-alone financial report.

The contribution requirements of Plan members and the City are established and may be amended by the City Council. The City Council has negotiated several collective bargaining agreements, which include obligations of Plan members and the City. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2009, the City contributed \$2,430,955 to the Plan for current premiums. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement Number 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and accumulate sufficient total accruals for all postretirement benefits when due.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation to the City's Plan:

Annual required contribution	\$ 17,174,754
Interest on net OPEB obligation	554,613
Adjustment to annual required contribution	<u>(784,990)</u>
Total Annual OPEB Cost (Expense)	16,944,377
Contributions made (expected)	<u>(2,668,481)</u>
Increase in Net OPEB Obligation	14,275,896
Net OPEB Obligation - January 1, 2009	<u>13,865,323</u>
Net OPEB Obligation - December 31, 2009	<u>\$ 28,141,219</u>

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2008 and 2007 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/09	\$ <u>16,944,377</u>	15.8%	\$ <u>28,141,219</u>
12/31/08	\$ <u>16,070,039</u>	13.7%	\$ <u>13,865,323</u>

Funded Status and Funding Progress - As of December 31, 2010, the Plan was not funded. Actuarial accrued liability for benefits was \$154,102,610; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was \$23,343,418 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 660 percent.

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding funded status of the Plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2010, Actuarial Valuation Report, the projected unit credit method was used. The actuarial value of assets was determined as the accumulation of prior accruals, less benefits paid. Actuarial assumptions included an annual discount rate of 4%. Additional actuarial assumptions included dental and vision trend rates of 4% and an annual medical cost trend rate of 6.80% initially, increased by decrements for the first 4 years to 8.20%, then ultimately to a rate of 4.2% after 74 years, using the SOA Long-Run Medical Cost Trend Model.

C. Interfund Receivables and Payables

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources, primarily to provide services, which are routine annual events for the budget and accounting process.

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Interfund receivables and payables at December 31, 2009 were as follows:

	Interfund Receivables	Interfund Payables	Interfund Revenue	Interfund Expense
General Fund	\$ 747,755	\$ 63,451	\$ 1,647,997	\$ 253,281
Water Fund	39,612	140,719	25,000	332,610
Sewer Fund	55,028	409,801	90,000	381,701
Capital Projects Fund	296,620	3,485,131	162,000	1,053,686
Non-Major Funds	<u>3,084,807</u>	<u>124,720</u>	<u>96,281</u>	<u> </u>
Total	<u>\$ 4,223,822</u>	<u>\$ 4,223,822</u>	<u>\$ 2,021,278</u>	<u>\$ 2,021,278</u>

D. Fund Equity

1. Reserves

Fund equity includes Reserve Funds established for the following purposes:

<u>Purpose</u>	<u>Balance</u> <u>12/31/2009</u>
General Fund:	
Encumbrances	\$ 406,227
Capital	833,858
Inventory	132,054
Insurance	2,007,341
Workers' Compensation	<u>100,000</u>
Total	<u>\$ 3,479,480</u>
Water Fund:	
Encumbrances	\$ 21,581
Capital	3,754,953
Inventory	355,138
Insurance	<u>52,437</u>
Total Water Fund	<u>\$ 4,184,109</u>
Sewer Fund:	
Encumbrances	\$ 2,565
Capital	2,417,904
Inventory	78,259
Insurance	<u>42,186</u>
Total Sewer Fund	<u>\$ 2,540,914</u>

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Refuse and Garbage Fund:		
Encumbrances	\$	<u>10,000</u>
Total Refuse and Garbage Fund	\$	<u>10,000</u>
		Balance
<u>Purpose</u>		<u>End of Year</u>
Miscellaneous Special Revenue Fund:		
Expendable - Cemetery	\$	8,260
Stewart Park Landscaping		27,479
Stewart Park Carousel		1,240
Dewysocki Memorial		283
Rick Gray Memorial		585
Moore		<u>17</u>
Total	\$	<u>37,864</u>
Debt Service Fund: Reserved for Debt	\$	<u>3,315,830</u>

E. Net Assets - Statement of Net Assets

Of the \$13,267,356 reported as unrestricted net assets of the Governmental Activities in the Government-wide Statement of Net Assets, the City Council has designated funds to be set aside for certain purposes or contingencies, as follows:

Unrestricted Net Assets	\$	13,267,356
Designated for:		
Carry-over of prior year's commitments (encumbrances)		440,373
Inventory		565,451
Capital projects		7,006,715
Self insurance		2,101,964
Workers' compensation		100,000
Cemetery Fund		51,852
Equity interest in joint venture, net of related debt		<u>18,067,520</u>
Total Designated Net Assets		<u>28,333,875</u>
Unrestricted, Undesignated Net (Deficit)	\$	<u>(15,066,519)</u>

CITY OF ITHACA
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Note 4 - Joint Ventures

The following is the activity undertaken jointly with another municipality. Except for their equity interest in the joint venture, this activity is excluded from the financial statements of the participating municipalities. Separate financial statements are issued for this joint venture and may be obtained from their administrative office.

TCAT was formed under a consolidation agreement between the City, Tompkins County, and Cornell University effective April 1, 1998. The agreement shall remain in force until October 9, 2021. TCAT began operations on January 1, 1999, with its purpose to provide public transportation in Tompkins County and surrounding areas. As of January 1, 2005, TCAT was reorganized as a 501(c)(3). However, the structure of the Board, and the interest of each party was not changed. Significant provisions of the agreement are as follows:

1. TCAT is governed by a Board of Directors consisting of nine voting members with three members being appointed by each participant in the venture. The General Manager of TCAT is a non-voting ex-officio member of the Board. In addition, the nine voting members of the Board select five additional non-voting, ex-officio members.
2. Interest of each party in surpluses, losses, property, and in debt acquired by TCAT shall be shared equally.
3. Each party makes an annual contribution of equal amounts to the venture. The City's contribution for 2009 was \$829,432. For 2010 the contribution will be \$829,432.
4. The financial statements of TCAT are audited annually and may be obtained from their administrative office. The following is an audited summary of financial information included in financial statements for the joint venture as of December 31, 2009:

	Year Ending 12/31/09
Total assets	\$ 14,633,655
Total liabilities	3,415,146
Joint venture equity	11,218,509
Total revenues	13,495,974
Total expenses	12,322,480

The following is an activity undertaken jointly with other municipalities. This activity is included in the basic financial statements of the City.

The City and Towns of Ithaca and Dryden jointly own the Ithaca Area Wastewater Treatment Plant. The venture operates under the terms of an agreement dated 1981. The agreement is for a period of 25 years. Significant provisions of the agreement are as follows:

CITY OF ITHACA
 NOTES TO FINANCIAL STATEMENTS
 (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

1. The boards of each municipality jointly act as the governing body for the joint venture.
2. Debt for capital cost is issued by each participant in the following ratios:

City of Ithaca	57.14%
Town of Ithaca	40.88%
Town of Dryden	1.98%

Debt issued by the City for the joint venture is shown in Notes 3.B.2 and 3.

3. The governing body has established charges at rates intended to be self-sustaining to cover all operating costs and debt service. Any shortfall in revenues produced by such charges is to be provided by equal share contributions from the participants.

The following is an audited summary of financial information included in the basic financial statements issued for the joint venture:

	Year Ending <u>12/31/09</u>
Total assets	\$ 28,130,072
Total liabilities	4,485,739
Joint venture equity	23,644,333
Total revenues	3,621,675
Total expenditures	4,655,384

Note 5 - Public Entity Risk Pool

A. Risk Financing

The City participates in a workers' compensation insurance plan (the Plan) sponsored by the Tompkins County Self-Insurance Risk Pool. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Plan members are subject to a supplemental assessment in the event of deficiencies. If the Plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended December 31, 2009, the City incurred premiums or contribution expenditures totaling \$579,918.

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Note 6 - Summary of Significant Commitments and Contingencies

A. General Information

The City is exposed to various risks of loss related to, but not limited to, torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

B. Judgments and Claims

The City and/or its agencies are named in several lawsuits, some of which are for substantial amounts. These claims are either adequately covered by insurance or, in the opinion of City officials, will not result in material judgments against the City or will not be pursued and, therefore, are not expected to have a material effect on the basic financial statements.

C. State and Federally Assisted Programs

The City receives many different state and federal grants to be used for specific purposes. These grants are generally conditioned on compliance with certain statutory, regulatory and/or contractual requirements. The City makes every effort to comply with all applicable requirements. However, because these grants are audited from time to time, it is possible that the City will be required, upon audit, to repay portions of the grant monies received and recorded as revenue in a prior year. City officials do not anticipate material grant-in-aid disallowances, and no provision, therefore, is reflected in the basic financial statements.

D. Other Contingencies

As described in Note 4, the City is a partner in TCAT, a joint venture, and shares equally in surpluses or losses. The City may, in the future, be required to provide additional resources to finance its share of any operating deficits of TCAT. However, that amount, if any, for the year ended December 31, 2009 is undeterminable as of this report date.

Note 7 - Letter of Credit

Under its third party agreement for workers' compensation, the City is required to maintain a \$930,000 letter of credit as collateral for payment of workers' compensation obligations. At December 31, 2009, the City had not utilized this letter of credit.

Note 8 - Subsequent Events

On January 15, 2010, the City issued \$11,283,389 of Public Improvement Serial Bonds, due January 15, 2011 through 2027. The proceeds of the bonds, together with \$3,321,778 in current funds, will be used to refund \$14,605,167 in outstanding BANs maturing on January 16, 2010, issued for various Public improvements.

CITY OF ITHACA
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

On January 15, 2010, the City issued \$7,662,000 of federally taxable Public Improvement Serial Bonds, due January 2011 through 2034. The proceeds of the Bonds, together with \$153,539 in current funds, will be used to refund \$7,815,539 in outstanding BANs maturing on January 15, 2010, issued for various Public Improvements.

On June 15, 2010, the City issued \$4,309,980 worth of BANs due February 15, 2011. The proceeds will provide new monies for various Public Improvements.

On August 5, 2010, the City issued \$4,749,401 of BANs, due August 5, 2011. The proceeds of the BANs, together with \$136,323 in current funds, will be used to refund \$3,230,950 of outstanding BANs which mature on August 6, 2010 and provide \$1,654,774 in new monies used for various projects.

On February 15, 2011, the City issued \$10,311,625 of BANs, due February 15, 2012. The proceeds of the BANs will be used to renew \$4,309,680 of outstanding BANs which mature on February 15, 2011 and provide \$6,001,645 in new monies used for various public improvements.

CITY OF ITHACA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND - NON-GAAP BUDGET BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Original Budget	Final Budget	Actual	Encumbrances	Variance Fav./(Unfav.)
<u>REVENUES</u>					
Real property taxes	\$ 17,487,527	\$ 17,487,527	\$ 17,487,547	\$	\$ 20
Real property tax items	485,050	485,050	533,719		48,669
Nonproperty tax items	12,971,000	12,971,000	12,052,517		(918,483)
Departmental income	3,137,284	3,139,381	3,373,141		233,760
Intergovernmental charges	4,018,791	4,129,291	4,054,865		(74,426)
Use of money and property	445,000	445,000	394,486		(50,514)
Licenses and permits	415,750	415,700	404,584		(11,116)
Fines and forfeitures	930,678	930,678	909,157		(21,521)
Sale of property and compensation for loss	66,121	67,762	117,788		50,026
Miscellaneous local sources	1,252,186	1,252,786	1,302,784		49,998
Interfund revenues	278,609	278,609	278,609		-0-
State sources	3,488,511	3,508,511	3,444,596		(63,915)
Federal sources	272,646	504,676	431,137		(73,539)
Total Revenues	<u>45,249,153</u>	<u>45,615,971</u>	<u>44,784,930</u>	-0-	<u>(831,041)</u>
<u>EXPENDITURES</u>					
Current:					
General governmental support	4,636,502	4,591,796	4,299,275	136,224	156,297
Public safety	14,661,149	14,682,528	14,382,614	153,634	146,280
Transportation	5,472,982	5,495,868	5,244,767	58,733	192,368
Economic assistance and opportunity	61,000	61,000	61,000		-0-
Culture and recreation	5,061,457	5,250,597	5,002,839	30,636	217,122
Home and community services	936,487	1,004,708	902,410	27,000	75,298
Employee benefits	10,293,129	10,625,405	10,487,105		138,300
Debt Service:					
Principal and Interest	6,175,508	6,379,117	6,297,347		81,770
Total Expenditures	<u>47,298,214</u>	<u>48,091,019</u>	<u>46,677,357</u>	406,227	1,007,435
Excess of (Expenditures) Revenues	<u>(2,049,061)</u>	<u>(2,475,048)</u>	<u>(1,892,427)</u>	(406,227)	176,394
<u>OTHER FINANCING SOURCES (USES)</u>					
Interfund transfers in	1,648,297	1,648,297	1,647,997		(300)
Interfund transfers (out)	(91,281)	(91,281)	(253,281)		(162,000)
Total Other Financing Sources	<u>1,557,016</u>	<u>1,557,016</u>	<u>1,394,716</u>	-0-	<u>(162,300)</u>
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	<u>(492,045)</u>	<u>(918,032)</u>	<u>(497,711)</u>	\$ (406,227)	\$ 14,094
Appropriated Fund Balances	<u>492,045</u>	<u>918,032</u>			
Net Change in Fund Balance	\$ <u>-0-</u>	\$ <u>-0-</u>	<u>(497,711)</u>		
Fund Balance, Beginning			<u>9,303,425</u>		
Fund Balance, Ending			<u>\$ 8,805,714</u>		

See Independent Auditor's Report and Notes to Required Supplementary Information

CITY OF ITHACA
 BUDGETARY COMPARISON SCHEDULE
 BUDGETED MAJOR SPECIAL REVENUE FUNDS - NON-GAAP BUDGET BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Sewer Fund				
	Original Budget	Final Budget	Actual	Encumbrances	Variance Fav./Unfav.)
<u>REVENUES</u>					
Departmental income	\$ 5,398,963	\$ 5,398,963	\$ 4,742,107	\$	\$ (656,856)
Intergovernmental charges			249,487		249,487
Use of money and property	40,000	40,000	3,920		(36,080)
Sale of property and compensation for loss	5,000	5,000	9,014		4,014
Miscellaneous local sources					
State sources					
Federal sources					
Total Revenues	<u>5,443,963</u>	<u>5,443,963</u>	<u>5,004,528</u>	-0-	<u>(439,435)</u>
<u>EXPENDITURES</u>					
Current:					
General governmental support	176,183	176,183	120,789		55,394
Home and community services	3,329,302	3,372,620	3,029,071	2,565	340,984
Employee benefits	1,035,911	1,030,680	912,701		117,979
Debt Service:					
Principal and interest	741,380	743,584	739,238		4,346
Total Expenditures	<u>5,282,776</u>	<u>5,323,067</u>	<u>4,801,799</u>	2,565	<u>518,703</u>
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	<u>161,187</u>	<u>120,896</u>	<u>202,729</u>	<u>(2,565)</u>	<u>79,268</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Interfund transfers in	90,000	90,000	90,000		-0-
Interfund transfers (out)	(386,901)	(386,901)	(381,701)		5,200
Total Other Financing (Uses)	<u>(296,901)</u>	<u>(296,901)</u>	<u>(291,701)</u>	-0-	<u>5,200</u>
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	<u>(135,714)</u>	<u>(176,005)</u>	<u>(88,972)</u>	<u>(2,565)</u>	<u>84,468</u>
Appropriated Fund Balances	<u>135,714</u>	<u>176,005</u>			
Net Change in Fund Balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>(88,972)</u>		
Fund Balance, Beginning			<u>3,630,059</u>		
Fund Balance, Ending			<u>\$ 3,541,087</u>		

See Independent Auditor's Report and Notes to Required Supplementary Information

CITY OF ITHACA
 BUDGETARY COMPARISON SCHEDULE
 BUDGETED MAJOR SPECIAL REVENUE FUNDS - NON-GAAP BUDGET BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Water Fund				
	Original Budget	Final Budget	Actual	Encumbrances	Variance Fav./Unfav.)
<u>REVENUES</u>					
Departmental income	\$ 3,111,121	\$ 3,111,121	\$ 2,751,373	\$	\$ (359,748)
Intergovernmental charges			224		224
Use of money and property	55,000	55,000	46,537		(8,463)
Sale of property and compensation for loss	2,500	2,500	10,984		8,484
Federal sources			30,021		30,021
Total Revenues	3,168,621	3,168,621	2,839,139	-0-	(329,482)
<u>EXPENDITURES</u>					
Current:					
General governmental support	155,787	155,787	96,968		58,819
Home and community services	2,027,441	2,075,144	1,932,141	21,581	121,422
Employee benefits	594,979	586,255	535,255		51,000
Debt Service:					
Principal and interest	486,052	485,872	485,872		
Total Expenditures	3,264,259	3,303,058	3,050,236	21,581	231,241
Excess of (Expenditures)	(95,638)	(134,437)	(211,097)	(21,581)	(98,241)
<u>OTHER FINANCING SOURCES (USES)</u>					
Interfund transfers in	25,000	25,000	25,000		-0-
Interfund transfers (out)	(336,110)	(336,110)	(332,610)		3,500
Total Other Financing Sources (Uses)	(311,110)	(311,110)	(307,610)	-0-	3,500
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	(406,748)	(445,547)	(518,707)	\$ (21,581)	\$ (94,741)
Appropriated Fund Balances	406,748	445,547			
Net Change in Fund Balance	\$ -0-	\$ -0-	(518,707)		
Fund Balance, Beginning			6,131,734		
Fund Balance, Ending			\$ 5,613,027		

See Independent Auditor's Report and Notes to Required Supplementary Information

CITY OF ITHACA
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED DECEMBER 31, 2009

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2009	1/1/2010	\$ <u>-0-</u>	\$ <u>154,102,610</u>	\$ <u>154,102,610</u>	0.0%	\$ <u>23,343,418</u>	660%
12/31/2008	1/1/2010	\$ <u>-0-</u>	\$ <u>143,189,980</u>	\$ <u>143,189,980</u>	0.0%	\$ <u>22,588,908</u>	634%

See Independent Auditor's Report and Notes to Required Supplementary Information

CITY OF ITHACA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009

Note 1 - Budgeting Policies

The budget policies are as follows:

1. No later than September 1, the budget officer submits a tentative budget to the Common Council for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
2. After public hearings are conducted to obtain taxpayer comments, no later than December 31, the governing board adopts the budget.
3. All modifications of the budget must be approved by the governing board. (However, the Controller is authorized to transfer certain budgeted amounts within departments.)

Note 2 - Budget Basis of Accounting

Except as indicated below, budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. Encumbrances are not considered a disbursement in the financial plan or an expenditure in GAAP based financial statements. Encumbrances reserve a portion of the applicable appropriation for purchase orders, contracts, and other commitments not expended at year end, thereby ensuring that appropriations are not exceeded.

An annual legal budget is not adopted for the Special Grant Fund, which is one of the Special Revenue Funds. Budgetary controls for the Special Grant Fund are established in accordance with the applicable grant agreements. The Special Grant Fund also covers a period other than the City's fiscal year.

Note 3 - Reconciliation of the General Fund Budget Basis to GAAP

No adjustment is necessary to convert the General Fund's excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis. Encumbrances, if present, are presented in a separate column and are not included in the actual results at December 31, 2009.

Note 4 - Schedule of Funding Progress

The Schedule of Funding Progress, presented as required supplementary information presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF ITHACA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	Special Revenue Funds		
	Refuse and Garbage Fund	Urban Renewal Agency Fund	Miscellaneous Fund
<u>ASSETS</u>			
Assets:			
Cash and cash equivalents - Unrestricted	\$ 60,005	\$	\$ 5,069
Due from other funds	23,900		8,211
Other receivables, net	28,595	398,079	
Prepaid expenses	9,535		
Restricted cash and cash equivalents			24,584
 Total Assets	 \$ 122,035	 \$ 398,079	 \$ 37,864
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 23,223	\$	\$
Due to other funds	116,509		
Due to other governments	2,726	273,079	
Other liabilities	(252)		
Deferred revenues			
 Total Liabilities	 142,206	 273,079	 -0-
Fund Balances:			
Fund Balances - Reserved:			
Encumbrances	10,000		
Debt			
Miscellaneous			37,864
 Total Reserved	 10,000	 -0-	 37,864
Fund Balances - Unreserved, Reported in:			
Special Revenue Funds:			
Unappropriated	(30,171)	125,000	
Permanent Funds - Appropriated			
Total Fund Balances	(20,171)	125,000	37,864
 Total Liabilities and Fund Balances	 \$ 122,035	 \$ 398,079	 \$ 37,864

See Independent Auditor's Report

Debt Service Fund	Permanent Fund	Total Non-Major Governmental Funds
\$ 642,042	\$ 60,063	\$ 767,179
<u>3,052,696</u>		<u>3,084,807</u>
		<u>426,674</u>
		<u>9,535</u>
		<u>24,584</u>
<u>\$ 3,694,738</u>	<u>\$ 60,063</u>	<u>\$ 4,312,779</u>
\$	\$	\$ 23,223
	8,211	<u>124,720</u>
		<u>275,805</u>
		<u>(252)</u>
<u>378,908</u>		<u>378,908</u>
<u>378,908</u>	<u>8,211</u>	<u>802,404</u>
		<u>10,000</u>
<u>3,315,830</u>		<u>3,315,830</u>
		<u>37,864</u>
<u>3,315,830</u>	<u>-0-</u>	<u>3,363,694</u>
		<u>94,829</u>
	<u>51,852</u>	<u>51,852</u>
<u>3,315,830</u>	<u>51,852</u>	<u>3,510,375</u>
<u>\$ 3,694,738</u>	<u>\$ 60,063</u>	<u>\$ 4,312,779</u>

CITY OF ITHACA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Special Revenue Funds		
	Refuse and Garbage Fund	Urban Renewal Agency Fund	Miscellaneous Fund
<u>REVENUES</u>			
Departmental income	\$ 472,157	\$	\$
Use of money and property	161		223
Sale of property and compensation for loss	2,700		
Total Revenues	<u>475,018</u>	<u>-0-</u>	<u>223</u>
<u>EXPENDITURES</u>			
Current:			
Home and community services	421,258		
Employee benefits	142,053		
Debt Service:			
Principal	6,505		
Interest	4,812		
Total Expenditures	<u>574,628</u>	<u>-0-</u>	<u>-0-</u>
Excess of (Expenditures) Revenues	<u>(99,610)</u>	<u>-0-</u>	<u>223</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Interfund transfers in	96,281		
Premiums on obligations			
Total Other Financing Sources	<u>96,281</u>	<u>-0-</u>	<u>-0-</u>
Excess of Revenues and Other Financing Sources Over (Expenditures) and Other (Uses)	<u>(3,329)</u>	<u>-0-</u>	<u>223</u>
Fund Balances, Beginning	<u>(16,842)</u>	<u>125,000</u>	<u>37,641</u>
Fund Balances, Ending	<u>\$ (20,171)</u>	<u>\$ 125,000</u>	<u>\$ 37,864</u>

See Independent Auditor's Report

Debt Service Fund	Permanent Fund	Total Non-Major Governmental Funds
\$	\$	\$
		472,157
2,551	529	3,464
		2,700
2,551	529	478,321
		421,258
		142,053
		6,505
60,449		65,261
60,449	-0-	635,077
(57,898)	529	(156,756)
		96,281
100,065		100,065
100,065	-0-	196,346
42,167	529	39,590
3,273,663	51,323	3,470,785
\$ 3,315,830	\$ 51,852	\$ 3,510,375

John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
Thomas K. Van Derzee, C.P.A.
Debbie Conley Jordan, C.P.A.
Patrick S. Jordan, C.P.A.
Duane R. Shoen, C.P.A.
Lesley L. Horner, C.P.A.
D. Leslie Spurgin, C.P.A.



**Ciaschi • Dietershagen • Little • Mickelson
& Company, LLP**

Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Common Council
City of Ithaca
Ithaca, New York

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Ithaca (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. A material weakness is described in the accompanying Schedule of Findings and Questioned Costs as item 03-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

- 52 -

CORTLAND

39 Church Street
Cortland, New York 13045
607-753-7439
fax 607-753-7874

ITHACA

401 East State Street ~ Suite 500
Ithaca, New York 14850
607-272-4444
fax 607-273-8372
www.cdlim.com

WATKINS GLEN

108 West Fourth Street
Watkins Glen, New York 14891
607-535-4443
fax 607-535-6220

We noted certain matters that we reported to management of the City, in a separate letter dated July 5, 2011.

This report is intended solely for the information and use of the Common Council and management of the City of Ithaca, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cinchi, Distulyn, Little, Mickelson & Co., LLP

July 5, 2011
Ithaca, New York

John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
Thomas K. Van Derzee, C.P.A.
Debbie Conley Jordan, C.P.A.
Patrick S. Jordan, C.P.A.
Duane R. Shoen, C.P.A.
Lesley L. Horner, C.P.A.
D. Leslie Spurgin, C.P.A.



**Ciaschi • Dietershagen • Little • Mickelson
& Company, LLP**

Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Common Council
City of Ithaca
Ithaca, New York

Compliance

We have audited the compliance of the City of Ithaca (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

- 54 -

CORTLAND

39 Church Street
Cortland, New York 13045
607-753-7439
fax 607-753-7874

ITHACA

401 East State Street ~ Suite 500
Ithaca, New York 14850
607-272-4444
fax 607-273-8372
www.cdlm.com

WATKINS GLEN

108 West Fourth Street
Watkins Glen, New York 14891
607-535-4443
fax 607-535-6220

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 03-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of Common Council and management of the City of Ithaca, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cinchi, Ditzel, Little, Mickelson & Co., LLP

July 5, 2011
Ithaca, New York

CITY OF ITHACA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2009

Federal Grantor/Pass - Through Grantor Program Title	Federal CFDA #	Pass - Through Grantor #	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Community Development Block Grant:			
Entitlement Grant	14.218	N/A	\$ 1,633,712
Entitlement Grant - ARRA	14.218	N/A	119,595
Total Community Development Block Grant			<u>1,753,307</u>
Home Investment Partnerships Program:			
Entitlement Grant	14.239	N/A	<u>754,077</u>
Total U.S. Department of Housing and Urban Development			<u>2,507,384</u>
<u>U.S. Department of Transportation</u>			
Passed Through NYS Department of Transportation:			
Highway Planning and Construction	20.205	D017922	161,408
Highway Planning and Construction	20.205	D030243	46,768
Highway Planning and Construction	20.205	D032070	<u>83,973</u>
Total U.S. Department of Transportation			<u>292,149</u>
Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements	66.436	N/A	<u>30,021</u>
<u>U.S. Department of Justice</u>			
Edward Byrne Memorial Justice Assistance Grant	16.804	N/A	<u>37,538</u>
<u>U.S. Department of Health & Human Services</u>			
Passed Through Tompkins County:			
Temporary Assistance to Needy Families	93.558	(1)	<u>171,596</u>
<u>U.S. Department of Education</u>			
Safe and Drug Free Schools and Communities - National Program	84.184B	N/A	<u>148,535</u>
Total Expenditures of Federal Awards			<u>\$ 3,187,223</u>

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

CITY OF ITHACA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the City, an entity as defined in Note 1 to City's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2 - Basis of Accounting

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the financial statements.

CITY OF ITHACA
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

Section I - **Summary of Auditor's Results:**

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.239	HOME Investment Partnership Programs

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee: yes no

CITY OF ITHACA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2009

Section II - Financial Statement Findings:

03-1 Noncompliance with OMB Circular A-133

Late Filing of Single Audit Reporting Package

Condition/Criteria:

Under the Single Audit Act of 1996 and OMB Circular A-133, the City was required to file the Single Audit reporting package by the end of the 9th month following the end of the fiscal year. This deadline was not met on a timely basis for the years ended December 31, 2003 through 2009.

Cause:

The City experienced difficulties in obtaining the information necessary to implement GASB Statement Number 34, for the years ending December 31, 2003 and 2004, resulting in late completion of financial statements for those years. In subsequent years, the City has endeavored to reestablish a current time line for financial reporting.

Recommendation:

We recommend the requirements of OMB Circular A-133 be adhered to by striving to have all information required for the audit available on a timely basis. This will help to insure timely audit report issuance and compliance with the filing deadline.

Corrective Action Plan:

Due to the delay in providing the information required to implement GASB Statement Number 34, the City was late in filing the Single Audit reporting package for the years ended December 31, 2003 through December 31, 2009. The completion of the reporting package for the year ending December 31, 2009 is scheduled to be complete by December 31, 2010. The City of Ithaca will adhere to filing deadlines prescribed by OMB Circular A-133 for all future audits.

Questioned Costs: Undeterminable

Section III - Federal Award Findings and Questioned Costs:

None



CITY OF ITHACA
108 East Green Street, Ithaca, New York 14850-5690

Office of City Controller
Telephone: 607 / 274-6576 Fax: 607 / 274-6415

July 29, 2011

Mr. John Shehadi
Fiscal Advisors & Marketing, Inc.
120 Walton Street, Suite 600
Syracuse, NY 13202

Re: **City of Ithaca
Corrective Action Report – Report of Examination
For the Year Ended December 31, 2009
Draft Financial Report Approved by City Administration Committee June 29, 2011
and Final Report Approved by Common Council July 6, 2011**

To Whom It May Concern:

The City of Ithaca's 2009 Single Audit Report was approved by the City's Common Council (CC) on July 6, 2011. The Single Audit was performed by Ciaschi, Dietershagen, Little and Mickelson, CPA's, Suite 500, 401 East State Street, Ithaca, New York 14850.

The single audit and report was conducted and written in accordance with *generally accepted auditing standards, Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of the U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of States and Local Governments and Non-Profit Organizations*, and in accordance with *GASB 34 financial reporting standards*.

There was one material current year or prior year instance of control weaknesses in internal structures and/or noncompliance with Laws and Regulations noted during the 2009 Single Audit.

A. Finding: Late Filing of Single Audit Reporting Package.

Corrective Action: The Finance Office is making slow progress in this area. A continued heavy work load compared to staff available makes it difficult to make instant progress on the financial reporting. We are making positive changes in financial systems to improve future financial reporting. The Finance Office was without full staff for almost two years. In addition, the City completed all GASB 34 requirements in house. The result of these factors was untimely financial reporting. The city is now at full authorized staff levels and working as quickly as possible to catch up on late financial reports. We suggest an additional accounting staff member be added to our office, but the City's current financial status does not allow for additional staff. We have

made progress on our timely reporting of the single audit. The Finance Department's continued goal is to catch up on financial reporting and then stay timely thereafter. To help achieve this goal we have recently been authorized by Common Council to hire outside contractual accounting help to assist our office with our reporting activity. The current audit schedule is as follows:

2010 Audit Report: To be completed no later than December 2011 with approval no later than January 31, 2012.

2011 Audit Report: To be completed by September 2012 as required.

In the current year 2009 management letter, the auditors made the following comments that are immaterial, but made to help strengthen our internal controls:

B. Finding: Fixed Assets are accounted for in a spreadsheet program instead of our financial program MUNIS. (Recurring comment)

Corrective Action: City staff will be converting these fixed asset files to MUNIS as time permits.

C. Finding: It was noted that any employee with access to our financial software MUNIS can change vendor records. (Recurring comment)

Corrective Action: We are currently reviewing MUNIS for possible security improvements. Until permanent improvements in the financial software can be made; we have implemented a vendor review policy.

D. Finding: Bidding needed for purchase of auto parts or service for vehicle maintenance. (Recurring comment)

Corrective Action: We are in the process of developing bid specifications for the bidding of auto parts and related vehicle maintenance service. We expect the bid specifications will be available during 2011.

E. Finding: Checks held at year end. (Recurring comment)

Corrective Action: Applicable City staff is meeting to develop policies related to year end check disbursement activity. We expect a late 2010 implementation date.

F. Finding: Capital fund not on City's financial system MUNIS. (Recurring comment)

Corrective Action: City staff is currently in process of converting the Capital fund to MUNIS. This process has been slow as we have run into some difficulty converting these files. We continue to work on converting these files to our MUNIS financial system and expect this process to be completed by the end of the first quarter 2012.

G. Finding: Outstanding checks policy needed. (Recurring comment)

Corrective Action: We now have a policy in place to review old, outstanding checks. The policy and applicable review of outstanding checks should resolve the issue. The policy was established in 2010.

H. Finding: No physical inventory of Capital Assets has taken place in recent years. (Recurring comment)

Corrective Action: Due to limitations of City staff and resources, a full physical inventory has not been done for several years. However, we do perform a full physical inventory on all of the City's largest and most expensive assets. We will perform a full physical inventory as soon as resources become available to do so.

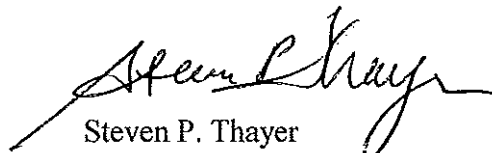
I. Finding: Payroll Coordinator is responsible for master employee files as well as processing payroll. (Recurring comment)

Corrective Action: We believe the current controls and segregation of duties is sufficient, but could be improved. We are evaluating the cost and benefit of further segregating this area. We are evaluating the entire payroll process with hopes to make it more efficient.

No other current year findings or weaknesses in internal control structures and/or noncompliance with laws and regulations were noted during the 2009 single audit. We should note that increased restrictions from New York State on property taxes will place additional pressure on our already limited resources.

Should you have any questions or require clarification of the information presented herein, please do not hesitate to contact my office at 607-274-6577.

Sincerely,



Steven P. Thayer
City Controller

SPT/dr

John H. Dietershagen, C.P.A.
Jerry E. Mickelson, C.P.A.
Thomas K. Van Derzee, C.P.A.
Debbie Conley Jordan, C.P.A.
Patrick S. Jordan, C.P.A.
Duane R. Shoen, C.P.A.
Lesley L. Homer, C.P.A.
D. Leslie Spurgin, C.P.A.



**Ciaschi • Dietershagen • Little • Mickelson
& Company, LLP**

Certified Public Accountants and Consultants

Frederick J. Ciaschi, C.P.A.

MANAGEMENT COMMENT LETTER

Common Council
City of Ithaca
Ithaca, New York

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Ithaca (the City) for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did identify a deficiency in internal control that we consider to be a material weakness, as defined above. That deficiency is defined in the Schedule of Findings and Questioned Costs as 03-1.

During our audit, we also became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our current and prior year comments and recommendations regarding these matters. This letter does not affect our report dated July 5, 2011 on the financial statements of the City of Ithaca.

CORTLAND

39 Church Street
Cortland, New York 13045
607-753-7439
fax 607-753-7874

ITHACA

401 East State Street ~ Suite 500
Ithaca, New York 14850
607-272-4444
fax 607-273-8372
www.cdlim.com

WATKINS GLEN

108 West Fourth Street
Watkins Glen, New York 14891
607-535-4443
fax 607-535-6220

OTHER MATTERS

Recurring Comments

Fixed Asset Accounting

Finding:

Currently, the City accounts for fixed assets in spreadsheets and does not enter the information in the City's financial software system. The City plans on installing an upgrade to MUNIS and will implement the fixed asset module at completion of the upgrade.

Recommendation:

We recommend the City convert its current accounting process to incorporate fixed assets in its financial software system as soon as is feasible.

Access to Vendor Records

Finding:

Upon inquiry of the City during the current and prior year audits, it was determined any employee with access to MUNIS can change vendor records. This allows for the potential of one individual creating a ghost vendor and processing checks to said vendor.

Recommendation:

We recommend the City review access to MUNIS and limit access to those with a logical need for such access. If deemed impractical to sufficiently limit access, we recommend the City implement a procedure specifying all new vendors be reviewed and approved.

Bid Documentation for Cash Disbursement

Finding:

During our current and prior year audits, we randomly selected and tested vendors for compliance with New York State bidding requirements. During our 2009 audit, we noted bidding procedures were followed, except for auto parts and services. During 2008 and 2007, we noted one vendor in 2008 and three vendors in 2007 in excess of the bidding threshold, with no evidence of either bids or purchases made under State contract.

Recommendation:

We recommend the City develop procedures governing procurement of auto parts and services to ensure these commodities are bid each year, or purchased under State contract.

Held Checks

Finding:

During the current and prior year audits, we noted a significant number of checks from various City accounts written but not sent to vendors until several days later. As a result, these bank accounts showed a large negative book balance. This practice has the effect of understating both cash and accounts payable balances. Through inquiry of City personnel, it was determined that the condition was related to the audit process at year end. It was also noted that blank checks are held in the vault to be backdated if necessary and are subsequently destroyed if not used.

Recommendation:

We recommend procedures be developed and implemented stating checks only be written when funds are available and with the intention of sending payments out within a reasonable amount of time. City staff has begun meeting to develop such procedures. We also recommend not holding blank checks in the vault for the purpose of backdating them.

Capital Project Accounting

Finding:

Currently, the City accounts for the Capital Fund in spreadsheets and does not enter information in the City's financial software system.

Recommendation:

We recommend the City convert its current accounting to incorporate the Capital Fund in its financial software system.

Outstanding Checks

Finding:

During our current and prior year audits, we noted several checks outstanding for several months. No policy was in place for resolving these outstanding checks. Subsequently, the City implemented a procedure whereby the Chamberlain's office reviews outstanding checks on a regular basis and, if needed, consults with the Controller's office as to their proper disposition.

Recommendation:

We recommend the City continue its efforts to research old outstanding checks in order to determine proper disposition.

Current Status:

We noted significant improvement in this area.

Physical Inventory of Capital Assets

Finding:

During our current and prior year audits, we noted no formal physical inventory of capital assets has taken place in recent years. The current list was created using lists provided by each department from the last physical inventory. A current physical inventory is necessary to ensure records only include assets currently in use.

Recommendation:

We continue to recommend the City perform a physical inventory of all capital assets and adjust records as necessary.

Payroll Department Segregation of Duties

Finding:

During our current and prior year audits, we noted the Payroll Coordinator is responsible for changing master employee files as well as processing payroll. This creates an opportunity whereby one person could create a fictitious employee or change employee information and process payment to said employee. However, the City does have a compensating control in place requiring department heads to review checks before issuance.

Recommendation:

We continue to recommend the City review procedures and individual responsibilities for payroll and human services functions to determine whether a greater segregation of duties can be efficiently achieved. As a compensating control, the City can investigate the possibility of producing a payroll exceptions report indicating new employees and significant changes in pay.

RESOLVED FINDING

Accounts Payable

Finding:

During our prior year audit, we noted accounts payable in the Capital Fund included old payables which were not valid.

Resolution:

Accounts payable appear properly recorded at year end.

DISCUSSION ISSUES

Consideration of GASB 54 Accounting Policy Change

GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions" is effective for the December 31, 2011 financial statements, which reclassifies fund balances into the following five categories:

- Nonspendable
- Restricted
- Committed
- Assigned
- Unassigned

This letter does not affect our report, dated July 5, 2011 on the basic financial statements of the City of Ithaca.

This communication is intended solely for the information and use of the Common Council and management of the City of Ithaca, and is not intended to be and should not be used by anyone other than these specified parties.

Cinchi, Distulyn, Little, Mickelson & Co., LLP

July 5, 2011
Ithaca, New York

FORM OF BOND COUNSEL'S OPINION – SERIES A NOTES

February 15, 2012

City of Ithaca,
County of Tompkins
State of New York

Re: City of Ithaca, County of Tompkins, New York
\$17,728,019 Bond Anticipation Notes, 2012 Series A

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$17,728,019 Bond Anticipation Notes, 2012 Series A (the "Obligations"), of the City of Ithaca, County of Tompkins, State of New York (the "Obligor"), dated February 15, 2012, in the denomination of \$17,728,019, bearing interest at the rate of _____ % per annum, payable at maturity, and maturing February 15, 2013.

We have examined:

- (1) the Constitution and statutes of the State of New York;
- (2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code");
- (3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligations that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligations not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligations and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligations to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligations and investment earnings thereon on certain specified purposes (the "Arbitrage Certificate"); and
- (4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the obligations and interest thereon subject to applicable statutory limitations provided; however, the enforceability (but not the validity) of the Obligations: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.

- (b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligations; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.
- (c) Interest on the Obligations is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Interest on the Obligations is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Obligations.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligations) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligations to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligations and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

Orrick, Herrington & Sutcliffe LLP

FORM OF BOND COUNSEL'S OPINION – SERIES B NOTES

February 15, 2012

City of Ithaca,
County of Tompkins
State of New York

Re: City of Ithaca, County of Tompkins, New York
\$135,000 Bond Anticipation Notes, 2012 Series B (Federally Taxable Series)

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$135,000 Bond Anticipation Notes, 2012 Series B (Federally Taxable Series) (the "Obligations"), of the City of Ithaca, County of Tompkins, State of New York (the "Obligor"), dated February 15, 2012, in the denomination of \$135,000, bearing interest at the rate of % per annum, payable at maturity, and maturing February 15, 2013.

We have examined the Constitution and statutes of the State of New York and a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligations, including the form of the Obligations. In rendering the opinions expressed herein we have assumed the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

- (a) The Obligations have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Obligor all the taxable real property within which is subject to the levy of ad valorem taxes to pay the obligations and interest thereon, subject to applicable statutory limitations provided; however that the enforceability (but not the validity) of the Obligations. (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.
- (b) Interest on the Obligations is includable in the gross income of the owners thereof for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligations has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. We call attention to the fact that the rights and obligations under the Obligations their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligations has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligations as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligations for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligations, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

Orrick, Herrington & Sutcliffe LLP