

PRELIMINARY OFFICIAL STATEMENT

NEW ISSUE

BOND RATING: Moody's Investors Service "Aa1"

SERIAL BOND

See "BOND RATING" herein

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 Bonds 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 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Bonds 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 amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

The Bonds will be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.



\$4,150,000

TOWN OF ITHACA

TOMPKINS COUNTY, NEW YORK

GENERAL OBLIGATIONS

\$4,150,000 Public Improvement (Serial) Bonds, 2018

(referred to herein as the "Bonds")

Dated: December 6, 2018

Due: December 1, 2019-2033

MATURITIES**

Year	Amount	Rate	Yield	CSP	Year	Amount	Rate	Yield	CSP	Year	Amount	Rate	Yield	CSP
2019	\$220,000	%	%		2024	\$260,000	%	%		2029	\$300,000*	%	%	
2020	230,000				2025	265,000				2030	310,000*			
2021	235,000				2026	275,000*				2031	320,000*			
2022	240,000				2027	285,000*				2032	330,000*			
2023	250,000				2028	290,000*				2033	340,000*			

* The Bonds maturing in the years 2026-2033 are subject to redemption prior to maturity as described herein under the heading "Optional Redemption."

** Subject to change pursuant to the accompanying Notice of Private Competitive Bond Sale in order to achieve substantially level or declining annual debt service.

The Bonds are general obligations of the Town of Ithaca, Tompkins County, New York (the "Town"), all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, subject to applicable statutory limits imposed by Chapter 97 of the Laws of 2011 of the State of New York. See "TAX LEVY LIMITATION LAW" and "NATURE OF THE OBLIGATION" herein.

The Bonds will be issued as registered bonds and may be registered, at the option of the purchaser, in the name of the purchaser or in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which, if so elected by the purchaser, will act as securities depository for the Bonds. If the Bonds are issued in book-entry form, individual purchases will be in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on June 1, 2019, December 1, 2019 and semi-annually thereafter on June 1 and December 1 in each year until maturity. Principal and interest will be paid by the Town to DTC, which will in turn remit such principal and interest to its participants, for subsequent distribution to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. If the Bonds are issued in registered certificated form, the Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Paying agent fees, if any, in such case are to be paid by the purchaser. The Bonds may not be converted into coupon bonds or be registered to bearer.

Proposals for the Bonds shall be for not less than \$4,150,000 and accrued interest, if any, on the total principal amount of the Bonds. A good faith deposit will not be required.

The Bonds are offered when, as and if issued and received by the purchaser and subject to the receipt of the approving legal opinion as to the validity of the Bonds of Orrick, Herrington & Sutcliffe, LLP, Bond Counsel, New York, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC located in Jersey City, New Jersey or as may be agreed upon on or about December 6, 2018.

ELECTRONIC BIDS for the Bonds must be submitted via Fiscal Advisors Auction website ("Fiscal Advisors Auction") accessible via www.fiscaladvisorsauction.com on November 20, 2018 until 11:00 A.M., Eastern Time, pursuant to the Notice of Private Competitive Bond Sale. No other form of electronic bidding services will be accepted. No bid will be received after the time for receiving bids specified above. Bids may also be submitted by facsimile at (315) 930-2354. Once the bids are communicated electronically via Fiscal Advisors Auction or facsimile to the Town, each bid will constitute an irrevocable offer to purchase the Bonds pursuant to the terms provided in the Notice of Private Competitive Bond Sale.

November 9, 2018

THE TOWN 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, AS MORE FULLY DESCRIBED IN THE NOTICE OF PRIVATE COMPETITIVE BOND SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. FOR A DESCRIPTION OF THE DISTRICT'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS AS DESCRIBED IN THE RULE, SEE "APPENDIX C - CONTINUING DISCLOSURE UNDERTAKING" HEREIN.

TOWN of ITHACA

TOMPKINS COUNTY, NEW YORK



TOWN OFFICIALS

WILLIAM GOODMAN
Supervisor

TOWN BOARD

RICH DEPAOLO
PAMELA BLEIWAS
PAT LEARY

TEE-ANN HUNTER
ERIC LEVINE
ROD HOWE

ADMINISTRATION

PAULETTE ROSA
Town Clerk

MICHAEL T. SOLVIG
Town Finance Officer

JAMES WEBER
Superintendent of Highways

SUSAN H. BROCK, ESQ.
Attorney for the Town of Ithaca



FISCAL ADVISORS & MARKETING, INC.
Municipal Advisors



ORRICK, HERRINGTON & SUTCLIFFE LLP
Bond Counsel

No person has been authorized by the Town 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 Bonds 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 Town.

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PREPARED WITH THE ASSISTANCE OF



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

Relating To
\$4,150,000 Public Improvement (Serial) Bonds, 2018

This Official Statement, which includes the cover page and appendices, has been prepared by the Town of Ithaca, Tompkins County, New York (the "Town," "County," and "State," respectively), in connection with the sale by the Town of its aggregate principal amount of \$4,150,000 Public Improvement (Serial) Bonds, 2018 (referred to herein as the "Bonds").

The factors affecting the Town's financial condition and the Bonds are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the Town'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 Town 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 Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and such proceedings.

NATURE OF THE OBLIGATION

Each Bond when duly issued and paid for will constitute a contract between the Town and the holder thereof.

Holders of any series of notes or bonds of the Town may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Bonds will be general obligations of the Town and will contain a pledge of the faith and credit of the Town for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the Town has power and statutory authorization to levy ad valorem taxes on all real property within the Town subject to such taxation by the Town, subject to applicable statutory limitations.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay "interest on or principal of indebtedness theretofore contracted" prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). 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 local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the Town is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the Town's power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See "TAX LEVY LIMITATION LAW" herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State's highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

"A pledge of the city's faith and credit is both a commitment to pay and a commitment of the city's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the Town's "faith... and credit" is secured by a promise both to pay and to use in good faith the city's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, "faith" and "credit" are used and they are not tautological. That is what the words say and this is what the courts have held they mean... So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the

Town's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted... While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

In addition, the Court of Appeals in the Flushing National Bank (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term "faith and credit" in its context is "not qualified in any way". Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, "with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations." According to the Court in Quirk, the State Constitution "requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness."

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

THE BONDS

Description of the Bonds

The Bonds are general obligations of the Town, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the Town is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, subject to applicable statutory limitations. See "NATURE OF THE OBLIGATION" and "TAX LEVY LIMITATION LAW" herein.

The Bonds will be dated December 6, 2018 and will mature in the principal amounts and on the dates as set forth on the cover page. The Bonds are subject to redemption prior to maturity as described herein under the heading "Optional Redemption." The "Record Date" of the Bonds will be the fifteenth day of the calendar month preceding each such interest payment date. Interest will be calculated on a 30-day month and 360-day year basis.

The Bonds will be issued as registered bonds and, when issued, if issued in book-entry only form, will be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on June 1, 2019, December 1, 2019 and semi-annually thereafter on June 1 and December 1 in each year until maturity. Principal and interest will be paid by the Town to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein. If the Bonds are issued in registered certificated form, the Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Paying agent fees, if any, in such case are to be paid by the purchaser. The Bonds may not be converted into coupon bonds or be registered to bearer.

Optional Redemption

The Bonds maturing on or before December 1, 2025 shall not be subject to redemption prior to maturity. The Bonds maturing on or after December 1, 2026 shall be subject to redemption prior to maturity as a whole or in part (and by lot if less than all of a maturity is to be redeemed) at the option of the Town on December 1, 2025 or on any date thereafter at par (100.0%), plus accrued interest to the date of redemption.

If less than all of the Bonds of any maturity are to be redeemed, the particular Bonds of such maturity to be redeemed shall be selected by the Town by lot in any customary manner of selection as determined by the Town Supervisor. Notice of such call for redemption shall be given by mailing such notice to the registered holders not more than sixty (60) days nor less than thirty (30) days prior to such date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable, together with interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

Purpose of Issue

The Bonds are issued pursuant to the Constitution and statutes of New York State, including among others, the Town Law and the Local Finance Law, and bond resolutions adopted by the Town Board authorizing the following:

<u>Project</u>	<u>Authorization Date</u>	<u>Bond Amount</u>
Trumansburg Water Tank Replacement	2/8/2016	\$ 711,000
Park Lane Water Main Replacement	4/11/2016	500,000
Sapsucker Woods Road Water Main Replacement	4/11/16 & 2/13/17	468,000
Christopher Circle Water Main Replacement	4/11/16 & 2/13/17	371,000
Ellis Hollow Water Tank & Main Replacement	3/12/2018	<u>2,100,000</u>
Total Bond Amount:		<u>\$ 4,150,000</u>

The proceeds of the Bonds will provide \$4,150,000 in new money for the aforementioned purposes.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds, if requested. The Bonds 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 bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest depository, 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 3.5 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 is the holding company for DTC, National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds 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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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 Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds 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 upon DTC's receipt of funds and corresponding detail information from the Town, on payable dates 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 Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town, 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 Bonds at any time by giving reasonable notice to the Town. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

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

Source: The Depository Trust Company.

THE TOWN CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE BONDS; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, 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 TOWN 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 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 BONDS.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE TOWN 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 Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Town and discharging its responsibilities with respect thereto under applicable law, or the Town may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof for any single maturity. Principal of the Bonds when due will be payable upon presentation at the office of a bank or trust company located and authorized to do business in the State as a fiscal agent bank to be named by the Town upon termination of the book-entry-only system. Interest on the Bonds will be payable on June 1, 2019, December 1, 2019, and semi-annually thereafter on June 1 and December 1 in each year until maturity. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the fifteenth day of the calendar month preceding each such interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Bond Determinations Certificate of the Town Supervisor authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of Bonds between the fifteenth day of the calendar month preceding an interest payment date and such interest payment date.

THE TOWN

General Information

The Town of Ithaca (the "Town"), with a land area of 29.1 square miles, is located in upstate New York in Tompkins County (the "County"). The City of Ithaca (the "City") with an area of five and one half square miles is located within the physical geographical boundaries of the Town, but is not part of the Town for any governmental purpose. The Village of Cayuga Heights (1.8 square miles) is also located within the Town.

There are approximately 121 miles of roads in the Town, of which 50 are owned and maintained by the Town. The roads owned by the Town are maintained by the Town Public Works Department. Major highways serving the area include Interstate Highway #90 (New York State Thruway) and State Routes #13, #34, #79, #89, #96, # 96B and #366. Air service is provided by the Ithaca-Tompkins Regional Airport (ITH) in the Village of Lansing, and is the closest airport to the Town that provides regional passenger air travel. Routes to and from ITH are usually flown by small regional and commuter jets and turboprop planes. Many Ithaca area residents travel to nearby airports in Syracuse, Elmira and Binghamton, all about an hour drive from the Town. Passenger rail service to Ithaca ended in 1961. The nearest Amtrak station is in Syracuse. The Norfolk Southern Railroad provides rail freight transport in Tompkins County.

Fire Protection for the Town is provided under contractual arrangements with the City and the Village of Cayuga Heights. The Cayuga Heights Fire Department is a volunteer department, providing fire protection to that area of the Town east of the Village of Cayuga Heights and north of Cornell University. The Ithaca Fire Department is staffed by paid professional firefighters, and furnishes fire protection services to the remainder of the Town.

Police protection for the Town is provided primarily by the Tompkins County Sheriff Department, although the New York State Police also patrol the Town. The Village of Cayuga Heights has its own police force, as do both Cornell University and Ithaca College. All police forces in the County have mutual assistance policies for large or special emergencies.

Public water in the Town is supplied by three entities: the Southern Cayuga Lake Intermunicipal Water Commission (locally referred to as Bolton Point and which supplies water from Cayuga Lake); the City of Ithaca (which provides water from the Upper Reservoir on Six Mile Creek); and Cornell University Water Filtration Plant (which uses Fall Creek). The vast majority of the Town is served by Bolton Point.

The Town has a single town-wide sewer improvement area, however not all lands in the Town have access to municipal sewer. There are six distinct geographic service areas within the Town that have approximately 3,200 connections. The Town has a single town-wide water improvement area.

The Ithaca campus of Cornell University has approximately 20,900 students and 8,080 employees. These employees generate an annual payroll of some \$200,000,000. Ithaca College, with 6,950 students and 1,560 employees has an annual payroll of approximately \$17,500,000. These two institutions are stabilizing factors for the economy of the area.

The primary health care facility in the area is the Cayuga Medical Center (CMC) and its satellite facility, the Convenient Care Center at Ithaca. CMC is located on West Hill, off NYS Route 96 (Trumansburg Road) in the Town of Ithaca. It is a 204-bed facility with more than 200 affiliated physicians and over 1,200 total health care professionals. The CMC is a not-for-profit, acute care medical center with many state-of-the-art diagnostic and treatment services. The Convenient Care Center at Ithaca facility is located off Warren Road in the Village of Lansing. This facility provides a variety of medical and emergency services in a location that is convenient to population-growth areas in the eastern portion of Ithaca and Lansing. The facility is staffed by full-time physicians, registered nurses, and support personnel who offer medical care on a walk-in basis. They also provide outpatient surgical care, radiology imaging services, laboratory services, physical therapy, and the Veterans Primary Care Clinic.

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).

Source: Town officials.

Economic Developments

Projects recently completed or in progress or that are located within the City of Ithaca include the following:

Seneca Way Apartments: This 38-unit apartment and office space building, located off the west end of the Ithaca Commons, was completed in early 2015.

Lofts at Six Mile Creek: Located in downtown Ithaca, adjacent to Six Mile Creek, this 7-story 45-unit apartment complex was completed in 2015.

The Iacovelli Properties Apartments: Located on West Seneca Street, this 24-unit apartment complex is now complete.

Stone Quarry Apartments: This affordable development, consisting of 16 townhomes and 19-unit apartment building, is now complete.

The Cary Building: Renovation of two floors of this downtown building will be used as a 9,000 square foot incubator site for Cornell University, Ithaca College and Tompkins-Cortland Community College. An additional five stories of new apartments will also be added to the building. Construction was completed early in 2016.

Collegetown Crossing: 6-story mixed use mixed-use building with first floor retail space and 53 apartments. Construction completed in late 2016.

Hotel Ithaca Marriott: Completed in late 2016, this 10-story, 100,000 square foot, \$32 million project added 157 new hotel rooms and suites, including a restaurant and bar, adjacent to the west end of the Ithaca Commons.

Ithaca Commons Pedestrian Mall: The City has completed the reconstruction of the Ithaca Commons in the downtown core. This three-year project, financed by a combination of federal and state grants, and City funds, included new water, sewer and fire services, as well as a new pedestrian surface, lighting, seating, children's play area and a public entertainment stage.

Collegetown Terrace Apartments: At a total cost of \$70-80 million, this project includes the demolition of 33 existing buildings and the construction of 400,000 square feet of new housing in 18 3-story apartment buildings accommodating 1,100 bedrooms. The final phase was completed in 2017.

Hotel Ithaca: Renovations include replacing the 2-story building with a 5-story conference center, as well as upgrades and improvements to the existing buildings. Renovations were completed in late 2017.

210 Hancock Street: Former site of the Neighborhood Pride grocery store, this northside property was purchased by the Ithaca Neighborhood Housing Services to construct new affordable townhomes, multi-family housing and commercial space on this one-block parcel. Construction was completed in late 2017.

Tompkins Financial Headquarters: Located downtown at 118 Seneca Street, this \$32 million, 7-story, 110,000 square foot building will consolidate the operations of Tompkins Financial Services. The building was completed in May 2018.

Gun Hill Development: Located next to Fall Creek and Ithaca Falls on the former Ithaca Gun Factory site, this development will feature 60 apartment units. Expected to break ground in 2015, this project has been delayed by additional soil remediation activities.

Hilton Canopy Hotel: Located in the downtown area near the west end of the Ithaca Commons, this 6-story, 120 room hotel has received final approvals. Construction began early in 2018.

Harold Square: Located on the Ithaca Commons, this 6-story, 126,000 square foot mixed-use building will include retail and office space, and up to 72 apartments. Construction began early in 2018.

City Centre Building: Proposed in the downtown area off the west end of the Ithaca Commons, this 8-story building would have 193 apartments and 11,000 square feet of retail space. Construction on this project also began in early 2018.

310-312 North Cayuga Street: Located on the site of the old Tompkins County Library, this project is proposed to construct a 4-story building with 67 age-restricted apartments, a restaurant, underground parking and other amenities. This project has not yet received final approvals.

Clinton Street Apartments: This 36-unit apartment complex is proposed to be built on Terrace Hill. This project has not yet received final approvals.

Economic Developments in the Town of Ithaca

Eco-Village - Third Neighborhood: 30-unit mixed development; completed in 2015.

Belle Sherman Cottages: 29-unit mixed residential development; completed in 2016.

Holly Creek Townhomes: 22-unit residential development; Phase 1 and Phase 2 completed.

Longview/Ithacare: 24-unit senior townhouse development associated with adjoining senior facility; construction completed.

Holochuck Homes Subdivision: 106-unit townhome development; approved, but never built. In August 2017 NRP Properties received approval for minor modifications to the original 2012 approved project. NRP is proposing 105 townhouses with 66 of the units for rent and affordable to those making 50% and 130% of county median household income. NRP has an option to purchase the land from the current owner and is seeking state funding for the project.

Cayuga Meadows (Conifer) Senior Living: 72-unit senior apartment building. Building construction is completed, a temporary certificate of occupancy has been issued and the building is occupied. The remaining exterior site work is anticipated to be completed in the 2018 construction season.

Cayuga Nursing Home – significant renovations to the interior of the existing facility and modifications to the exterior building shell. Approval was granted, a building permit issued, and the site is currently under construction.

Clare Bridge Crossing at Ithaca: 32-unit addition to the existing senior assisted living/memory care facility. Building construction completed, temporary certificate of occupancy has been issued, exterior site work still to be completed.

Southwoods Subdivision: 43-unit single-family development; under construction, approx. 90% complete.

Westview Subdivision: 31-unit single-family development; under construction, approx. 50% complete.

Cleveland Estates: 13-unit single/two-family development; under construction, approx. 80% complete.

Amabel: 32-unit single family pocket neighborhood; approved by Planning Board in 2015 and re-approved in 2018. The project still requires Town Board approval for rezoning and establishing a sewage transportation corporation before building permits can be issued.

Frandsen Subdivision: 23-lot single family subdivision; received preliminary approval; final approval still pending.

Cornell University Maplewood Graduate Student Apartments: Redevelopment and expansion of the 170-unit single story housing complex to a 442-unit/872-bed residential community in a mix of townhomes, stacked flats, multi-family apartment buildings and community center. Approved in January 2017, 19 of 27 buildings have received temporary certificates of occupancy and are being occupied. The remaining seven buildings are expected to receive temporary certificates of occupancy by year end. This development is expected to add approx. \$50,000,000 in assessed valuation to the property tax roll when completed.

Ithaca Beer Company: Second expansion consisting of a 23,800 sf addition for production and storage space has been completed.

College Crossings: New 19,000 sf commercial center; original site plan approved, but has since expired. Applicant may seek re-approval.

Cayuga Medical Center: 15,700 sf Laboratory addition; construction completed.

Cayuga Medical Center: 13,900 sf Surgical addition; construction completed.

Cayuga Medical Center: 6,000 sf Behavior Health addition, including renovation of existing 12,350 sf. Project was approved in December 2016 and is currently operating under a temporary certificate of occupancy.

La Tourelle Stack Stone Camp: Addition of 25 seasonal luxury tents for overnight lodging, with dining/lounge tent, mobile kitchen tent, hot tub, composting outhouses; phased project approved in 2015; all but 5 tents remain to be installed.

Therm Incorporated Manufacturing Expansion: 20,000 sf building addition for manufacturing purposes. Approval was granted in July 2016 and construction has since been completed.

Ahir Hotels / Sleep Inn: 3-story, 36,000 sf, 67-room hotel with swimming pool and meeting space. Approved by the Planning Board in 2017; building permit is currently under review.

Cornell University North Campus Residential Expansion Project: project is in both the City and Town; it includes 800 new beds for sophomore students and 1,200 beds for freshman. The project is in the early review stages with sketch plan review by the municipal Planning Boards beginning in May 2018.

Chain Works District: City and Town of Ithaca multi-phased mixed use development project. Known as the Chain Works District, this project includes 1,706,150 sf of re-purposed factory buildings and new construction to include residential, office, retail, restaurant, and industrial land uses; approval pending completion of an Environmental Impact Statement and rezoning.

Population Trends

<u>Year</u>	<u>Town of Ithaca</u>	<u>City of Ithaca</u>	<u>Tompkins County</u>	<u>New York State</u>
1990	17,797	29,541	94,097	17,990,455
2000	18,198	29,287	96,501	18,976,457
2010	19,930	30,014	101,564	19,378,102
2016	20,492	30,756	104,871	19,745,289
2017 (estimate)	20,369	31,006	104,802	19,849,399

Source: U.S. Census Bureau.

Larger Employers

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

<u>Name</u>	<u>Business</u>	<u>Approximate Number of Employees</u>
Cornell University	Educational Facility	8,080
Ithaca College	Educational Facility	1,560
Borg Warner Automotive	Auto Parts Manufacturing	1,300
Ithaca City School District	Educational Facility	1,200
Cayuga Medical Center at Ithaca	Health Care	1,000
Tompkins County	Local Government	750
Wegmans Food Markets	Retail	570
City of Ithaca	Local Government	427
Franziska Racker Center	Social Services	425
William George Agency	Social Services	350

Source: Town officials.

Selected Wealth and Income Indicators

Per capita income statistics are available for the Town, County and State. Listed below are select figures from the 2000, 2006-2010 and 2012-2016 Census reports.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2012-2016</u>	<u>2000</u>	<u>2006-2010</u>	<u>2012-2016</u>
Town of:						
Ithaca	\$ 24,065	\$ 29,506	\$ 31,254	\$ 68,346	\$ 96,958	\$ 93,487
County of:						
Tompkins	19,659	27,418	28,888	53,041	73,828	76,278
State of:						
New York	23,389	32,382	34,212	51,691	70,670	74,036

Note: 2013-2017 American Community Survey estimates are not available as of the date of this Official Statement.

Source: U.S. Census Bureau, 2000 census, 2006-2010 and 2012-2016 American Community Survey data.

Unemployment Rate Statistics

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

	<u>Annual Average</u>						
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Tompkins County	6.1%	6.1%	5.2%	4.4%	4.4%	4.2%	4.4%
New York State	8.3%	8.5%	7.7%	6.3%	5.3%	4.8%	4.7%

	<u>2018 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>Sep</u>	<u>Oct</u>
Tompkins County	4.7%	4.7%	4.2%	3.9%	3.3%	4.2%	4.0%	3.7%	3.3%	N/A
New York State	5.1%	5.1%	4.8%	4.3%	3.7%	4.2%	4.2%	4.1%	3.8%	N/A

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

Financial Organization

As the Chief Fiscal Officer, the Town Supervisor is directly responsible for all financial and budgetary transactions of the Town. The duties include administration, direction and control of the following divisions: Accounting, Purchasing, Accounts Payable, Accounts Receivable, Audit and Control, Budgeting, and Payroll/Personnel as specified in New York State Town Law.

Form of Town Government

The chief executive officer and the chief fiscal officer of the Town is the Supervisor who is elected to a term of four years and is eligible for re-election. The Supervisor is also a member of the Town Board. In addition to the Supervisor, there are six members of the Town Board who are elected to four-year terms, which terms are staggered such that three Board members (council people) are elected every two years. There is no limitation as to the number of terms which may be served by members of the Town Board.

The Town Clerk is appointed to a two-year term. The Town Finance Officer is appointed without a limited term of office. The Town Board annually appoints the attorney for the Town. The Town Receiver of Taxes is appointed to a two-year term by the Town Board.

Budgetary Procedures

The Town Supervisor is the Chief Fiscal Officer of the Town. The Town has a full time professional Finance Officer. The Finance Officer develops a tentative budget, which is presented to the Town Board in the fall of each year. During the next four weeks the Town Board further develops the budget into a preliminary budget, which is presented at a public hearing in early November. After final revisions are made by the Town Board, a budget is adopted. All modifications of the budget must be approved by the governing board.

Recent Budget Details

The Tax Levy increase for the 2015 budget of the Town was 2.28%, which was below the Town's Tax Levy Limit for the 2015 fiscal year. The Town passed Local Law No. 13 of 2014 allowing it to exceed the Tax Cap Limit on July 14, 2014; however, the Town then proposed to repeal the Local Law approved by the Town Board on July 14, 2014 to override the State tax cap as part of the 2015 budget. Repeal of the law was required under the State's new property tax freeze law for homeowners to qualify for a rebate on the amount of the tax levy increase for the 2015 fiscal year. On October 20, 2014, the Town Board adopted Local Law No. 17 of 2014 which repealed the Local Law 13 of 2014.

The Tax Levy increase for the 2016 budget was 6.59%, which was above the Town's Tax Levy Limit for the 2016 fiscal year. The Town passed Local Law No. 4 of 2015 allowing it to exceed the Tax Cap Limit for 2016 on July 13, 2015.

The Tax Levy increase for the 2017 budget was 2.00%, which was above the Town's Tax Levy Limit for the 2017 fiscal year. The Town passed Local Law No. 7 of 2016 allowing it to exceed the Tax Cap Limit for 2017 on July 11, 2016.

The Tax Levy increase for the 2018 budget was 5.10%, which was above the Town's Tax Levy Limit for the 2018 fiscal year. The Town passed Local Law No. 16 of 2017 allowing it to exceed the Tax Cap Limit for 2018 on August 7, 2017.

Investment Policy

Pursuant to the statutes of the State of New York, the Town 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 Town; (6) obligations of a New York public corporation which are made lawful investments by the Town 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 Town moneys held in certain reserve funds established pursuant to law, obligations issued by the Town. 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.

Pursuant to Town practices, the Town presently invests only in savings accounts, money market accounts and certificate of deposits, as described above.

Employees

The Town currently employs approximately 58 full-time and 3 part-time employees. 25 Public Works employees are represented by the Teamsters Union Local 317 and the remaining 33 full-time employees are non-union. The Teamsters Union contract expires on December 31, 2018 and is currently in negotiations.

State Aid

The Town receives financial assistance from the State. In its General Fund adopted budget for the 2018 fiscal year, approximately 7.56% of the operating revenues of the Town are expected to be received from the State as State aid. If the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Town, in any year, the Town may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments. Additionally, if the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the Town, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the Town. 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 Town requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

Status and Financing of Employee Pension Benefits

Substantially all employees of the Town are members of the New York State and Local Employees' Retirement System ("ERS") (the "Retirement System"). The ERS is 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 offers 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 ERS is non- contributory with respect to members hired prior to July 27, 1976 (Tier 1 & 2); members hired from July 27, 1976 through December 31, 2009 (Tier 3 & 4) contribute 3% for the first 10 years of service and then become non-contributory; members hired from January 1, 2010 through March 31, 2012 (Tier 5) must contribute 3% for their entire careers; members hired April 1, 2012 (Tier 6) or after will contribute between 3 and 6 percent for their entire careers based on their annual wage.

For ERS, Tier 5 provides for:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62
- Requiring employees to continue contributing 3% of their salaries toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw pension from 5 years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police & firefighters at 15% of non-overtime wages.

For ERS, Tier 6 provides for:

- Increase contribution rates of between 3% and 6% base on annual wage
- Increase in the retirement age from 62 years to 63 years
- A readjustment of the pension multiplier
- A change in the period for final average salary calculation from 3 years to 5 years

The Town's contributions to the ERS for the years 2013 through 2018 and the amount budgeted for 2019 are as follows:

<u>Fiscal Year</u>	<u>ERS</u>
2013	\$ 602,622
2014	570,512
2015	548,769
2016	513,481
2017	459,827
2018 (Budgeted)	637,000
2018 (Projected)	481,768
2019 (Budgeted)	551,000

Source: Town officials. Projected 2018 contribution subject to modification on audit.

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. The Town does not have any early retirement incentives outstanding or contemplated at this time.

Historical Trends and Contribution Rates: 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.

A chart of average ERS rates (2014 to 2019) is shown below:

<u>Year</u>	<u>ERS</u>
2014	20.9%
2015	20.1
2016	18.2
2017	15.5
2018	15.3
2019	14.9

Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program that establishes a minimum contribution for any employer equal to 4.5% of pensionable salaries for required contributions due December 15, 2003 and for all years thereafter where the actual rate would otherwise be 4.5% or less. In addition, it instituted a billing system that will advise employers over one year in advance concerning actual pension contribution rates.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating local government employers, if they so elect, to amortize an eligible portion of their annual required contributions to both ERS and the Local Police and Fire Retirement System ("PFRS"), when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a "graded" rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year's amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer's graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

Stable Rate Pension Contribution Option: The 2013-14 Adopted State Budget included a provision that authorized local governments, including the Town, with the option to "lock-in" long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and PFRS. The pension contribution rates under this program would reduce near-term payments for employers, but require higher than normal contributions in later years.

The Town is not amortizing or smoothing any pension payments nor does it intend to do so in the foreseeable future.

The investment of monies and assumptions underlying same, of the Retirement Systems covering the Town's employees is not subject to the direction of the Town. 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 Town which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

Other Post-Employment Benefits

Healthcare Benefits. It should also be noted that the Town 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 requires governmental entities, such as the Town, 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.

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 requires 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. The Town is not certain that municipalities will be mandated to implement GASB 45 since the potential liability will have to be determined by an actuarial and will be astronomical with the potential of bankrupting municipalities.

The Town contracted with an actuarial firm to calculate its OPEB in accordance with GASB 45. Based on the most recent actuarial valuation and financial data as of December 31, 2017, the following tables show the components of the District's annual OPEB cost, the amount actuarially contributed to the plan, changes in the Town's net OPEB obligation and funding status:

<i>Annual OPEB Cost and Net OPEB Obligation:</i>	<u>2016</u>	<u>2017</u>
Annual required contribution (ARC)	\$ 847,302	\$ 1,006,131
Interest on net OPEB obligation	119,009	138,962
Adjustment to ARC	<u>(167,218)</u>	<u>(195,967)</u>
Annual OPEB cost (expense)	799,093	949,126
Contributions made	<u>(55,079)</u>	<u>(47,600)</u>
Increase in net OPEB obligation	744,014	901,526
Net OPEB obligation - beginning of year	<u>4,327,608</u>	<u>5,071,622</u>
Net OPEB obligation - end of year	<u>\$ 5,071,622</u>	<u>\$ 5,973,148</u>
Percentage of annual OPEB cost contributed	6.89%	5.02%
<i>Funding Status:</i>		
Actuarial Accrued Liability (AAL)	\$ 7,565,004	\$ 8,675,669
Actuarial Value of Assets	<u>0</u>	<u>0</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 7,565,004</u>	<u>\$ 8,675,669</u>
Funded Ratio (Assets as a Percentage of AAL)	0.0%	0.0%

The Town of Ithaca has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 949,126	5.02%	\$ 5,973,148
2016	799,093	6.89	5,071,622
2015	778,752	5.02	4,327,608
2014	759,159	6.15	3,587,913
2013	700,217	7.45	2,875,456

Source: Audited financial statements of the Town. The above tables are not audited.

The aforementioned liability and ARC are recognized and will be disclosed in accordance with GASB 45 standards in the Town's audited financial statements.

There is no authority in current State law to establish a trust account or reserve fund for this liability. The Town has reserved \$0 towards its OPEB liability. The Town funds this liability on a pay-as-you-go basis.

The Town's unfunded actuarial accrued OPEB liability could have a material adverse impact upon the Town's finances and could force the Town to reduce services, raise taxes or both.

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

In April 2015 and again in 2016, the State Comptroller announced legislation to create an optional investment pool to help the State and local governments fund retiree health insurance and other post-employment benefits. The proposed legislation would allow the following:

- Authorize the creation of irrevocable OPEB trusts, not part of the New York State Common Retirement Fund, so that New York state and its local governments can, at their option, help fund their OPEB liabilities;
- Establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the state and participating eligible local governments;
- Designate the president of the Civil Service Commission as the trustee of the state's OPEB trust and the governing boards as trustee for local governments; and
- Allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established.

Under the State Comptroller's proposal, there are no restrictions on the amount a government can deposit into the trust. The proposed legislation was not enacted into law in the last two legislative sessions. It is not possible to predict whether the Comptroller's proposed legislation will be reintroduced, or enacted if reintroduced.

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 Bonds are to be issued, is the Town Law and the Local Finance Law.

The Town is in compliance with the procedure for the validation of the Bonds provided in Title 6 of Article 2 of the Local Finance Law.

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

The fiscal year of the Town is January 1 through December 31.

Except for as shown under "STATUS OF INDEBTEDNESS – Estimated Overlapping Indebtedness", this Official Statement does not include the financial data of any political subdivision having power to levy taxes within the Town.

Financial Statements

The Town retains an independent certified public accounting firm for a continuous independent audit of all financial transactions of the Town. The Audited Financial report for Fiscal Year ended December 31, 2017 is attached hereto as "APPENDIX – E". The financial affairs of the Town are also subject to annual audits by the State Comptroller.

The Town complies with the Uniform System of Accounts as prescribed for towns in New York State by the State Comptroller. This System differs from 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).

Beginning with the fiscal year ending December 31, 2003, the Town was required to issue its audited 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 the Management's Discussion and Analysis. The Town is and has been in compliance with GASB Statement No. 34 for all years required.

New York State Comptroller Report of Examination

The State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the Town has complied with the requirements of various State and Federal statutes. These audits can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

The State Comptroller's office released an audit report of the Town on June 16, 2017. The purpose of the audit was to assess the Town's information technology policies and procedures for the period January 1, 2015 through December 22, 2016.

Key Findings:

- The Town's IT policy does not address password security, wireless security, mobile computing and storage devices or online banking.
- Town employees did not receive sufficient IT security and awareness training during our audit scope.
- Town officials have not established written data backup policies and the emergency plan does not specifically include IT procedures to maintain day-to-day operations.

Key Recommendations:

- Update the IT policy to address password security, wireless security, mobile computing and storage devices and online banking.
- Require that all staff receive formal IT security and awareness training at least annually.
- Prepare, test and periodically review an IT contingency plan that specifically addresses backup policies and procedures to maintain day-to-day operations.

The Town provided a complete response to the State Comptroller's office on June 12, 2017. A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

There are no other State Comptrollers audits of the Town that are currently in progress or pending release at this time.

Note: Reference to website implies no warranty of accuracy of information therein.

The State Comptroller's Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when

objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The reports of the State Comptroller for the past three years for the Town are as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2016	No Designation	6.3%
2015	No Designation	6.3%
2014	No Designation	6.3%

Note: Reference to website implies no warranty of accuracy of information therein. A Fiscal Stress Score for the fiscal year ending in 2017 for the Town is not available as of the date of this Official Statement.

Source: Website of the Office of the New York State Comptroller.

TAX INFORMATION

Taxable Valuations

<u>Year of Town Tax Roll</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Assessed Valuation	\$ 1,323,741,670	\$ 1,366,007,677	\$ 1,409,739,322	\$ 1,470,783,820	\$ 1,549,688,565
New York State					
Equalization Rate	100.00%	100.00%	100.00%	100.00%	100.00%
Total Taxable Full Valuation	\$ 1,323,741,670	\$ 1,366,007,677	\$ 1,409,739,322	\$ 1,470,783,820	\$ 1,549,688,565

Tax Rate Per \$1,000 (Assessed)

<u>Year of Town Tax Roll</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Town-Wide	\$ 1.96	\$ 1.90	\$ 2.16	\$ 1.87	\$ 1.92
Highway Town-Wide	-	-	-	0.54	0.52
Highway Part-Town	1.07	1.54	1.25	1.32	1.30
Fire Protection Districts	3.53	3.40	3.25	2.86	2.65

Tax Collection Procedure

Taxes are payable during the month of January without penalty. Penalties thereafter are imposed at an annual rate determined by the New York State Commissioner of Taxation and Finance. On April 1st the tax roll is returned to the County and taxes plus penalties are payable to the County. The Town retains the total amount of Town, Highway, Special District and delinquent water and sewer charge levies from the total collections and returns the balance plus the uncollected items to the County, which assumes responsibility and holds annual tax sales. As far as the Town is concerned, there are no uncollected taxes. Payment in full of all Town items is guaranteed by the County.

Tax Levy and Tax Collection Record

<u>Fiscal Year Ending December 31:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Tax Levy	\$ 7,210,200	\$ 7,685,200	\$ 7,839,200	\$ 8,238,000	\$ 8,401,650
Amount Uncollected ⁽¹⁾	-	-	-	-	-
% Uncollected	0.00%	0.00%	0.00%	0.00%	0.00%

⁽¹⁾ See "Tax Collection Procedure" herein.

Larger Taxpayers – 2018 Assessment for 2019 Town Tax Roll

<u>Name</u>	<u>Type</u>	<u>Taxable Assessed Valuation</u>
Cornell University	Educational Institution	\$ 43,080,300
Kendal at Ithaca, Inc.	Senior Living Facility	37,400,000
NYS Electric & Gas	Utility	33,026,160
Lucente Homes LLC	Residential Apartments	15,396,800
Warrenwood 10, LLC	Residential Apartments	10,250,000
Janivar, Inc.	Residential Development	9,240,000
South Hills Business Campus	Commercial/Industrial	7,430,000
Ecovillage at Ithaca, Inc.	Residential Development	7,390,293
190 Pleasant Grove Road LLC	Private	7,150,000
AHC Purchaser, Inc.	Long-Term Care Facility	6,450,000

The largest taxpayers listed above have a total taxable valuation of \$176,813,553 which represents 11.4% of the Town's total taxable valuation of \$1,546,688,565.

The Town is subject to a number of tax certiorari appeals on a yearly basis, none of which are reasonably expected to have a significant impact on the finances of the Town.

Source: Town assessment rolls.

Sales Tax Revenues

The County, under the general authority of Article 29 of the Tax Law, imposes a 4.00% sales tax in the towns outside the City and a 1.50% sales tax within its boundaries. Both the County and City imposed tax is administered and collected by the State Tax Commission in the same manner as that relating to the State imposed 4.00% sales and compensating use tax. Net collections, meaning monies collected after deducting therefrom expenses of administration and collections and amounts refunded or to be refunded, but inclusive to any applicable penalties and interest, are paid by the State to the County and the City, respectively. Of the total payments received by the County, an amount equal to 50% of total collections, including the amount paid directly to the City, is retained by the County. The balance is divided among the towns based upon population as determined by the 2010 Census. The towns' share is divided and allocated between incorporated villages (located wholly or partially within the town) and the area of the towns outside said villages, on the basis of population. All the villages and three townships are paid their share in cash.

In 1992, the State Legislature granted authority to increase the County sales tax rate from 3% to 4%. The new taxing authority became effective December 1, 1992, with an initial expiration of November 30, 1995. The State Legislature has subsequently renewed the additional tax rate to November 30, 2020.

The town outside villages' share are retained by the County and applied in the first instance to the taxes to be re-levied for County purposes in the respective towns and any remaining balance is applied to reduce the respective towns' levy.

Below is a table of sales and mortgage tax revenues since the 2013 fiscal year:

<u>Fiscal Year</u>	<u>Sales Tax Revenues</u>	<u>Mortgage Tax Revenues</u>
2013	\$ 2,990,863	\$ 313,999
2014	3,050,500	329,274
2015	3,067,337	430,660
2016	3,157,631	286,227
2017	3,184,967	279,791
2018 (Budgeted)	3,050,000	250,000
2018 (Projected)	3,350,000	299,934
2019 (Budgeted)	3,050,000	250,000

Source: Town officials. Projected 2018 contribution subject to modification on audit.

Additional Tax Information

Real property in the Town is assessed by the Tompkins County Assessment Department.

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

The assessment roll of the Town is constituted approximately as follows: 49.6% Community and Public Services, 37.9% Residential, 8.8% Commercial, 0.5% Recreation and Entertainment, 0.4% Industrial and Railroads, and 2.8% Other.

The Town assessment roll is derived from the County Assessors and is in accordance with New York State Real Property Statutory Rules and Regulation requirements and standards.

The total property tax bill for a residential property located in the Town with an assessed taxable value of \$100,000 was approx. \$3,286 in 2017, decreasing to approx. \$3,223 in 2018. (This includes County, Town, and Ithaca City School Taxes).

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 virtually all local governments, including school districts (with the exception of New York City, Yonkers, Syracuse, Rochester and Buffalo, the latter four of which are indirectly affected by applicability to their respective city). 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, 2020 unless 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 are required 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 town may exceed the tax levy limitation for the coming fiscal year only if the governing body of such town first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law, to override such limitation for such coming fiscal year only. There are 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 each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each 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 provisions.

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 said Tax Levy Limitation Law, it is clear that 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 debt service payments as a constitutional exception to such statutory tax levy limitation outside of any statutorily determined tax levy amount is not clear.

Real Property Tax Rebate. Chapter 59 of the Laws of 2014 ("Chapter 59"), includes provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts are eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government are eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. School districts budgets must comply in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must be within the tax cap limits set by the Tax Levy Limitation Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions include counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a state approved "government efficiency plan" which demonstrates "three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies".

Municipalities, school districts and independent special districts must provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 did not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they did provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law. The implications of this for future tax levies and for operations and services of the Town are uncertain at this time.

STATUS OF INDEBTEDNESS

Constitutional Requirements

The State Constitution limits the power of the Town (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 Town and the Bonds include the following:

Purpose and Pledge. Subject to certain enumerated exceptions, the Town 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 Town may contract indebtedness only for a Town 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 per centum in excess of the smallest prior installment. The Town 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 notes and such required annual installments on its bonds.

Debt Limit. The Town has the power to contract indebtedness for any Town 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 Town 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 Town 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, by the enactment of the Local Finance Law, authorized the powers and procedure for the Town to borrow and incur indebtedness, subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the Town Law and the General Municipal Law.

Pursuant to the Local Finance Law, the Town authorizes the issuance of bonds by the adoption of a bond resolution, approved by at least two-thirds of the members of the Town Board, the finance board of the Town. Customarily, the Town Board has delegated to the Supervisor, as chief fiscal officer of the Town, 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 Town is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied within 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 Town 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) restrictions relating to the period of probable usefulness with respect thereto.

Statutory Law in the State 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 notes and provided, generally, that such renewals do not exceed five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein, and "Details of Outstanding Indebtedness" herein).

In general, the Local Finance Law contains provisions providing the Town with the power to issue certain other short-term general obligations indebtedness including revenue and tax anticipation notes, budget, deficiency and capital notes (see "Details of Outstanding Indebtedness" herein).

Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending December 31:</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Bonds	\$ 8,612,000	\$ 11,789,000	\$ 12,916,000	\$ 11,858,000	\$ 10,769,000
Joint Bond Indebtedness ⁽¹⁾	2,110,159	2,036,211	1,946,417	1,853,982	1,758,906
Bond Anticipation Notes	0	0	0	0	0
Other Debt	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Outstanding	<u>\$ 10,722,159</u>	<u>\$ 13,825,211</u>	<u>\$ 14,862,417</u>	<u>\$ 13,711,982</u>	<u>\$ 12,527,906</u>

⁽¹⁾ Joint indebtedness issued to finance various improvements to facilities of the Southern Cayuga Lake Inter-municipal Water Commission. Totals represent only the amount allocable to the Town. See "Joint Indebtedness" herein.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the Town evidenced by bonds and notes as of November 9, 2018.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2018-2033	\$ 11,745,830 ⁽¹⁾
<u>Bond Anticipation Notes</u>	-	<u>0</u>
	Total Indebtedness	<u>\$ 11,745,830</u>

⁽¹⁾ The bonds listed above include \$1,663,830 of joint indebtedness issued to finance various improvements to facilities of the Southern Cayuga Lake Inter-municipal Water Commission. See "Joint Indebtedness" herein.

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of November 9, 2018:

Five-Year Average Full Valuation of Taxable Real Property..... \$ 1,423,991,211
Debt Limit 7% thereof 99,679,455

Inclusions:

Bonds ⁽¹⁾ \$ 11,745,830
Bond Anticipation Notes 0
Total Inclusions \$ 11,745,830

Exclusions:

Water Indebtedness ^{(2) (3)} \$ 8,845,830
Appropriations ⁽⁴⁾ 360,000
Total Exclusions \$ 9,205,830

Total Net Indebtedness Subject to Debt Limit..... \$ 2,540,000

Net Debt-Contracting Margin \$ 97,139,455

The percent of debt contracting power exhausted is 2.55%

- (1) The bonds listed above include \$1,663,830 of joint indebtedness issued to finance various improvements to facilities of the Southern Cayuga Lake Inter-municipal Water Commission. See “Joint Indebtedness” herein.
(2) Water indebtedness exempt from Constitutional Debt Limit.
(3) Includes \$1,663,830 of joint indebtedness. (See “Joint Indebtedness” herein.)
(4) Appropriations are excluded pursuant to Section 136.00 of the Local Finance Law.

Bonded Debt Service

A schedule of Bonded Debt Service may be found in “APPENDIX – B” to this Official Statement.

Capital Improvement Program

The Town’s current Five-Year Capital Improvement Program (CIP) identifies various capital projects to be constructed in Fiscal Years 2018-2023. The total construction cost of all projects is currently estimated at \$26,000,000. A breakdown of this total by year, infrastructure category and funding source is shown on the following table:

<u>Infrastructure:</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Water Infrastructure	\$ 2,100,000	\$ 2,200,000	\$ 2,200,000	\$ 1,650,000	\$ 2,150,000	\$ 1,550,000
Sewer Infrastructure	1,060,000	650,000	650,000	650,000	650,000	650,000
Stormwater Drainage	-	250,000	250,000	250,000	250,000	250,000
Road Improvements	1,000,000	800,000	1,050,000	750,000	1,750,000	950,000
Town Facilities	-	600,000	500,000	-	400,000	-
Parks & Trails	-	240,000	150,000	200,000	100,000	100,000
Total Annual Cost	<u>\$ 4,160,000</u>	<u>\$ 4,740,000</u>	<u>\$ 4,800,000</u>	<u>\$ 3,500,000</u>	<u>\$ 5,300,000</u>	<u>\$ 3,500,000</u>
<u>Funding Source</u>						
Current year Revenue	\$ -	\$ 1,880,000	\$ 2,100,000	\$ 1,850,000	\$ 2,750,000	\$ 1,950,000
Grants & Donations	-	60,000	-	-	-	-
New Long-Term Debt	<u>\$ 4,150,000</u>	<u>\$ 2,800,000</u>	<u>\$ 2,700,000</u>	<u>\$ 1,650,000</u>	<u>\$ 2,550,000</u>	<u>\$ 1,550,000</u>
Total Annual Cost	<u>\$ 4,150,000</u>	<u>\$ 4,740,000</u>	<u>\$ 4,800,000</u>	<u>\$ 3,500,000</u>	<u>\$ 5,300,000</u>	<u>\$ 3,500,000</u>

Of the \$21,840,000 total estimated project costs, \$11,250,000 is expected to be financed by the issuance of new long-term debt, with the remaining costs to be covered with current year revenues and grant funding.

Source: 5 Year Capital Improvement Program of the Town.

Estimate of Obligations to be Issued

There are currently no other authorizations unissued. Projects to be financed by borrowing as listed in the five-year Capital Improvement Program may be funded with bond anticipation notes in 2019 and, pending market conditions, refinanced with bonds in 2020, with such bonds also funding 2020 projects. See “STATUS OF INDEBTEDNESS – Capital Improvement Program” herein.

Cash Flow Borrowings

The Town has not found it necessary to issue revenue anticipation notes or tax anticipation notes in the past and does not plan on issuing either in the foreseeable future.

Joint Ventures

The following activities are undertaken jointly with other municipalities. These activities are excluded from the Town's financial statements.

- 1) The Town of Ithaca, Town of Dryden, Town of Lansing, Village of Cayuga Heights and Village of Lansing jointly constitute and operate the Southern Cayuga Lake Inter-municipal Water Commission (“SCLIWC”) or (the “Water Commission”) and its facilities. The venture operated under the terms of an original agreement dated March 1, 1977 that has been amended several times, the last of which is dated January 1, 2013. The agreement is still in force. Significant provisions of the agreement are as follows:
 - a) The executive body of the Southern Cayuga Lake Inter-municipal Water Commission consists of ten members. Each member municipality appoints two members. Of the members so appointed, at least one member from each municipality shall be an elected official from the governing body.
 - b) Maintenance, operating and debt retirement costs are funded primarily through water rent revenues collected by the member municipalities and paid to the Commission quarterly. The original long-term debt incurred by the participant municipalities on behalf of the Commission is paid partially by a benefit assessment charged to, and then by, each municipality. The assessment is determined one year in advance, based on the water consumption of each municipality during the previous 12-month period.
 - c) The executive body has established charges at rates intending to be self-sustaining to cover all operating costs and debt service. Any shortfall in revenues produced by such charges will ultimately be provided by contributions from the participants, including the Town, whose share is 52.82%. (See “Joint Indebtedness” herein”)

A separate audited financial statement is available from the administrative offices of the Southern Cayuga Lake Inter-Municipal Water Commission, 1402 East Shore Drive, Ithaca, New York 14850.

For the year ended December 31, 2017 (latest available), the audited financial statements of the Commission show:

Total Assets	\$ 13,889,769
Total Liabilities	7,397,798
Net Position	6,799,496
Total Revenues	4,179,376
Total Expenses	3,695,034

- 2) The Ithaca Area Wastewater Treatment Plant (“IAWTP”) is a joint venture involving the Towns of Ithaca and Dryden, and the City of Ithaca. This joint venture was formed for the treatment of wastewater. The joint venture operates under terms of an original agreement dated December 22, 1981 and has been amended several times, the last of which is dated December 31, 2003. Construction of the treatment plant began in 1984 and was completed in 1986.
 - a) The Special Joint Committee (governing body) of the IAWTP consists of eight members; four appointed from the City of Ithaca, three from the Town of Ithaca, and one from the Town of Dryden. The City of Ithaca operates the plant and has custody of the joint activity money.
 - b) The Town of Ithaca’s share of capital costs is 40.69% of the total.
 - c) The governing body has established charges at rates intending 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, including the Town’s share of 40.69%. The City issues the debt to finance improvements to the IAWTP system; however, the Town and the Town of Dryden are each obligated to pay their portion of debt service on the obligations issued by the City pursuant to an agreement with the City, the Town and the Town of Dryden for the guaranteed right to utilize the plant. These obligations are obligations of the City and are not joint obligations of the Town and the Town of Dryden.

The following information is from the separately issued financial statements of the IAWTP for the year ended December 31, 2016 (latest available):

Total Assets	\$ 33,586,909
Total Liabilities	21,509,500
Net Position	12,503,865
Total Revenues	3,751,856
Total Expenses	5,674,301

Joint Indebtedness

Title 1-A of the Local Finance Law authorizes the issuance of joint indebtedness relative to municipal cooperative activities such as the improvement of the facilities of the Water Commission. The basis of this statute is sections 1 and 2-A of Article VIII of the Constitution which provide for indebtedness to be contracted, either jointly or severally for a joint water project as described in said section 2-A of said Article VIII.

The Town of Ithaca, Town of Dryden, Town of Lansing, Village of Cayuga Heights and Village of Lansing (the “Joint Obligor”) jointly constitute and operate SCLIWC and its facilities.

In accordance with the provisions of Section 15.10 of the New York State Local Finance Law, solely for purposes of determining the debt-contracting power of each of the Joint Obligor, each of the Joint Obligor has been allocated and apportioned joint indebtedness evidenced by joint bonds for Water Commission projects are as follows:

\$2,600,000 Joint Public Improvement (Serial) Bonds, 2012

Town of Ithaca	\$ 1,373,320	52.82%
Town of Lansing	392,860	15.11%
Town of Dryden	99,580	3.83%
Village of Lansing	503,100	19.35%
Village of Cayuga Heights	<u>231,140</u>	<u>8.89%</u>
Total:	<u>\$ 2,600,000</u>	<u>100.00%</u>

\$1,500,000 Joint Public Improvement (Serial) Bonds, 2013

	<u>Bond Amount</u>	<u>Percent</u>
Town of Ithaca	\$ 792,300	52.82%
Town of Lansing	226,650	15.11%
Town of Dryden	57,450	3.83%
Village of Lansing	290,250	19.35%
Village of Cayuga Heights	<u>133,350</u>	<u>8.89%</u>
Total:	<u>\$ 1,500,000</u>	<u>100.00%</u>

The pro-rata share of debt service may change over time based upon each of the Joint Obligor’s usage of the water system over the life of the joint bonds

The bonds are general obligations of the Joint Obligor, and contain a pledge of the joint faith and credit of each of the Joint Obligor for the payment of the principal of and interest on the bonds as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 1, 2 and 2-a; Local Finance Law, Title 1-A and Section 100.00). All the taxable real property within the Joint Obligor is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, subject to applicable statutory limitations. See “TAX LEVY LIMITATION LAW” herein.

Under the Constitution of the State, the Joint Obligor are required to jointly pledge their faith and credit for the payment of the principal of and interest on the bonds. The State is specifically precluded from restricting the power of the Joint Obligor as with any municipal unit of government in the State to levy taxes on real property therefor for debt issued prior to the effective date of any such restricting legislation. However, the Tax Levy Limitation Law imposes a statutory limitation on each of the Joint Obligor’s power to increase its tax levy in certain contexts. See “TAX LEVY LIMITATION LAW” herein.

The Town expects to pay only its pro-rata share of the debt service on the joint bonds; however, it is legally liable to contribute additional monies should any Joint Obligor fail to pay its own share of debt service of the joint bonds.

Estimated Overlapping Indebtedness

In addition to the Town, 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 Town. The estimated outstanding indebtedness of such political subdivisions is as follows:

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> ⁽¹⁾	<u>Estimated Exclusions</u>	<u>Net Indebtedness</u>	<u>District Share</u>	<u>Applicable Net Indebtedness</u>
County of:						
Tompkins	6/21/2018	\$ 52,219,000	\$ 2,325,000 ⁽²⁾	\$ 49,894,000	19.88%	\$ 9,918,927
School District:						
Ithaca	12/8/2017	34,380,000	19,974,780 ⁽³⁾	14,405,220	30.53%	4,397,914
Newfield	10/25/2018	26,110,000	21,592,970 ⁽³⁾	4,517,030	0.09%	4,065
					Total:	<u>\$ 14,320,906</u>

(1) Bonds and bond anticipation notes. Not adjusted to include subsequent bond sales, if any.

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

(3) Estimated State Building aid.

Source: Most recent available official statement or continuing disclosure statement of the respective municipality or school district.

Debt Ratios

The following table sets forth certain ratios relating to the Town's indebtedness as of June 26, 2018:

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Net Indebtedness ^(c)	\$ 2,540,000	\$ 124.70	0.16%
Net Indebtedness Plus Net Overlapping Indebtedness ^(d)	16,860,906	827.77	1.09

(a) The 2017 estimated population of the Town is 20,369. (See "THE TOWN – Population" herein.)

(b) The Town's full value of taxable real estate for 2019 is \$1,549,688,565. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)

(c) See "Debt Statement Summary" herein.

(d) Estimated net overlapping indebtedness is \$14,320,906. (See "Estimated Overlapping Indebtedness" herein.)

Note: The above ratios do not take into account State building aid the District will receive for past and current construction building projects.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

General Municipal Law Contract Creditors' Provision. Each Note when duly issued and paid for will constitute a contract between the Town and the holder thereof. Under current law, provision is made for contract creditors of the Town to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the Town upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Bonds in the event of a default in the payment of the principal of and interest on the Bonds.

Execution/Attachment of Municipal Property. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the Town may not be enforced by levy and execution against property owned by the Town.

Authority to File For Municipal Bankruptcy. The Federal Bankruptcy Code allows public bodies, such as the Town, 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 or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

The State has consented that any municipality in the State may file a petition with the United States District Court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, being Chapter 9 thereof, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debt including judicial control over identifiable and unidentifiable creditors.

No current state law purports to create any priority for holders of the Bonds should the Town be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The rights of the owners of Notes to receive interest and principal from the Town could be adversely affected by the restructuring of the Town's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of debt obligations issued by the Town (including the Bonds) to payment from monies retained in any debt service fund or from other cash resources would be recognized if a petition were filed by or on behalf of the Town under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such monies might, under such circumstances, be paid to satisfy the claims of all creditors generally.

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite number of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

State Debt Moratorium Law. 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 obligations.

As a result of the Court of Appeals decision in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law described below 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 Town.

Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law. The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or village. (The provision does not by its terms apply to school districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an "emergency financial control board" for any county, city, town or village upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law ("Title 6-A") effectively prohibits the doing of any act for ninety days in the payment of claims, against the municipality including payment of debt service on outstanding indebtedness.

This includes staying the commencement or continuation of any court proceedings seeking payment of debt service due, the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality to the payment of debt service. The stay can be vacated under certain circumstances with provisions for the payment of amounts due or overdue upon a demand for payment in accordance with the statutory provisions set forth therein. The filing of a petition may be accompanied with a proposed repayment plan which upon court order approving the plan, may extend any stay in the payment of claims against the municipality for such "additional period of time as is required to carry out fully all

the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder.” Court approval is conditioned, after a hearing, upon certain findings as provided in Title 6-A.

A proposed plan can be modified prior to court approval or disapproval. After approval, modification is not permissible without court order after a hearing. If not approved, the proposed plan must be amended within ten days or else the stay is vacated and claims including debt service due or overdue must be paid. It is at the discretion of the court to permit additional filings of amended plans and continuation of any stay during such time. A stay may be vacated or modified by the court upon motion of any creditor if the court finds after a hearing, that the municipality has failed to comply with a material provision of an accepted repayment plan or that due to a “material change in circumstances” the repayment plan is no longer in compliance with statutory requirements.

Once an approved repayment plan has been completed, the court, after a hearing upon motion of any creditor, or a motion of the municipality or its emergency financial control board, will enter an order vacating any stay then in effect and enjoining of creditors who accepted the plan or any benefits thereunder from commencing or continuing any court action, proceeding or other act described in Title 6-A relating to any debt included in the plan.

Title 6-A requires notice to all creditors of each material step in the proceedings. Court determinations adverse to the municipality or its financial emergency control board are appealable as of right to the appellate division in the judicial department in which the court is located and thereafter, if necessary, to the Court of Appeals. Such appeals stay the judgment or appealed from and all other actions, special proceedings or acts within the scope of Section 85.30 of Title 6-A pending the hearing and determination of the appeals.

Whether Title 6-A is valid under the Constitutional provisions regarding the payment of debt service is not known. However, based upon the decision in the Flushing National Bank case described above, its validity is subject to doubt.

While the State Legislature has from time to time adopted legislation in response to a municipal fiscal emergency and established public benefit corporations with a broad range of financial control and oversight powers to oversee such municipalities, generally such legislation has provided that the provisions of Title 6-A are not applicable during any period of time that such a public benefit corporation has outstanding indebtedness issued on behalf of such municipality.

Fiscal Stress and State Emergency Financial Control Boards. Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and approve collective bargaining agreements in certain cases. Implementation is left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, on a certificate of necessity of the governor reciting facts which in the judgment of governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature the State is authorized to intervene in the “property, affairs and governments” of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the “FRB”), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to \$5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time, there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The Town has not requested FRB assistance nor does it reasonably expect to do so in the foreseeable future. School districts and fire districts are not eligible for FRB assistance.

Constitutional Non-Appropriation Provision. 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.” This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See “General Municipal Law Contract Creditors’ Provision” herein.

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

Default Litigation. In prior years, certain events and legislation affecting a holder’s remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service. See “NATURE OF THE OBLIGATION” and “State Debt Moratorium Law” herein.

No Past Due Debt. No principal of or interest on Town indebtedness is past due. The Town has never defaulted in the payment of the principal of and interest on any indebtedness.

MARKET AND RISK FACTORS

There are various forms of risk associated with investing in the Bonds. The following is a discussion of certain events that could affect the risk of investing in the Bonds. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential investment risk.

The financial and economic condition of the Town as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the Town’s control. There can be no assurance that adverse events in the State and in other jurisdictions, 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 Bonds. 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 Town to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds could be adversely affected.

The Town 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 Town, in any year, the Town may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the Town. In some years, the Town 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.

There are a number of general factors which could have a detrimental effect on the ability of the Town to continue to generate revenues, particularly property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in tax certiorari proceedings could result in a significant reduction in the assessed valuation of taxable real property in the Town. Unforeseen developments could also result in substantial increases in Town expenditures, thus placing strain on the Town’s financial condition. These factors may have an effect on the market price of the Bonds.

If a holder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. If and when a holder of any of the Bonds should elect to sell a Bond prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Bonds. Recent global financial crises have included limited periods of significant disruption. In addition, the price and principal value of the Bonds is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

Amendments to U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Bonds and other debt issued by the Town. Any such future legislation would have an adverse effect on the market value of the Bonds (See “TAX MATTERS” herein).

The Town, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the Town faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. No assurances can be given that such security and operational control measures implemented would be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage Town digital networks and systems and the costs of remedying any such damage could be substantial.

TAX MATTERS

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 Bonds 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 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in “APPENDIX – D”.

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 Bonds. The Town has covenanted to comply with certain restrictions designed to insure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes 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) or any other matters coming to the attention of Bond Counsel after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to and may not be relied upon in connection with any such actions, events or matters.

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 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds may otherwise affect an Owner’s federal or state 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.

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. For example, legislative proposals have been made in recent years that 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. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, 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, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

The legality of the authorization and issuance of the Bonds is covered by the approving legal opinion of Bond Counsel. The proposed form of Bond Counsel's opinion is attached hereto at "APPENDIX – D".

LITIGATION

The Town is subject to a number of lawsuits in the ordinary conduct of its affairs. The Town Attorney 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 Town.

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 Town threatened against or affecting the Town to restrain or enjoin the issuance, sale or delivery of the Bonds or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Bonds or any proceedings or authority of the Town taken with respect to the authorization, issuance or sale of the Bonds or contesting the corporate existence or boundaries of the Town.

CONTINUING DISCLOSURE

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the Town will enter into a Continuing Disclosure Undertaking Certificate, a description of which is attached hereto as "APPENDIX – C".

Historical Continuing Disclosure Compliance

The Town has in the previous five years complied, in all material respects, with any previous undertakings pursuant to the Rule; however,

- The Town failed to file its unaudited financial statement for fiscal year ending December 31, 2017 within the sixth month following the end of the succeeding fiscal year (June 30, 2018) and failed to provide notice of such failure to file its 2017 unaudited financial statement. The Town's 2017 unaudited annual financial statement is not complete as of the date of this Official Statement and is not expected to be completed prior to completion of the Town's 2017 audited financial statement. The Town's 2017 audited financial statement will be promptly filed with EMMA when completed.

BOND RATING

Moody's Investors Service ("Moody's") assigned their rating of "Aa1" to the Bonds. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. The rating reflects only the view of the Moody's and an explanation of the significance of such rating may be obtained from Moody's.

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 particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, 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 Bonds.

MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor") is a Municipal Advisor registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the Town on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Bonds. The advice on the plan of financing and the structuring of the Bonds was based on materials provided by the Town and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the Town or the information set forth in this Official Statement or any other information available to the Town with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement. The fees to be paid by the Town to Fiscal Advisors are partially contingent on the successful closing of the Bonds.

CUSIP IDENTIFICATION NUMBERS

It is anticipated that CUSIP (an acronym that refers to Committee on Uniform Security Identification Procedures) identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds will be paid for by the District provided, however; the District assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates in good faith, no assurance can be given that the facts will materialize as so opined or estimated. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the holders of the Bonds.

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 Town management's beliefs as well as assumptions made by, and information currently available to, the Town'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 Town's files with the repositories. When used in Town documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

To the extent 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 holder of the Bonds.

Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel to the Town, expressed no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the Town for use in connection with the offer and sale of the Bonds, 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 Bonds, the Town 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 Town.

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

The Town hereby disclaims any obligation to update developments of the various risk factors or to announce publicly any revision to any of the forward-looking statements contained herein or to make corrections to reflect future events or developments except to the extent required by Rule 15c2-12 promulgated by the Securities and Exchange Commission.

The Municipal Advisor 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. The Municipal Advisor 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 Town nor the Municipal Advisor assumes any liability or responsibility for errors or omissions on such website. Further, the Municipal Advisor and the Town 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. The Municipal Advisor and the Town also assumes no liability or responsibility for any errors or omissions or for any updates to dated website information.

The Town will act as Paying Agent for the Bonds. The Town contact information is as follows: Mr. Mike Solvig, Town Finance Officer, Town of Ithaca, 215 North Tioga Street, Ithaca, New York 14850, Phone: (607) 273-1721, Fax: (607) 273-5854, email: msolvig@town.ithaca.ny.us.

Additional copies of the Notice of Private Competitive Bond Sale and the Official Statement may be obtained upon request from the offices of Fiscal Advisors & Marketing, Inc., telephone number (315) 752-0051, or at www.fiscaladvisors.com

TOWN OF ITHACA

Dated: November 9, 2018

WILLIAM GOODMAN
Town Supervisor

GENERAL TOWNWIDE FUND

Balance Sheets

Fiscal Years Ending December 31:	2013	2014	2015	2016	2017
ASSETS					
Unrestricted Cash	\$ 2,651,393	\$ 2,980,097	\$ 3,385,043	\$ 3,662,232	\$ 5,515,007
Restricted Cash	1,042,014	1,029,519	1,105,453	1,006,265	1,116,887
Due from Other Funds	51,290	169,233	71,709	72,686	92,213
Due from State & Federal Governments	-	-	-	-	-
Due From Other Governments	158,306	252,390	287,881	284,489	342,445
Prepaid Expenses	110,580	110,134	107,277	105,699	91,209
Other Receivables	5,337	-	-	11,538	100,001
TOTAL ASSETS	\$ 4,018,920	\$ 4,541,373	\$ 4,957,363	\$ 5,142,909	\$ 7,257,762
LIABILITIES AND FUND EQUITY					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	280,922	305,606	374,014	416,670	520,872
Due to Other Funds	58,312	143,056	56,994	57,483	56,088
Due to Other Governments	-	-	-	-	1,143,344
Deferred Inflows of Resources	-	-	-	-	315,982
TOTAL LIABILITIES	\$ 339,234	\$ 448,662	\$ 431,008	\$ 474,153	\$ 2,036,286
FUND EQUITY					
Nonspendable	\$ 110,580	\$ 110,135	\$ 107,278	\$ 105,699	\$ 91,208
Restricted	1,042,015	1,029,521	1,105,455	1,006,266	1,116,830
Committed	-	-	-	-	-
Assigned	1,260,629	1,483,638	1,036,720	1,408,072	1,549,282
Unassigned	1,266,462	1,469,417	2,276,902	2,148,719	2,464,156
TOTAL FUND EQUITY	\$ 3,679,686	\$ 4,092,710	\$ 4,526,354	\$ 4,668,756	\$ 5,221,476
TOTAL LIABILITIES and FUND EQUITY	\$ 4,018,920	\$ 4,541,373	\$ 4,957,363	\$ 5,142,909	\$ 7,257,762

Source: Audited financial reports of the Town. This Appendix is not itself audited.

GENERAL TOWNWIDE FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending December 31:	2013	2014	2015	2016	2017	2018	2019
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Adopted Budget</u>	<u>Preliminary Budget</u>
REVENUES							
Real Property Taxes	\$ 2,275,838	\$ 2,519,550	\$ 2,600,000	\$ 2,599,982	\$ 3,052,000	\$ 2,750,000	\$ 2,975,000
Real Property Tax Items	53,808	61,675	60,179	62,941	60,966	58,000	59,000
Non-Property Tax Items	1,591,385	1,567,559	1,542,541	1,419,319	1,181,168	400,000	300,000
Departmental Income	206,710	170,356	180,665	210,343	385,250	20,100	17,150
Intergovernmental Charges	39,392	80,779	71,996	113,493	101,496	99,631	101,536
Use of Money & Property	39,795	56,157	35,401	36,378	38,349	36,350	37,350
Licenses and Permits	23,107	22,541	21,699	22,958	22,829	12,500	12,500
Fines and Forfeitures	286,818	284,270	264,210	273,619	224,402	280,000	225,000
Sale of Property and Compensation for Loss	16,298	986	8,348	6,563	5,907	-	-
Miscellaneous Local Sources	184,083	108,322	117,258	72,465	165,216	11,000	123,800
Revenues from State Sources	402,752	549,537	568,567	507,361	458,368	300,000	466,000
Revenues from Federal Sources	-	-	-	-	-	-	-
Total Revenues	\$ 5,119,986	\$ 5,421,732	\$ 5,470,864	\$ 5,325,422	\$ 5,695,951	\$ 3,967,581	\$ 4,317,336
EXPENDITURES							
General Government Support	\$ 1,607,043	\$ 1,568,052	\$ 1,562,731	\$ 1,626,242	\$ 1,594,772	\$ 1,723,381	\$ 1,754,310
Public Safety	74,766	72,470	74,987	80,868	75,225	92,884	93,034
Health	-	-	-	-	-	-	-
Transportation	482,766	376,951	429,530	395,434	369,715	492,360	1,155,600
Culture and Recreation	920,527	1,030,687	916,374	1,011,717	951,103	1,154,876	1,443,298
Home and Community Services	793,454	1,083,131	1,201,824	1,102,560	1,163,128	269,250	270,550
Employee Benefits	1,196,038	1,195,125	1,199,379	1,341,246	1,305,738	1,026,800	965,750
Debt Service	-	-	-	-	-	-	-
Total Expenditures	\$ 5,074,594	\$ 5,326,416	\$ 5,384,825	\$ 5,558,067	\$ 5,459,681	\$ 4,759,551	\$ 5,682,542
Excess of Revenues Over (Under) Expenditures	\$ 45,392	\$ 95,316	\$ 86,039	\$ (232,645)	\$ 236,270	\$ (791,970)	\$ (1,365,206)
Other Financing Sources (Uses):							
Operating Transfers In	\$ 556,700	\$ 567,000	\$ 583,600	\$ 589,800	\$ 655,846	\$ 593,200	\$ 1,206,400
Operating Transfers Out	(190,512)	(249,291)	(235,995)	(214,754)	(339,395)	(223,655)	(253,740)
Proceeds of Obligations	-	-	-	-	-	-	-
Total Other Financing	\$ 366,188	\$ 317,709	\$ 347,605	\$ 375,046	\$ 316,451	\$ 369,545	\$ 952,660
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 411,580	\$ 413,025	\$ 433,644	\$ 142,401	\$ 552,721	\$ (422,425)	\$ (412,546)
FUND BALANCE							
Fund Balance - Beginning of Year	\$ 3,268,106	\$ 3,679,686	\$ 4,092,711	\$ 4,526,355	\$ 4,668,755	\$ 422,425	\$ 412,546
Prior Period Adjustments (net)	-	-	-	-	-	-	-
Fund Balance - End of Year	\$ 3,679,686	\$ 4,092,711	\$ 4,526,355	\$ 4,668,756	\$ 5,221,476	\$ -	\$ -

BONDED INDEBTEDNESS

Fiscal Year Ending December 31st	Excluding the current issuance			Principal of this Issuance	Principal of all issues
	Principal	Interest	Total		
2018	\$ 1,142,076	\$ 336,188	\$ 1,478,264	\$ -	\$ 1,142,076
2019	1,179,717	305,829	1,485,546	220,000	1,399,717
2020	1,120,358	279,555	1,399,913	230,000	1,350,358
2021	1,140,358	253,328	1,393,686	235,000	1,375,358
2022	1,092,999	221,729	1,314,728	240,000	1,332,999
2023	1,118,281	193,630	1,311,911	250,000	1,368,281
2024	945,922	163,347	1,109,269	260,000	1,205,922
2025	758,563	139,008	897,571	265,000	1,023,563
2026	771,204	117,810	889,014	275,000	1,046,204
2027	788,845	95,893	884,738	285,000	1,073,845
2028	811,486	72,874	884,360	290,000	1,101,486
2029	704,127	48,561	752,688	300,000	1,004,127
2030	494,409	28,391	522,800	310,000	804,409
2031	272,050	14,084	286,134	320,000	592,050
2032	137,332	5,061	142,393	330,000	467,332
2033	50,179	815	50,994	340,000	390,179
TOTALS	\$ 12,527,906	\$ 2,276,104	\$ 14,804,010	\$ 4,150,000	\$ 16,677,906

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	2004			2009		
	Public Improvement Serial Bond			Public Improvement Serial Bond		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 67,000	\$ 3,899	\$ 70,899	\$ 75,000	\$ 19,194	\$ 94,194
2019	67,000	1,300	68,300	80,000	16,944	96,944
2020	-	-	-	80,000	14,544	94,544
2021	-	-	-	85,000	12,044	97,044
2022	-	-	-	85,000	9,281	94,281
2023	-	-	-	90,000	6,413	96,413
2024	-	-	-	90,000	3,263	93,263
TOTALS	\$ 134,000	\$ 5,199	\$ 139,199	\$ 585,000	\$ 81,681	\$ 666,681

Fiscal Year Ending Dec 31st	2011			2012			2013		
	Public Improvement Serial Bond			Joint Public Improvement Serial Bond			Joint Public Improvement Serial Bond		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 150,000	\$ 53,531	\$ 203,531	\$ 60,743	\$ 27,255	\$ 87,998	\$ 34,333	\$ 20,289	\$ 54,622
2019	155,000	49,781	204,781	60,743	26,040	86,783	36,974	19,220	56,194
2020	155,000	45,906	200,906	63,384	24,825	88,209	36,974	18,111	55,085
2021	160,000	42,031	202,031	63,384	23,558	86,942	36,974	17,001	53,975
2022	105,000	38,031	143,031	66,025	22,290	88,315	36,974	15,892	52,866
2023	110,000	35,144	145,144	68,666	20,887	89,553	39,615	14,743	54,358
2024	110,000	31,844	141,844	71,307	19,342	90,649	39,615	13,555	53,170
2025	115,000	28,544	143,544	71,307	17,738	89,045	42,256	12,327	54,583
2026	115,000	25,094	140,094	73,948	16,044	89,992	42,256	11,059	53,315
2027	120,000	21,644	141,644	76,589	14,195	90,784	42,256	9,792	52,048
2028	125,000	17,744	142,744	76,589	12,281	88,870	44,897	8,456	53,353
2029	130,000	13,681	143,681	79,230	9,983	89,213	44,897	7,053	51,950
2030	135,000	9,456	144,456	81,871	7,606	89,477	47,538	5,579	53,117
2031	140,000	4,900	144,900	84,512	5,150	89,662	47,538	4,034	51,572
2032	-	-	-	87,153	2,615	89,768	50,179	2,446	52,625
2033	-	-	-	-	-	-	50,179	815	50,994
TOTALS	\$ 1,825,000	\$ 417,331	\$ 2,242,331	\$ 1,085,451	\$ 249,809	\$ 1,335,260	\$ 673,455	\$ 180,374	\$ 853,829

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	2013			2014			2014		
	Public Improvement Serial Bond			Public Improvement Serial Bond			Refunding of 2004 Serial Bond		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 290,000	\$ 71,663	\$ 361,663	\$ 185,000	\$ 70,000	\$ 255,000	\$ 105,000	\$ 15,344	\$ 120,344
2019	310,000	65,138	375,138	190,000	62,600	252,600	100,000	13,294	113,294
2020	310,000	58,163	368,163	195,000	58,800	253,800	100,000	11,294	111,294
2021	310,000	51,188	361,188	200,000	54,900	254,900	100,000	8,294	108,294
2022	310,000	43,438	353,438	205,000	46,900	251,900	95,000	5,284	100,284
2023	310,000	34,138	344,138	210,000	42,288	252,288	95,000	3,206	98,206
2024	125,000	24,063	149,063	220,000	37,300	257,300	90,000	1,069	91,069
2025	125,000	19,688	144,688	200,000	31,800	231,800	-	-	-
2026	125,000	15,000	140,000	205,000	25,800	230,800	-	-	-
2027	125,000	10,000	135,000	210,000	19,650	229,650	-	-	-
2028	125,000	5,000	130,000	220,000	13,350	233,350	-	-	-
2029	-	-	-	225,000	6,750	231,750	-	-	-
TOTALS	\$ 2,465,000	\$ 397,475	\$ 2,862,475	\$ 2,465,000	\$ 470,138	\$ 2,935,138	\$ 685,000	\$ 57,784	\$ 742,784

Fiscal Year Ending Dec 31st	2015		
	Principal	Interest	Total
2018	\$ 175,000	\$ 55,013	\$ 230,013
2019	180,000	51,513	231,513
2020	180,000	47,913	227,913
2021	185,000	44,313	229,313
2022	190,000	40,613	230,613
2023	195,000	36,813	231,813
2024	200,000	32,913	232,913
2025	205,000	28,913	233,913
2026	210,000	24,813	234,813
2027	215,000	20,613	235,613
2028	220,000	16,044	236,044
2029	225,000	11,094	236,094
2030	230,000	5,750	235,750
TOTALS	\$ 2,610,000	\$ 416,313	\$ 3,026,313

CONTINUING DISCLOSURE UNDERTAKING WITH RESPECT TO THE BONDS

In accordance with the requirements 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"), the Town has agreed to provide, or cause to be provided,

- (i) 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, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the Final Official Statement dated November 20, 2018 of the Town relating to the Bonds under the headings "THE TOWN", "TAX INFORMATION", "STATUS OF INDEBTEDNESS", "LITIGATION" and all Appendices (other than "APPENDIX – C & D" and other than any related to bond insurance) by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ending December 31, 2018, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ending December 31, 2018; such audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if an audited financial statement is not available at that time or, within sixty days following receipt by the Town of its audited financial statement for the preceding fiscal year, but, in any event, not later than the last business day of each such succeeding fiscal year; and provided further, in the event that the audited financial statement for any fiscal year is not available by the end of the sixth month following the end of any such succeeding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the Town of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;
- (ii) within 10 business days after the occurrence of such event, notice of the occurrence of any of the following events with respect to the Bonds, to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule:
 - (a) principal and interest payment delinquencies
 - (b) non-payment related defaults; if material
 - (c) unscheduled draws on debt service reserves reflecting financial difficulties
 - (d) 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 of determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
 - (g) modifications to rights of Bondholders; if material
 - (h) bond calls, if material, and tender offers
 - (i) defeasances
 - (j) release, substitution, or sale of property securing repayment of the Bonds; if material
 - (k) rating changes
 - (l) bankruptcy, insolvency, receivership or similar event of the Town;

- (m) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, 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; and
- (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 Bonds.

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

For the purposes of the event identified in (l) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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

- (iii) in a timely manner, to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of its failure to provide the aforescribed annual financial information and operating data and such audited financial statement, if any, on or before the date specified.

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

The Town 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 Town, provided that, the Town agrees that any such modification will be done in a manner consistent with the Rule.

A Continuing Disclosure Undertaking Certificate to this effect shall be provided to the purchaser at closing.

FORM OF BOND COUNSEL'S OPINION

December 6, 2018

Town of Ithaca,
County of Tompkins,
State of New York

Re: Town of Ithaca, Tompkins County, New York
\$4,150,000 Public Improvement (Serial) Bonds, 2018

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of \$4,150,000 Public Improvement (Serial) Bonds, 2018 (the "Obligations"), of the Town of Ithaca, New York (the "Obligor"), dated December 6, 2018, initially issued in registered form in denominations such that one bond shall be issued for each maturity of bonds in such amounts as hereinafter set forth, bearing interest at the rate of ____ hundredths per centum (____%) per annum as to bonds maturing in ____, payable on June 1, 2019, December 1, 2019 and semi-annually thereafter on June 1 and December 1, and maturing in the amount of \$ ____ on December 1, 2019, \$ ____ on December 1, 2020, \$ ____ on December 1, 2021, \$ ____ on December 1, 2022, \$ ____ on December 1, 2023, \$ ____ on December 1, 2024, \$ ____ on December 1, 2025, \$ ____ on December 1, 2026, \$ ____ on December 1, 2027, \$ ____ on December 1, 2028, \$ ____ on December 1, 2029, \$ ____ on December 1, 2030, \$ ____ on December 1, 2031, \$ ____ on December 1, 2032 and \$ ____ on December 1, 2033.

The Obligations maturing on or before December 1, 2025 shall not be subject to redemption prior to maturity. The Obligations maturing on or after December 1, 2026 shall be subject to redemption prior to maturity as a whole or in part (and by lot if less than all of a maturity is to be redeemed) at the option of the Town on December 1, 2025 or on any date thereafter at par, plus accrued interest to the date of redemption.

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 (i) 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, and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. 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) 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 and 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 alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, 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, or waiver 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

**TOWN OF ITHACA
TOMPKINS COUNTY, NEW YORK**

AUDITED FINANCIAL REPORT

For the Year Ended December 31, 2017

Such Audited Financial Statement and opinion 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.

TOWN OF ITHACA

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INDEPENDENT AUDITOR'S REPORT

Supervisor and Town Board
Town of Ithaca
Ithaca, New York 14850

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ithaca, NY, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ithaca, NY, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages I-XIX), the Schedule of Funding Progress for the Retiree Health Plan (page 43), the Schedule of Revenues and Expenditures Compared to Budget - Major Funds (page 44), the Schedule of the Town's Proportionate Share of the Net Pension Liability (page 45), and the Schedule of the Town's Pension Contributions (page 46), 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Ithaca's basic financial statements. The supplementary information presented on pages 47 through 48 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018 on our consideration of the Town of Ithaca's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Ithaca's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Sciarabba Walker & Co. LLP".

Sciarabba Walker & Co., LLP

Ithaca, New York
October 25, 2018

The following is a discussion and analysis of the Town of Ithaca's financial performance for the year ended December 31, 2017. The Town of Ithaca discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

The section is a summary of the Town's financial activities based on currently known facts, decisions, or conditions as provided by the Town's Finance Officer. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Town's financial statements, which immediately follow this section.

HIGHLIGHTS

Financial Highlights:

- The Town's net position, as reflected in the Statement of Net Position, increased by \$1,251,802 (5.32%).
- Revenue, as reflected in the Statement of Activities, decreased \$19,035 (0.10%).
- Expenditures increased by \$168,711 (0.94%).
- The General Townwide Fund (the primary operating fund) fund balance increased by \$359,671 (9.89%) for the year ended December 31, 2017.

Town Highlights:

- Year-end fund balance increased in general, highway, and fire funds and decreased in capital projects funds for major Town funds in Fiscal Year 2017.
- In Fiscal Year 2017, the Town received prepaid property taxes of \$2,031,600. \$888,256 of which was allocated to the following funds: \$315,982 general, \$223,966 highway, \$288,954 fire, \$47,745 water, \$9,618 sewer, and \$1,991 lighting districts. These amounts have been reflected within the governmental funds as deferred inflows of resources. The remaining balance of \$1,143,344 is cash due to the County which has been reflected within the general funds as a due to other governments at year-end.

GENERAL FUND - Fund equity increased by \$552,721, with revenues and other sources of \$6,351,797 exceeding expenditures and other uses of \$5,799,076. Real property tax increased while sales tax, mortgage tax collections, and state aid per capita decreased compared to 2016. Ending fund balance totaled \$5,221,476, which includes reserves of \$827,661 for the Parks and Open Space Plan Reserve, \$239,196 for the General Benefit Reserve, \$40,129 in the Preserve Maintenance Reserve and \$9,844 in the Land Stewardship Reserve. (Townwide + Part-Town + Risk)

HIGHWAY FUND - With revenues and other sources of \$3,736,781 exceeding expenditures and other uses of \$3,268,748, fund equity increased by \$468,033. Ending fund balance of \$2,267,511 includes reserves of \$250,000 for the Highway Equipment Reserve and \$79,321 for the General Benefit Reserve.

WATER FUND - For Fiscal Year 2017, the net position of the Water Fund increased by \$1,380,589. Operating and non-operating revenues totaling \$4,759,308 exceeded operating and non-operating expenditures of \$3,378,719. Year-end net position of \$8,067,197 includes \$23,811 for the General Benefit Reserve.

SEWER FUND - Net position of the Sewer Fund decreased by \$5,729 in Fiscal Year 2017. Operating and non-operating expenditures of \$2,498,017 exceeded operating and non-operating revenues of \$2,492,288. Net position at year-end of \$5,408,416 includes \$12,034 for the General Benefit Reserve.

FIRE PROTECTION FUND - With revenues of \$3,531,788 exceeding expenditures of \$3,110,673, fund equity increased by \$421,115 to total \$2,078,828 at year-end.

- The Town of Ithaca has an *informal* policy to maintain the fund balance percentage of any fund, calculated as the percentage of the fund's year-end unreserved net assets compared to the next year's budgeted expenditures, at a minimum of 25%. A 25% fund balance percentage represents the approximate amount necessary to cover the expense of three months of operations. For the year ended December 31, 2017, all major funds exceeded this 25% goal.
- Collections of sales taxes increased while mortgage tax decreased in Fiscal Year 2017.

SALES TAX - Collections increased to \$3,184,969 in 2017 from the previous year's total of \$3,003,943, an increase of \$181,026 or 6.03%. Sales tax revenues are split between General Fund and Highway Fund.

MORTGAGE TAX - Collections for 2017 totaled \$279,791, a decrease of \$6,436 or 2.25% over the previous year's total of \$286,227.

- Year-end balances for the Town's reserve accounts either increased or decreased over the prior year and are as follows:

PARKS AND OPEN SPACE PLAN RESERVE - The General Fund includes reserve funds designated for the purpose of future park development and the purchasing of development rights, as outlined in the Town's Parks and Open Space Plan. During 2017, the Town transferred approximately \$100,000 to the account based on a strong year of operations and used the funds to purchase additional reserved land. The balance at year-end was \$827,661.

HIGHWAY EQUIPMENT RESERVE - The Highway Fund includes reserve funds established for the purchase/replacement of highway equipment and machinery. \$180,000 received from an equipment settlement was placed here in 2017. The balance at year-end was \$250,000.

GENERAL BENEFIT RESERVE - The General Fund, Highway Fund, Water Fund, and Sewer Fund equity includes reserve funds established for managing unanticipated increases in

employee fringe benefit costs (e.g. NYS Retirement, Health Insurance). The aggregate balance at year-end was \$354,362.

PRESERVE MAINTENANCE RESERVE - The General Townwide Fund includes reserve funds designated for the maintenance of the Pine Tree Wildlife Preserve, donated to the Town in 2013. In conjunction with the donation of the land, the amount of \$40,000 was also donated to provide for future maintenance of the preserve. The balance at year end was \$40,129.

LAND STEWARDSHIP RESERVE - In 2014, the Town purchased the development rights to the Indian Creek Farm with financial assistance through a State of New York grant. This grant included \$10,000 to be held in reserve by the Town, designated for the future stewardship of the Indian Creek Farm lands. For the year ended December 31, 2017, the balance of this reserve totaled \$9,844.

- The Capital Improvement Program (CIP) process continues to be improved and refined. Timely project reviews, detailed mapping, design, planning, and the development of five-year budget projections have strengthened the fiscal accountability of the Town's CIP, improving the Town's ability to analyze the cost of future borrowing needs and the potential impact that such long-term borrowing would have on the property tax levy and property tax rates. This analytical process assists the Town Board in prioritizing those projects that will better serve the needs of the Town residents and maintain the quality of the Town's transportation, water and sewer infrastructures.

CONSTITUTIONAL DEBT LIMIT - The Town of Ithaca maintains a very low direct debt burden. At year-end the Town had exhausted only 3.47% of its debt-contracting power.

- In December 2014, Moody's Investors Service upgraded the Town's bond rating from Aa2 to Aa1. The Aa1 bond rating was affirmed on February 14, 2017 by Moody's and is reflecting the Town's "moderately-sized tax base with above-average income levels and significant institutional presence, strong financial management and sound budgeting practices, ample reserve levels, and a modest debt profile."

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements are *government-wide* financial statements that provide both short-term and long-term information about the Town's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Town, reporting the Town's operations in more detail than the government-wide statements. The fund financial statements concentrate on the Town's most significant funds.
- The *governmental funds statements* tell how basic services were financed in the short term as well as what remains for future spending. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes finance most of these activities.

- The *proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. Enterprise funds are used to report the funds presented as business-type activities in the government-wide financial statements. The enterprise funds are those that the Town charges customers to provide. These include the sewer and water services offered by the Town.
- *Fiduciary funds statements* provide information about the financial relationships in which the Town acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Town's budget for the year.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Town's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's *net position* and how they have changed. Net position, the difference between the Town's assets and liabilities, is one way to measure the Town's financial health or position.

- Over time, increases or decreases in the Town's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Town's overall health, you need to consider additional non-financial factors such as changes in the Town's property tax base and the condition of facilities and infrastructures.

In the government-wide financial statements, the Town's activities are shown as *governmental activities and business-type activities*. The Town's basic services are included as governmental activities such as road maintenance (transportation), and administration (general governmental support). Property taxes finance most of these activities. Business-type activities are reported separately as they recover the majority of their expenses through charges to customers for the services provided.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Town's funds, focusing on its most significant or "major" funds – not the Town as a whole. Funds are accounting devices the Town uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The Town establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The Town has three kinds of funds:

- **Governmental Funds:** Most of the Town's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciling statements (page 4 and pages 7-8) have been added to explain the relationship (or differences) between them.
- **Proprietary Funds:** Consist of the water and sewer funds, those funds for which the Town provides services and then charges customers for providing the service. The proprietary statements include all assets and liabilities, both short-term and long-term, including debt and capital assets. Accrual accounting is used and focus is on economic resources.
- **Fiduciary Funds - Agency Funds:** The Town acts in an agency capacity for assets that are ultimately transferred to others, such as payroll withholdings. The Town also reports deposits associated with its rental activities in this fund. The Town excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's combined net position increased by \$1,251,802 or 5.32%.

Current assets increased by \$2,921,598 or 15.51%.

Capital assets increased by \$716,761 (net of 2017 depreciation expense of \$1,529,495) or 2.65%.

Long-term serial bond debt decreased by \$1,089,000 or 9.18%. The decrease reflects the 2017 principal payments as no new bond proceeds were issued during the year.

Unrestricted net position decreased by \$810,766 or 11.41%.

The Town's current ratio (ratio of current assets to current liabilities) was 4.2:1 at December 31, 2017. The Town's quick ratio (cash and assets easily converted to cash compared to current liabilities) was 2.7:1 at December 31, 2017.

Figures A-1 and A-2 present condensed information derived from the Town's government-wide statements.

FIGURE A-1

<i>Condensed Statement of Net Position</i>	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Current assets	\$ 13,305,871	\$ 10,022,472	\$ 8,455,647	\$ 8,817,448
Non-current assets	11,851,649	11,745,594	15,912,733	15,302,027
Total Assets	\$ 25,157,520	\$ 21,768,066	\$ 24,368,380	\$ 24,119,475
Deferred pension outflow	1,046,889	1,962,790	87,775	181,357
Total Deferred Outflows of Resources	\$ 1,046,889	\$ 1,962,790	\$ 87,775	\$ 181,357
Current liabilities	\$ 3,987,846	\$ 1,999,781	\$ 1,209,576	\$ 1,418,296
Non-current liabilities	9,930,687	10,110,181	9,698,936	10,762,736
Total Liabilities	\$ 13,918,533	\$ 12,109,962	\$ 10,908,512	\$ 12,181,032
Deferred inflows	987,083	199,043	72,030	19,046
Total Deferred Inflows of Resources	\$ 987,083	\$ 199,043	\$ 72,030	\$ 19,046
Invested in capital assets, net of debt	\$ 8,629,719	\$ 8,165,712	\$ 8,365,663	\$ 7,023,909
Restricted	1,446,151	1,192,685	35,845	32,505
Unrestricted net position	1,222,923	2,063,454	5,074,105	5,044,340
Total Net Position	\$ 11,298,793	\$ 11,421,851	\$ 13,475,613	\$ 12,100,754

FIGURE A-2

<i>Changes in Net Position</i>	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
REVENUES				
Program revenues:				
Charges for services	\$ 409,666	\$ 231,631	\$ 5,371,656	\$ 6,078,124
Operating grants and contributions	371,277	429,205	-	-
Capital grants and contributions	235,042	126,969	-	-
General revenues:				
Property taxes	7,881,966	7,729,873	1,094,165	1,013,902
Non property taxes	3,266,137	3,072,508	-	-
Unrestricted state aid	281,051	289,486	-	-
Interest earnings	16,447	15,058	4,658	5,264
Other general revenues	373,484	333,505	1,405	464
Total Revenues	\$ 12,835,070	\$ 12,228,235	\$ 6,471,884	\$ 7,097,754
PROGRAM EXPENSES				
General government support	\$ 2,538,960	\$ 2,557,347	\$ -	\$ -
Public safety	3,201,013	3,298,060	-	-
Transportation	3,330,976	3,460,526	-	-
Culture and recreation	1,132,655	1,056,923	-	-
Home and community services	2,150,312	1,946,407	-	-
Water and sewer	-	-	5,701,236	5,567,178
Total Expenses	\$ 12,353,916	\$ 12,319,263	\$ 5,701,236	\$ 5,567,178
Transfers	(604,211)	(980,976)	604,211	980,976
CHANGE IN NET POSITION	\$ (123,057)	\$ (1,072,004)	\$ 1,374,859	\$ 2,511,552

Figure A-3 shows the sources of revenue for 2017.

FIGURE A-3
Sources of Revenue for 2017

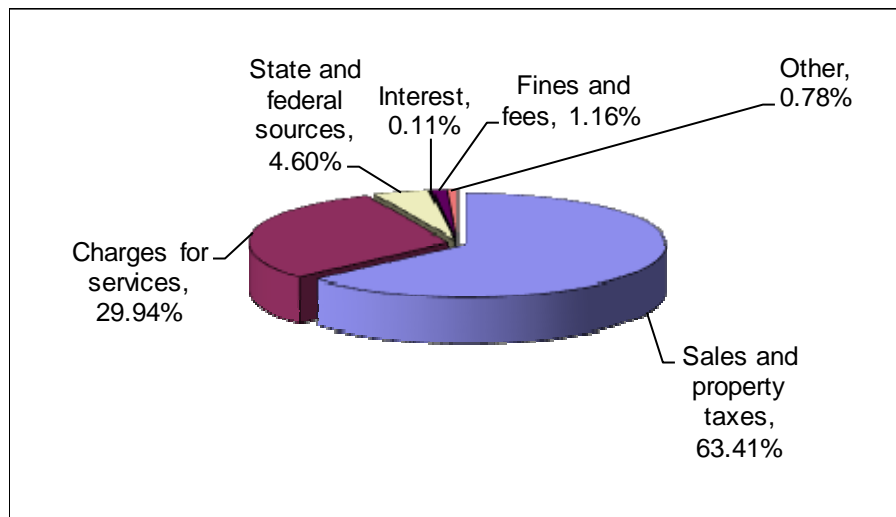
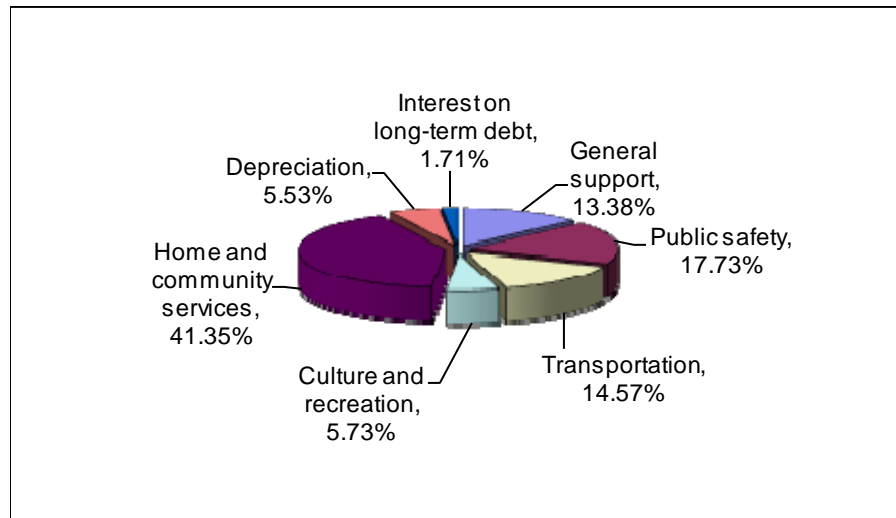


Figure A-4 represents the Town's 2017 expenditures by program.

FIGURE A-4
Expenditures by Program



Total costs of services provided by the Town (Figure A-5) were \$18,055,152. These charges were offset by grants and contributions of \$606,319 and charges for services of \$5,781,322, resulting in net cost of services of \$11,667,511.

FIGURE A-5

<i>Programs</i>	Total Cost of Services		
	Governmental	Business - Type	Total
	2017	2017	2017
General government support	\$ 2,538,960	\$ -	\$ 2,538,960
Public safety	3,201,013	-	3,201,013
Transportation	3,330,976	-	3,330,976
Culture and recreation	1,132,655	-	1,132,655
Home and community services	2,150,312	-	2,150,312
Water and sewer	-	5,701,236	5,701,236
Total	\$ 12,353,916	\$ 5,701,236	\$ 18,055,152

<i>Programs</i>	Net Cost of Services		
	Governmental	Business - Type	Total
	2017	2017	2017
General government support	\$ 2,261,002	\$ -	\$ 2,261,002
Public safety	3,200,773	-	3,200,773
Transportation	3,083,182	-	3,083,182
Culture and recreation	1,020,368	-	1,020,368
Home and community services	1,772,606	-	1,772,606
Water and sewer	-	329,580	329,580
Total	\$ 11,337,931	\$ 329,580	\$ 11,667,511

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Figure A-6 shows the change in fund balances for the year for the Town's funds as presented in the Town's Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds. At December 31, 2017, the Town reported a combined fund balance of \$8,350,325. Total fund balance increased by \$346,014 in 2017.

FIGURE A-6

<i>Governmental Fund Balances</i>	Governmental Funds		Total Dollar Change
	2017	2016	
General Fund	\$ 5,221,476	\$ 4,668,755	\$ 552,721
Highway Fund	2,267,511	1,799,478	468,033
Fire Fund	2,078,828	1,657,713	421,115
Capital Projects Fund	(1,454,426)	(561,811)	(892,615)
Other Funds	236,936	440,175	(203,239)
Total Fund Balance	\$ 8,350,325	\$ 8,004,310	\$ 346,015

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues were higher than budget estimates by \$116,150 and actual expenditures were less than budgeted expenditures by \$929,002.

Figure A-7 summarizes the General Fund original budget, actual expenditures and the variances for the year ended December 31, 2017.

FIGURE A-7

<i>Condensed Budgetary Comparison- General Fund 2017</i>	Original Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Real property taxes	\$ 3,106,000	\$ 3,112,966	\$ 6,966
Non-property taxes	1,113,000	1,181,168	68,168
State sources	389,650	458,368	68,718
All other	971,151	943,449	\$ (27,702)
Total Revenues	\$ 5,579,801	\$ 5,695,951	\$ 116,150
EXPENDITURES			
General government support	\$ 1,890,720	\$ 1,594,773	\$ 295,947
Public safety	92,534	75,225	17,309
Transportation	530,450	369,715	160,735
Culture and recreation	1,158,679	951,103	207,576
Home and community services	1,354,525	1,163,127	191,398
Employee benefits	1,361,775	1,305,738	56,037
Total Expenditures	\$ 6,388,683	\$ 5,459,681	\$ 929,002
Other financing sources	\$ 1,058,996	\$ 655,846	\$ (403,150)
Other financing uses	250,114	339,395	(89,281)

CAPITAL ASSETS

The Town records expenditures for land, buildings, equipment, machinery and infrastructures (roads, water and sewer systems) as capital assets in the Statement of Net Position. Annual depreciation expense is recorded in the Statement of Activities to reflect the use of these assets over their useful lives. Land and construction in progress are not subject to depreciation. The Town's depreciation methods, assumptions regarding useful lives and capitalization thresholds are described in Notes 1K and 1L in the current year's Notes to the Financial Statements.

In 2017, the Town expended \$2,397,598 on capital additions. Figure A-8 reflects the changes in net capital assets.

FIGURE A-8

<i>Changes in Net Capital Assets</i>	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Land	\$ 599,780	\$ 599,780	\$ -	\$ -
Construction in progress	361,466	68,696	622,473	466,363
Buildings	3,119,352	3,269,327	-	-
Equipment and machinery	2,426,880	2,610,029	752,944	698,511
Furniture and furnishings	6,245	8,794	-	-
Non-building improvements	639,501	665,136	-	-
Infrastructures	4,698,425	4,523,832	14,537,316	14,137,153
Total	\$ 11,851,649	\$ 11,745,594	\$ 15,912,733	\$ 15,302,027

Major additions in 2017 included:

Infrastructure	\$ 1,265,678
Construction in progress	449,623
Equipment acquisitions	669,220
Non-building improvements	13,077
Total	<u><u>\$ 2,397,598</u></u>

DEBT ADMINISTRATION

Long-term debt decreased by \$1,089,000.

The Town's liability for compensated absences increased \$11,766 to \$172,575 during 2017.

In 2008, the Town implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The standard requires that a liability be recognized based on an actuarial measure of the current year funding costs associated with long-term liabilities for post-employment benefits. The Town's liability for post-employment benefits under GASB 45 was \$5,973,148 as of December 31, 2017.

The Town continues to recognize a liability for accumulated sick time that can be credited to employee's portions of health insurance at the date of retirement. The liability was \$527,053 at December 31, 2017.

The Town's most recent bond rating, as determined by Moody's Investor Service, Inc., is Aa1.

Constitutional Debt Limit

The Town of Ithaca is restricted by the New York State Constitution, Article VIII, Section 2, on the manner of creating and paying local indebtedness. The Town can only create debt for “Town” purposes. The outstanding payback period for indebtedness is restricted to the period of usefulness. As the issuer of debt (borrower) the Town is required to pledge in full faith and credit for the payments of principal and interest to the bondholder (investor).

As required under the New York State Constitution, the Town of Ithaca cannot create debt in excess of 7% of the five (5) year average full valuation of taxable property.

The following summary provides information regarding the Town’s indebtedness, debt limit and net debt-contracting margin as of December 31, 2017.

Five-year average full valuation of taxable property	\$ 1,373,054,174
Debt limit - 7% thereof	96,113,792
Inclusions:	
Serial bonds	12,822,750
Exclusions:	
Water and sewer debt (1)	(9,600,820)
Total net indebtedness	3,221,930
Net debt contracting margin	\$ 92,891,862
Percent of debt contracting power exhausted	3.47%

(1) Sewer and Water indebtedness are excluded pursuant to Section 136.00(4-a) and 136.00(2), respectively, of the Local Finance Law.

Detailed information regarding the Town’s long-term liabilities is presented in Note 6C in 2017 Notes to the Financial Statements. Figure A-9 reflects changes in the Town’s debt for 2017.

FIGURE A-9

Outstanding Debt	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
Serial bonds	\$ 3,221,930	\$ 3,579,882	\$ 7,547,070	\$ 8,278,118
SCLIWC serial bonds	-	-	2,053,750	2,438,000
Compensated absences	154,776	144,706	17,799	16,103
Net pension liability	953,622	1,677,531	82,703	156,669
Other post-employment benefits	5,357,091	4,563,764	616,057	507,858
Liability for accrued sick time to be applied to retiree’s health coverage	527,053	453,097	-	-
Total	\$ 10,214,472	\$ 10,418,980	\$ 10,317,379	\$ 11,396,748

Figure A-10 depicts historical changes in fund balances for the Town of Ithaca for the period 2010 through 2017. Information for the Capital Projects Fund is omitted.

TOWN OF ITHACA
Figure A-10: Summary of Fund Balance by Fund
For the Years Ended 2010-2011

2010											
Description	General Townwide	General Part Town	Highway	Water	Sewer	Fire Protection	Risk Retention	Debt Service	Lighting Districts	Inlet Valley Cemetery	Total
<u>Fund Equity Beginning Detail</u>											
Operating Unreserved Funds	\$ 2,079,386	\$ 288,188	\$ 283,277	\$ 867,870	\$ 1,513,991	\$ 407,835	\$ 85,299	\$ 84,884	\$ 14,445	\$ -	\$ 5,625,175
Equipment Reserve Fund	-	-	2,593	-	-	-	-	-	-	-	2,593
Parks & Open Space Reserve Funds	516,827	-	-	-	-	-	-	-	-	-	516,827
General Benefit Reserve	151,912	44,843	82,994	13,625	7,764	-	-	-	-	-	301,138
Total Fund Equity Beginning @ 1/1/2010	\$ 2,748,125	\$ 333,031	\$ 368,864	\$ 881,495	\$ 1,521,755	\$ 407,835	\$ 85,299	\$ 84,884	\$ 14,445	\$ -	\$ 6,445,733
Add: Revenue & Other Sources	3,713,462	1,124,013	2,440,171	2,966,149	1,389,453	3,033,545	24,067	841,392	7,536	12,283	15,552,071
Deduct: Expenses & Other Uses	(3,796,481)	(1,089,792)	(1,986,773)	(2,611,329)	(2,400,749)	(3,283,484)	(49,152)	(832,184)	(12,295)	(3,249)	(16,065,488)
Fund Equity Ending Balance @ 12/31/2010	\$ 2,665,106	\$ 367,252	\$ 822,262	\$ 1,236,315	\$ 510,459	\$ 157,896	\$ 60,214	\$ 94,092	\$ 9,686	\$ 9,034	\$ 5,932,316

2011											
Description	General Townwide	General Part Town	Highway	Water	Sewer	Fire Protection	Risk Retention	Debt Service	Lighting Districts	Inlet Valley Cemetery	Total
<u>Fund Equity Beginning Detail</u>											
Operating Unreserved Funds	\$ 2,001,297	\$ 345,002	\$ 750,785	\$ 1,228,125	\$ 504,672	\$ 157,896	\$ 60,214	\$ 94,092	\$ 9,686	\$ -	\$ 5,151,769
Equipment Reserve Fund	-	-	27,190	-	-	-	-	-	-	-	27,190
Other Reserves	-	-	-	-	-	-	-	-	-	9,034	9,034
Parks & Open Space Reserve Funds	579,002	-	-	-	-	-	-	-	-	-	579,002
General Benefit Reserve	84,807	22,250	44,287	8,190	5,787	-	-	-	-	-	165,321
Total Fund Equity Beginning @ 1/1/2011	\$ 2,665,106	\$ 367,252	\$ 822,262	\$ 1,236,315	\$ 510,459	\$ 157,896	\$ 60,214	\$ 94,092	\$ 9,686	\$ 9,034	\$ 5,932,316
Add: Revenue & Other Sources	3,889,647	1,181,278	2,382,578	3,119,759	2,205,573	3,411,157	53,126	775,858	13,180	16	17,032,172
Deduct: Expenses & Other Uses	(3,814,600)	(1,100,607)	(2,080,604)	(3,214,059)	(1,849,535)	(3,494,246)	(18,105)	(815,493)	(12,454)	-	(16,399,703)
Fund Equity Ending Balance @ 12/31/2011	\$ 2,740,153	\$ 447,923	\$ 1,124,236	\$ 1,142,015	\$ 866,497	\$ 74,807	\$ 95,235	\$ 54,457	\$ 10,412	\$ 9,050	\$ 6,564,785

TOWN OF ITHACA
Figure A-10: Summary of Fund Balance by Fund
For the Years Ended 2012-2013

2012											
Description	General Townwide	General Part Town	Highway	Water	Sewer	Fire Protection	Risk Retention	Debt Service	Lighting Districts	Inlet Valley Cemetery	Total
<u>Fund Equity Beginning Detail</u>											
Operating Unreserved Funds	\$ 2,003,055	\$ 425,622	\$ 1,017,214	\$ 1,133,810	\$ 860,700	\$ 74,807	\$ 95,235	\$ 54,457	\$ 10,412	\$ -	\$ 5,675,312
Equipment Reserve Fund	-	-	62,650	-	-	-	-	-	-	-	62,650
Other Reserves	-	-	-	-	-	-	-	-	-	9,050	9,050
Parks & Open Space Reserve Funds	652,149	-	-	-	-	-	-	-	-	-	652,149
General Benefit Reserve	84,949	22,301	44,372	8,205	5,797	-	-	-	-	-	165,624
Total Fund Equity Beginning @ 1/1/2012	\$ 2,740,153	\$ 447,923	\$ 1,124,236	\$ 1,142,015	\$ 866,497	\$ 74,807	\$ 95,235	\$ 54,457	\$ 10,412	\$ 9,050	\$ 6,564,785
Add: Revenue & Other Sources	3,978,276	1,353,861	2,377,555	3,420,692	2,737,945	3,680,181	15,623	1,103,235	11,964	10	18,679,342
Deduct: Expenses & Other Uses	(4,219,959)	(1,135,864)	(2,056,104)	(3,218,181)	(2,308,314)	(3,252,220)	(7,142)	(697,010)	(12,568)	-	(16,907,362)
Fund Equity Ending Balance @ 12/31/2012	\$ 2,498,470	\$ 665,920	\$ 1,445,687	\$ 1,344,526	\$ 1,296,128	\$ 502,768	\$ 103,716	\$ 460,682	\$ 9,808	\$ 9,060	\$ 8,336,765
2013											
Description	General Townwide	General Part Town	Highway	Water	Sewer	Fire Protection	Risk Retention	Debt Service	Lighting Districts	Inlet Valley Cemetery	Total
<u>Fund Equity Beginning Detail</u>											
Operating Unreserved Funds	\$ 1,709,685	\$ 627,279	\$ 1,283,664	\$ 1,336,309	\$ 1,290,324	\$ 502,768	\$ 103,716	\$ 460,682	\$ 9,808	\$ 1,500	\$ 7,325,735
Equipment Reserve Fund	-	-	105,285	-	-	-	-	-	-	-	105,285
Other Reserves	-	-	-	-	-	-	-	-	-	7,560	7,560
Parks & Open Space Reserve Funds	682,325	-	-	-	-	-	-	-	-	-	682,325
General Benefit Reserve	106,460	38,641	56,738	8,217	5,804	-	-	-	-	-	215,860
Restate Fund Balance- Proprietary Funds	-	-	-	2,370,612	1,623,579	-	-	-	-	-	3,994,191
Total Fund Equity Beginning @ 1/1/2013	\$ 2,498,470	\$ 665,920	\$ 1,445,687	\$ 3,715,138	\$ 2,919,707	\$ 502,768	\$ 103,716	\$ 460,682	\$ 9,808	\$ 9,060	\$ 12,330,956
Add: Revenue & Other Sources	4,316,872	1,322,731	2,666,182	3,622,012	2,442,544	3,495,644	37,080	651,549	10,455	8	18,565,077
Deduct: Expenses & Other Uses	(4,045,767)	(1,200,769)	(2,470,789)	(3,685,338)	(1,943,940)	(3,223,979)	(18,570)	(686,435)	(12,054)	-	(17,287,641)
Fund Equity Ending Balance @ 12/31/2013	\$ 2,769,575	\$ 787,882	\$ 1,641,080	\$ 3,651,812	\$ 3,418,311	\$ 774,433	\$ 122,226	\$ 425,796	\$ 8,209	\$ 9,068	\$ 13,608,392
Less: Amount of Additional Fund Balance Appropriated and Assigned in the Adopted 2014 Budget	(442,203)	(280,125)	(66,360)	-	(202,371)	-	-	(177,650)	(3,390)	(1,500)	(1,173,599)
Less: Reserved Portion of Fund Balance											
Parks & Open Space	(758,248)	-	-	-	-	-	-	-	-	-	(758,248)
Gen'l Benefit Purposes	(180,260)	(63,501)	(99,799)	(14,206)	(7,994)	-	-	-	-	-	(365,760)
Preserve Maintenance Reserve	(40,006)	-	-	-	-	-	-	-	-	-	(40,006)
Equipment	-	-	(150,655)	-	-	-	-	-	-	-	(150,655)
Cemetery Maintenance	-	-	-	-	-	-	-	-	-	(7,568)	(7,568)
Total Net Fund Equity Beginning 1/1/2014	\$ 1,348,858	\$ 444,256	\$ 1,324,266	\$ 3,637,606	\$ 3,207,946	\$ 774,433	\$ 122,226	\$ 248,146	\$ 4,819	\$ -	\$ 11,112,556

TOWN OF ITHACA
Figure A-10: Summary of Fund Balance by Fund
For the Year Ended 2014

2014											
Description	General Townwide	General Part Town	Highway	Water	Sewer	Fire Protection	Risk Retention	Debt Service	Lighting Districts	Inlet Valley Cemetery	Total
Fund Equity Beginning Detail											
Operating Unreserved Funds	\$ 1,791,061	\$ 724,381	\$ 1,390,626	\$ 3,637,606	\$ 3,410,317	\$ 774,433	\$ 122,226	\$ 425,796	\$ 8,209	\$ 1,500	\$ 12,286,155
Equipment Reserve Fund	-	-	150,655	-	-	-	-	-	-	-	150,655
Other Reserves	-	-	-	-	-	-	-	-	-	7,568	7,568
Parks & Open Space Reserve Funds	758,248	-	-	-	-	-	-	-	-	-	758,248
General Benefit Reserve	180,260	63,501	99,799	14,206	7,994	-	-	-	-	-	365,760
Preserve Maintenance Reserve	40,006	-	-	-	-	-	-	-	-	-	40,006
Total Fund Equity Beginning @ 1/1/2014	\$ 2,769,575	\$ 787,882	\$ 1,641,080	\$ 3,651,812	\$ 3,418,311	\$ 774,433	\$ 122,226	\$ 425,796	\$ 8,209	\$ 9,068	\$ 13,608,392
Add: Revenue & Other Sources	4,668,521	1,295,105	2,829,218	3,821,779	2,741,356	3,530,624	25,109	1,304,294	12,635	8	20,228,649
Deduct: Expenses & Other Uses	(4,320,995)	(1,249,251)	(2,760,631)	(4,446,348)	(2,016,362)	(3,266,917)	(5,461)	(302,909)	(15,272)	-	(18,384,146)
Fund Equity Ending Balance @ 12/31/2014	\$ 3,117,101	\$ 833,736	\$ 1,709,667	\$ 3,027,243	\$ 4,143,305	\$ 1,038,140	\$ 141,874	\$ 1,427,181	\$ 5,572	\$ 9,076	\$ 15,452,895
Less: Amount of Additional Fund Balance											
Appropriated and Assigned in the Adopted 2015 Budget	(599,813)	(207,255)	(324,711)	-	(341,398)	-	-	(247,416)	(920)	(1,500)	(1,723,013)
Less: Reserved Portion of Fund Balance											
Parks & Open Space	(735,544)	-	-	-	-	-	-	-	-	-	(735,544)
Gen'l Benefit Purposes	(180,391)	(63,548)	(99,876)	(14,220)	(8,003)	-	-	-	-	-	(366,038)
Preserve Maintenance Reserve	(40,036)	-	-	-	-	-	-	-	-	-	(40,036)
Land Stewardship	(10,002)	-	-	-	-	-	-	-	-	-	(10,002)
Equipment	-	-	(212,109)	-	-	-	-	-	-	-	(212,109)
Cemetery Maintenance	-	-	-	-	-	-	-	-	-	(7,576)	(7,576)
Total Net Fund Equity Beginning 1/1/2015	\$ 1,551,315	\$ 562,933	\$ 1,072,971	\$ 3,013,023	\$ 3,793,904	\$ 1,038,140	\$ 141,874	\$ 1,179,765	\$ 4,652	\$ -	\$ 12,358,577

TOWN OF ITHACA
Figure A-10: Summary of Fund Balance by Fund
For the Year Ended 2015

2015											
Description	General Townwide	General Part Town	Highway	Water	Sewer	Fire Protection	Risk Retention	Debt Service	Lighting Districts	Inlet Valley Cemetery	Total
Fund Equity Beginning Detail											
Operating Unreserved Funds	\$ 2,151,128	\$ 770,188	\$ 1,397,682	\$ 3,013,023	\$ 4,135,302	\$ 1,038,140	\$ 141,874	\$ 1,427,181	\$ 5,572	\$ 1,500	\$ 14,081,590
Equipment Reserve Fund	-	-	212,109	-	-	-	-	-	-	-	212,109
Other Reserves	-	-	-	-	-	-	-	-	-	7,576	7,576
Parks & Open Space Reserve Funds	735,544	-	-	-	-	-	-	-	-	-	735,544
General Benefit Reserve	180,391	63,548	99,876	14,220	8,003	-	-	-	-	-	366,038
Preserve Maintenance Reserve	40,036	-	-	-	-	-	-	-	-	-	40,036
Land Stewardship	10,002	-	-	-	-	-	-	-	-	-	10,002
Restate Fund Balance- Proprietary Funds	-	-	-	(4,583)	(2,456)	-	-	-	-	-	(7,039)
Total Fund Equity Beginning @ 1/1/2015	\$ 3,117,101	\$ 833,736	\$ 1,709,667	\$ 3,022,660	\$ 4,140,849	\$ 1,038,140	\$ 141,874	\$ 1,427,181	\$ 5,572	\$ 9,076	\$ 15,445,856
Add: Revenue & Other Sources	4,688,822	1,337,045	2,884,917	4,969,655	2,780,846	3,609,064	28,597	1,253	13,210	7	20,313,416
Deduct: Expenses & Other Uses	(4,310,472)	(1,300,192)	(2,769,365)	(3,374,333)	(2,025,646)	(3,374,613)	(10,156)	(1,152,239)	(13,711)	-	(18,330,727)
Fund Equity Ending Balance @ 12/31/2015	\$ 3,495,451	\$ 870,589	\$ 1,825,219	\$ 4,617,982	\$ 4,896,049	\$ 1,272,591	\$ 160,315	\$ 276,195	\$ 5,071	\$ 9,083	\$ 17,428,545
Less: Amount of Additional Fund Balance Appropriated and Assigned in the Adopted 2016 Budget	(93,244)	(211,125)	(251,319)	-	(516,027)	-	-	(195,000)	-	(1,500)	(1,268,215)
Less: Reserved Portion of Fund Balance											
Parks & Open Space	(811,260)	-	-	-	-	-	-	-	-	-	(811,260)
Gen'l Benefit Purposes	(180,522)	(63,595)	(99,954)	(14,234)	(8,011)	-	-	-	-	-	(366,316)
Preserve Maintenance Reserve	(40,067)	-	-	-	-	-	-	-	-	-	(40,067)
Land Stewardship	(10,010)	-	-	-	-	-	-	-	-	-	(10,010)
Equipment	-	-	(249,988)	-	-	-	-	-	-	-	(249,988)
Cemetery Maintenance	-	-	-	-	-	-	-	-	-	(7,583)	(7,583)
Total Net Fund Equity Beginning 1/1/2016	\$ 2,360,348	\$ 595,869	\$ 1,223,958	\$ 4,603,748	\$ 4,372,011	\$ 1,272,591	\$ 160,315	\$ 81,195	\$ 5,071	\$ -	\$ 14,675,106

TOWN OF ITHACA
Figure A-10: Summary of Fund Balance by Fund
For the Year Ended 2016

2016											
Description	General Townwide	General Part Town	Highway	Water	Sewer	Fire Protection	Risk Retention	Debt Service	Lighting Districts	Inlet Valley Cemetery	Total
Fund Equity Beginning Detail											
Operating Unreserved Funds	\$ 2,453,592	\$ 806,994	\$ 1,475,277	\$ 4,603,748	\$ 4,888,038	\$ 1,272,591	\$ 160,315	\$ 276,195	\$ 5,071	\$ 1,500	\$ 15,943,321
Equipment Reserve Fund	-	-	249,988	-	-	-	-	-	-	-	249,988
Other Reserves	-	-	-	-	-	-	-	-	-	7,583	7,583
Parks & Open Space Reserve Funds	811,260	-	-	-	-	-	-	-	-	-	811,260
General Benefit Reserve	180,522	63,595	99,954	14,234	8,011	-	-	-	-	-	366,316
Preserve Maintenance Reserve	40,067	-	-	-	-	-	-	-	-	-	40,067
Land Stewardship	10,010	-	-	-	-	-	-	-	-	-	10,010
Restate Fund Balance- Proprietary Funds	-	-	-	-	75,170	-	-	-	-	-	75,170
Total Fund Equity Beginning @ 1/1/2016	\$ 3,495,451	\$ 870,589	\$ 1,825,219	\$ 4,617,982	\$ 4,971,219	\$ 1,272,591	\$ 160,315	\$ 276,195	\$ 5,071	\$ 9,083	\$ 17,503,715
Add: Revenue & Other Sources	4,461,753	1,433,344	3,356,080	4,350,656	2,689,598	3,580,837	20,126	602,046	17,010	4	20,511,454
Deduct: Expenses & Other Uses	(4,319,865)	(1,439,422)	(3,381,821)	(2,282,030)	(2,246,672)	(3,195,715)	(13,535)	(448,339)	(16,225)	(4,670)	(17,348,294)
Fund Equity Ending Balance @ 12/31/2016	\$ 3,637,339	\$ 864,511	\$ 1,799,478	\$ 6,686,608	\$ 5,414,145	\$ 1,657,713	\$ 166,906	\$ 429,902	\$ 5,856	\$ 4,417	\$ 20,666,875
Less: Amount of Additional Fund Balance Appropriated and Assigned in the Adopted 2017 Budget	(385,346)	(76,750)	(324,805)	-	(257,520)	(6,000)	-	(204,750)	-	(1,500)	(1,256,671)
Less: Reserved Portion of Fund Balance											
Parks & Open Space	(726,866)	-	-	-	-	-	-	-	-	-	(726,866)
Gen'l Benefit Purposes	(169,306)	(59,979)	(88,480)	(17,863)	(14,642)	-	-	-	-	-	(350,270)
Preserve Maintenance Reserve	(40,097)	-	-	-	-	-	-	-	-	-	(40,097)
Land Stewardship	(10,018)	-	-	-	-	-	-	-	-	-	(10,018)
Equipment	-	-	(62,517)	-	-	-	-	-	-	-	(62,517)
Cemetery Maintenance	-	-	-	-	-	-	-	-	-	(2,917)	(2,917)
Total Net Fund Equity Beginning 1/1/2017	\$ 2,305,706	\$ 727,782	\$ 1,323,676	\$ 6,668,745	\$ 5,141,983	\$ 1,651,713	\$ 166,906	\$ 225,152	\$ 5,856	\$ -	\$ 18,217,519

TOWN OF ITHACA
Figure A-10: Summary of Fund Balance by Fund
For the Year Ended 2017

2017											
Description	General Townwide	General Part Town	Highway	Water	Sewer	Fire Protection	Risk Retention	Debt Service	Lighting Districts	Inlet Valley Cemetery	Total
<u>Fund Equity Beginning Detail</u>											
Operating Unreserved Funds	\$ 2,691,052	\$ 804,532	\$ 1,648,481	\$ 6,668,745	\$ 5,399,503	\$ 1,657,713	\$ 166,906	\$ 429,902	\$ 5,856	\$ 1,500	\$ 19,474,190
Equipment Reserve Fund	-	-	62,517	-	-	-	-	-	-	-	62,517
Other Reserves	-	-	-	-	-	-	-	-	-	2,917	2,917
Parks & Open Space Reserve Funds	726,866	-	-	-	-	-	-	-	-	-	726,866
General Benefit Reserve	169,306	59,979	88,480	17,863	14,642	-	-	-	-	-	350,270
Preserve Maintenance Reserve	40,097	-	-	-	-	-	-	-	-	-	40,097
Land Stewardship	10,018	-	-	-	-	-	-	-	-	-	10,018
Total Fund Equity Beginning @ 1/1/2017	\$ 3,637,339	\$ 864,511	\$ 1,799,478	\$ 6,686,608	\$ 5,414,145	\$ 1,657,713	\$ 166,906	\$ 429,902	\$ 5,856	\$ 4,417	\$ 20,666,875
Add: Revenue & Other Sources	4,670,448	1,681,222	3,736,781	4,759,307	2,492,288	3,531,788	127	251,257	19,014	3	21,142,235
Deduct: Expenses & Other Uses	(4,310,780)	(1,472,968)	(3,268,748)	(3,378,719)	(2,498,017)	(3,110,673)	(15,329)	(453,040)	(16,053)	(4,420)	(18,528,747)
Fund Equity Ending Balance @ 12/31/2017	\$ 3,997,007	\$ 1,072,765	\$ 2,267,511	\$ 8,067,196	\$ 5,408,416	\$ 2,078,828	\$ 151,704	\$ 228,119	\$ 8,817	\$ -	\$ 23,280,363
Less: Amount of Additional Fund Balance Appropriated and Assigned in the Adopted 2018 Budget	(417,444)	(350,920)	(280,998)	-	(638,624)	(108,500)	-	(133,000)	-	-	(1,929,486)
Less: Reserved Portion of Fund Balance											
Parks & Open Space	(827,661)	-	-	-	-	-	-	-	-	-	(827,661)
Gen'l Benefit Purposes	(169,807)	(69,389)	(79,321)	(23,811)	(12,034)	-	-	-	-	-	(354,362)
Preserve Maintenance Reserve	(40,129)	-	-	-	-	-	-	-	-	-	(40,129)
Land Stewardship	(9,844)	-	-	-	-	-	-	-	-	-	(9,844)
Equipment	-	-	(250,000)	-	-	-	-	-	-	-	(250,000)
Cemetery Maintenance	-	-	-	-	-	-	-	-	-	-	-
Total Net Fund Equity Beginning 1/1/2018	\$ 2,532,122	\$ 652,456	\$ 1,657,192	\$ 8,043,385	\$ 4,757,758	\$ 1,970,328	\$ 151,704	\$ 95,119	\$ 8,817	\$ -	\$ 19,868,881

Factors Bearing on the Town's Future

- On June 24, 2011, Chapter 97 of the Laws of 2011 (the “Tax Levy Limitation Law”) was signed into law. The Tax Levy Limitation Law applies to all local governments, including most school districts, 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 16, 2016 unless 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 or 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. 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 each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each fiscal year.

The Town exceeded the allowable increase in the tax levy limit in Fiscal Years 2012, 2014, 2015, 2016 and 2017.

- The 2008 recession has impacted the local economy of the Town to a lesser degree than the State and National economies, due in part to the stabilizing influence of the local colleges and other large employers. Cornell University and Ithaca College in particular, with combined totals of almost 10,000 employees and 28,000 students, supports a wide array of businesses in the retail, service and real estate sectors. The local unemployment rate has consistently been lower than the state and national unemployment rates during and after the 2008 recession. The average annual unemployment rate for 2011, 2012, 2013, 2014, 2015, 2016 and 2017, respectively, in Tompkins County was 6.1%, 6.1%, 5.2%, 4.4%, 4.4%, 4.2% and 4.2% compared with 8.3%, 8.5%, 7.7%, 6.3%, 5.3%, 4.9% and 4.7% for New York State, and 8.9%, 8.1%, 7.4%, 6.2%, 5.3%, 4.9% and 4.4% for the national average.

Description	2011	2012	2013	2014	2015	2016	2017
National Average	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	4.4%
New York State	8.3%	8.5%	7.7%	6.3%	5.3%	4.9%	4.7%
Tompkins County	6.1%	6.1%	5.2%	4.4%	4.4%	4.2%	4.2%

- The Town of Ithaca anticipates continuing an aggressive Capital Improvement Program (CIP). The Five-Year CIP for Fiscal Years 2018 - 2022 identifies various capital projects to

be constructed at a total estimated cost of \$20,475,000. Of this total, \$10,400,000 is for the improvement of water infrastructure, \$3,050,000 for sewer infrastructure, \$1,000,000 for storm water drainage improvements, \$4,050,000 for road improvements, \$1,500,000 for improvements to Town facilities, and \$475,000 for parks and trails development. Funding will be provided with \$8,677,000 from current year revenues or reserves, \$98,000 from grants and donations, and \$11,700,000 from the issuance of new long-term bonded debt.

- Sales tax collections in 2017 totaled \$3,184,969, an increase of \$181,026 or 6.0% over the 2016 total of \$3,003,943. This reverses a two-year trend in 2015 and 2016 where collections fell short of the total for the prior year. 2017 also sets a new historical high for sales tax collections, surpassing the previous historical high total of \$3,135,084 received in 2014. Collection of mortgage taxes declined again in 2017, with collections totaling \$279,791, a decrease of \$6,436 or 2.2%, from the total of \$286,277 collected in 2016. This is the second year where collections have fallen short of the previous year total and have declined \$135,969 or 32.7% from the historical high of \$415,760 collected in 2016.
- Taxable assessed valuation of real property in the Town has continued to increase. In 2013, the taxable assessed valuation of real property in the Town totaled \$1,281,218,066. In 2017, the total was \$1,409,909,397, an increase of 10.044% over this five-year period. The average annual increase has been 2.422%.

Description	2013	2014	2015	2016	2017
Taxable Assessed Valuation	\$1,281,218,066	\$1,294,998,380	\$1,323,741,670	\$1,366,007,677	\$1,409,909,397
Change from Prior Year	0.599%	1.076%	2.220%	3.193%	3.214%

FINANCIAL CONTACT

The Town's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, contact the Town's Supervisor, Town of Ithaca, 215 North Tioga Street, Ithaca, NY 14850.

TOWN OF ITHACA
STATEMENT OF NET POSITION
December 31, 2017

ASSETS

	Governmental Activities	Business-type Activities	Total
CURRENT ASSETS:			
Cash	\$ 10,831,597	\$ 3,262,194	\$ 14,093,791
Cash, restricted	1,446,209	35,845	1,482,054
Accounts receivable:			
Water and sewer rents	-	1,096,557	1,096,557
Due from other funds	113,189	1,980,305	2,093,494
Due from other governments	801,490	2,078,487	2,879,977
Other receivables	100,000	2,259	102,259
Prepaid expenses	13,386	-	13,386
TOTAL CURRENT ASSETS	<u>13,305,871</u>	<u>8,455,647</u>	<u>21,761,518</u>
CAPITAL ASSETS, net:	11,490,183	15,290,260	26,780,443
Construction in progress	361,466	622,473	983,939
TOTAL CAPITAL ASSETS	<u>11,851,649</u>	<u>15,912,733</u>	<u>27,764,382</u>
TOTAL ASSETS	<u>25,157,520</u>	<u>24,368,380</u>	<u>49,525,900</u>

DEFERRED OUTFLOWS OF RESOURCES

DEFERRED PENSION OUTFLOW	<u>1,046,889</u>	<u>87,775</u>	<u>1,134,664</u>
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TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 26,204,409</u></u>	<u><u>\$ 24,456,155</u></u>	<u><u>\$ 50,660,564</u></u>
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See notes to financial statements.

LIABILITIES

	Governmental Activities	Business-type Activities	Total
CURRENT LIABILITIES:			
Accrued liabilities	\$ 526,110	\$ 291,028	\$ 817,138
Bond interest payable	24,840	47,606	72,446
Due to other funds	1,980,305	113,189	2,093,494
Due to other governments	1,143,344	24,000	1,167,344
Long-term debt, current portion	313,247	733,753	1,047,000
TOTAL CURRENT LIABILITIES	<u>3,987,846</u>	<u>1,209,576</u>	<u>5,197,422</u>
LONG-TERM DEBT, non current	2,908,683	8,867,067	11,775,750
PREMIUM ON BONDS PAYABLE	39,903	115,310	155,213
NET PENSION LIABILITY	953,622	82,703	1,036,325
LONG-TERM LIABILITIES	<u>6,028,479</u>	<u>633,856</u>	<u>6,662,335</u>
TOTAL LIABILITIES	13,918,533	10,908,512	24,827,045

DEFERRED INFLOWS OF RESOURCES

DEFERRED INFLOWS	987,083	72,030	1,059,113
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NET POSITION

INVESTED IN CAPITAL ASSETS, net of related debt	8,629,719	8,365,663	16,995,382
RESTRICTED:			
Culture and recreation	877,634	-	877,634
Equipment	250,000	-	250,000
Benefits	318,517	35,845	354,362
UNRESTRICTED	<u>1,222,923</u>	<u>5,074,105</u>	<u>6,297,028</u>
TOTAL NET POSITION	<u>11,298,793</u>	<u>13,475,613</u>	<u>24,774,406</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 26,204,409</u>	<u>\$ 24,456,155</u>	<u>\$ 50,660,564</u>

TOWN OF ITHACA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Governmental Activities		Program Revenue	
		Charges for	Operating
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Services</u>	<u>Grants and</u>
			<u>Contributions</u>
General governmental support	\$ 2,538,960	\$ 16,507	\$ 258,990
Public safety	3,201,013	240	-
Transportation	3,330,976	15,213	-
Culture and recreation	1,132,655	-	112,287
Home and community services	2,150,312	377,706	-
Total governmental activities	<u>\$ 12,353,916</u>	<u>\$ 409,666</u>	<u>\$ 371,277</u>
Business-type activities:			
Water	3,378,719	3,084,600	-
Sewer	2,322,517	2,287,056	-
Total business-type activities	<u>5,701,236</u>	<u>5,371,656</u>	<u>-</u>
	<u><u>\$ 18,055,152</u></u>	<u><u>\$ 5,781,322</u></u>	<u><u>\$ 371,277</u></u>

GENERAL REVENUES:

Real property taxes and related tax items
Non-property taxes
Interest earnings
Fines and fees - town court
State aid not restricted to specific purposes
Other miscellaneous revenues
Transfers

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, beginning of year

NET POSITION, end of year

See notes to financial statements.

Program Revenue	Net (Expenses) Revenues and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
Capital Grants and Contributions			
\$ 2,461	\$ (2,261,002)	\$ -	\$ (2,261,002)
-	(3,200,773)	-	(3,200,773)
232,581	(3,083,182)	-	(3,083,182)
-	(1,020,368)	-	(1,020,368)
-	(1,772,606)	-	(1,772,606)
<u>\$ 235,042</u>	<u>\$ (11,337,931)</u>	<u>\$ -</u>	<u>\$ (11,337,931)</u>
-	-	(294,119)	(294,119)
-	-	(35,461)	(35,461)
-	-	(329,580)	(329,580)
<u>\$ 235,042</u>	<u>\$ (11,337,931)</u>	<u>\$ (329,580)</u>	<u>\$ (11,667,511)</u>
	\$ 7,881,966	\$ 1,094,165	\$ 8,976,131
	3,266,137	-	3,266,137
	16,447	4,658	21,105
	224,402	-	224,402
	281,051	-	281,051
	149,082	1,405	150,487
	(604,211)	604,211	-
	<u>11,214,874</u>	<u>1,704,439</u>	<u>12,919,313</u>
	(123,057)	1,374,859	1,251,802
	<u>11,421,850</u>	<u>12,100,754</u>	<u>23,522,604</u>
	<u>\$ 11,298,793</u>	<u>\$ 13,475,613</u>	<u>\$ 24,774,406</u>

TOWN OF ITHACA
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2017

	Major Funds		
	General	Highway	Fire
ASSETS AND OTHER DEBITS:			
Unrestricted cash	\$ 5,515,007	\$ 1,805,726	\$ 2,721,818
Restricted cash	1,116,888	329,321	-
Due from other funds	92,213	87,149	-
Due from other governments	342,445	396,780	-
Prepaid expenses	91,209	26,034	-
Other receivables	100,001	-	-
TOTAL ASSETS AND OTHER DEBITS	\$ 7,257,763	\$ 2,645,010	\$ 2,721,818
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, FUND EQUITY, AND OTHER CREDITS:			
LIABILITIES:			
Accrued liabilities	\$ 520,872	\$ 143,448	\$ 354,036
Due to other funds	56,088	10,085	-
Due to other governments	1,143,344	-	-
TOTAL LIABILITIES	1,720,304	153,533	354,036
DEFERRED INFLOWS OF RESOURCES:	315,982	223,966	288,954
FUND BALANCES:			
Nonspendable - prepaid expenses	91,208	26,034	-
Restricted	1,116,830	329,321	-
Committed	-	-	-
Assigned	1,549,282	1,912,156	2,078,828
Unassigned	2,464,156	-	-
TOTAL FUND BALANCES	5,221,476	2,267,511	2,078,828
TOTAL LIABILITIES, FUND EQUITY, AND OTHER CREDITS	\$ 7,257,762	\$ 2,645,010	\$ 2,721,818

See notes to financial statements.

Major Funds	Nonmajor Funds	Total
Capital Projects	Other Funds	Governmental Funds
\$ 548,851	\$ 240,195	\$ 10,831,597
-	-	1,446,209
-	-	179,362
126	-	739,351
-	-	117,243
-	-	100,001
<u>\$ 548,977</u>	<u>\$ 240,195</u>	<u>\$ 13,413,763</u>

\$ 23,098	\$ 1,268	\$ 1,042,722
1,980,305	-	2,046,478
-	-	1,143,344
<u>2,003,403</u>	<u>1,268</u>	<u>4,232,544</u>
-	1,991	830,893
-	-	117,242
-	-	1,446,151
528,514	-	528,514
-	236,936	5,777,202
(1,982,940)	-	481,216
<u>(1,454,426)</u>	<u>236,936</u>	<u>8,350,325</u>
<u>\$ 548,977</u>	<u>\$ 240,195</u>	<u>\$ 13,413,762</u>

TOWN OF ITHACA
RECONCILIATION OF THE TOTAL FUND BALANCES SHOWN IN
THE GOVERNMENTAL FUNDS TO GOVERNMENTAL ACTIVITIES SHOWN IN
THE STATEMENT OF NET POSITION
December 31, 2017

Total fund balances in the fund financial statements for the governmental funds. \$ 8,350,325

This amount differs from the balance of net position in the Statement of Net Position due to the following:

Capital assets are included as assets in the government-wide statements and are added, net of accumulated depreciation. 11,851,649

Long-term liabilities for bonded debt are included as liabilities in the government-wide statements and are subtracted. (3,261,833)

Receivables for revenues earned and measurable, but not available to provide financial resources, are included in the government-wide statements as assets and are added. 62,139

Long-term liabilities for compensated absences and other post employment benefits are included in the government-wide statements as liabilities and are subtracted. (5,511,867)

Current liabilities for bond interest payable are included in the government-wide statements as liabilities and are subtracted. (24,840)

Deferred outflows of resources are included in the government-wide statements and are added. 1,046,889

Net pension liability is included in the government-wide statements and is subtracted. (953,622)

Prepaid pension expense is included in the fund financial statements and is subtracted. (103,856)

Deferred inflows of resources are included in the government-wide statements and are subtracted. (156,191)

Interfund receivables and payables within the governmental funds are eliminated in the government-wide statements. The amounts offset:

Due from other funds	66,173
Due to other funds	(66,173)

Total Net Position - End of Year	\$ 11,298,793
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See notes to financial statements.

TOWN OF ITHACA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Major Funds		
	General	Highway	Fire
REVENUES:			
Real property taxes	\$ 3,052,000	\$ -	\$ 3,500,000
Real property tax items	60,966	1,250,001	-
Non-property tax items:			
Sales tax	1,100,000	2,084,969	-
Other non-property tax items	81,168	-	-
Departmental income	385,250	-	-
Intergovernmental charges	101,496	15,213	-
Use of money and property	7,675	2,661	4,604
Rental income	30,674	-	-
Licenses and permits	22,829	-	-
Fines and forfeitures	224,402	-	-
Sale of property and compensation for loss	5,907	240,207	-
Local sources	165,216	11,149	-
State sources:			
Mortgage tax	279,791	-	-
State aid per capita	178,577	-	-
NYS highway improvement (CHIPS)	-	132,581	-
Miscellaneous	-	-	27,184
TOTAL REVENUES	<u>5,695,951</u>	<u>3,736,781</u>	<u>3,531,788</u>
 Other Sources:			
Inter-fund transfers	655,846	-	-
TOTAL REVENUES AND OTHER SOURCES	<u>6,351,797</u>	<u>3,736,781</u>	<u>3,531,788</u>

See notes to financial statements.

Major Funds	Nonmajor Funds	Total
Capital Projects	Other Funds	Governmental Funds
\$ -	\$ 18,999	\$ 6,570,999
-	-	1,310,967
-	-	3,184,969
-	-	81,168
-	-	385,250
-	-	116,709
429	1,078	16,447
-	-	30,674
-	-	22,829
-	-	224,402
-	-	246,114
-	-	176,365
-	-	279,791
-	-	178,577
-	-	132,581
126	-	27,310
555	20,077	12,985,152
95,500	250,197	1,001,543
96,055	270,274	13,986,695

TOWN OF ITHACA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS (continued)
For the Year Ended December 31, 2017

	Major Funds		
	General	Highway	Fire
EXPENDITURES:			
General governmental support	\$ 1,594,772	\$ 72,016	\$ 2,268
Public safety	75,225	-	3,108,405
Transportation	369,715	2,403,978	-
Culture and recreation	951,103	-	-
Home and community services	1,163,128	-	-
Employee benefits	1,305,738	414,529	-
Debt service (principal and interest)	-	-	-
TOTAL EXPENDITURES	<u>5,459,681</u>	<u>2,890,523</u>	<u>3,110,673</u>
Other Uses:			
Interfund transfers	339,395	378,225	-
TOTAL EXPENDITURES AND OTHER USES	<u>5,799,076</u>	<u>3,268,748</u>	<u>3,110,673</u>
EXCESS (DEFICIT) OF REVENUES			
OVER EXPENDITURES	552,721	468,033	421,115
FUND BALANCE, beginning of year	<u>4,668,755</u>	<u>1,799,478</u>	<u>1,657,713</u>
FUND BALANCE, end of year	<u><u>\$ 5,221,476</u></u>	<u><u>\$ 2,267,511</u></u>	<u><u>\$ 2,078,828</u></u>

See notes to financial statements.

Major Funds	Nonmajor Funds	Total
Capital Projects	Other Funds	Governmental Funds
\$ -	\$ 3,093	\$ 1,672,149
-	-	3,183,630
100,379	16,053	2,890,125
157	-	951,260
-	-	1,163,128
-	-	1,720,267
-	454,367	454,367
<u>100,536</u>	<u>473,513</u>	<u>12,034,926</u>
 888,134	 -	 1,605,754
<u>988,670</u>	<u>473,513</u>	<u>13,640,680</u>
 (892,615)	 (203,239)	 346,015
<u>(561,811)</u>	<u>440,175</u>	<u>8,004,310</u>
<u><u>\$ (1,454,426)</u></u>	<u><u>\$ 236,936</u></u>	<u><u>\$ 8,350,325</u></u>

TOWN OF ITHACA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE CHANGE IN NET POSITION OF
GOVERNMENTAL ACTIVITIES SHOWN IN THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

Net change in fund balances shown for total Governmental Funds. This amount differs from the change in net position reflected in the Statement of Activities due to the following:

\$ 346,015

Capital outlays for the acquisition of capital assets and capital projects are reported in the Governmental Funds as expenditures. In the Statement of Activities, the cost of those assets is allocated over their useful lives and reported annually as depreciation expense. In the Statement of Activities, acquisition costs are removed and depreciation expense is added as follows:

Capital expenditures	1,255,650	
Depreciation expense	<u>(998,252)</u>	257,398

Proceeds from sales of equipment are recorded as revenue in the Governmental Funds. In the Statement of Activities, a gain or loss is recognized based on the net book value of the asset sold (cost minus accumulated depreciation) and the sale price of the equipment:

Proceeds from equipment sales	(59,540)	
Loss recognized	<u>(91,802)</u>	(151,342)

Major revenues are recorded in the Governmental Funds when they are earned, measurable and available to provide current financial resources. In the Statement of Activities, major revenues are recognized when they are earned and measurable, regardless of when they become available. Current year revenues, earned and measurable, are recognized in the Statement of Activities. The Governmental Funds include amounts that were earned and measurable in the prior year, and these amounts are removed to prevent overstating revenues on the Statement of Activities:

Current year revenues	62,139	
Prior year revenues	<u>(60,879)</u>	1,260

Bond principal payments are reflected as expenditures in the Governmental Funds. These payments are reflected on the Statement of Net Position as a reduction of debt obligations and are not included in the Statement of Activities. Bond principal payments for the current year are as follows:

357,952

See notes to financial statements.

TOWN OF ITHACA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE CHANGE IN NET POSITION OF
GOVERNMENTAL ACTIVITIES SHOWN IN THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017 (continued)

Interest on debt is reported in the Governmental Funds when the payments are rendered. In the Statement of Activities, interest expense is allocated over the time periods it pertains to. Interest expense allocated to applicable periods is greater than Governmental Funds interest expense by the following amount:

1,797

Payments for compensated absences are reported in the Governmental Funds as they are due. In the Statement of Activities, these amounts are reported in the periods that the liabilities are incurred. Current year expenditures for amounts due from prior years are removed and an expense is recognized for current year liabilities that have not been paid:

Prior year expenses	144,706	
Current year expenses	<u>(154,776)</u>	(10,070)

Payments for other post employment benefits are reported in the Governmental Funds as they are due. In the Statement of Activities, an expense is recognized based on an actuarial estimate of the current year cost associated with amortizing the estimated present value of future benefits over a thirty-year period:

(793,328)

Payments for pension expenses are reported in the Governmental Funds as they are due. In the Statement of Activities, the expense is adjusted based on pension information provided by the retirement system in accordance with GASB 68:

(136,013)

Amortization of bond premiums are not reported in the Governmental Funds. In the Statement of Activities, an adjustment to interest expense is recognized based on the current year amortization associated with the bonds:

3,274

Interfund transactions are eliminated in the Statement of Activities. The amounts offset, and have a zero effect on operations:

Transfers in	787,965	
Transfers out	<u>(787,965)</u>	<u>-</u>

Change in Net Position		<u><u>\$ (123,057)</u></u>
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TOWN OF ITHACA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2017

	PROPRIETARY FUNDS		
	Sewer Fund	Water Fund	Total
CURRENT ASSETS:			
Cash	\$ 2,594,919	\$ 667,275	\$ 3,262,194
Cash, restricted	12,034	23,811	35,845
Accounts receivable:			
Accounts receivables	2,259	-	2,259
Water and sewer rents	484,641	611,916	1,096,557
Due from other governments	-	2,078,487	2,078,487
Due from other funds	-	1,980,305	1,980,305
TOTAL CURRENT ASSETS	3,093,853	5,361,794	8,455,647
CAPITAL ASSETS, net:			
Equipment and machinery	445,827	307,117	752,944
Infrastructure	2,086,718	12,450,598	14,537,316
Construction in progress	156,853	465,620	622,473
TOTAL CAPITAL ASSETS	2,689,398	13,223,335	15,912,733
TOTAL ASSETS	5,783,251	18,585,129	24,368,380
DEFERRED PENSION OUTFLOW	31,860	55,915	87,775
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,815,111	\$ 18,641,044	\$ 24,456,155
CURRENT LIABILITIES:			
Accrued liabilities	\$ 27,766	\$ 263,262	\$ 291,028
Bond interest payable	-	47,606	47,606
Due to other funds	58,144	55,045	113,189
Due to other governments	24,000	-	24,000
Long-term debt, current portion	-	733,753	733,753
TOTAL CURRENT LIABILITIES	109,910	1,099,666	1,209,576
LONG-TERM DEBT, non current	-	8,867,067	8,867,067
PREMIUM ON BONDS PAYABLE	-	115,310	115,310
NET PENSION LIABILITY	29,623	53,080	82,703
LONG-TERM LIABILITIES	252,484	381,372	633,856
TOTAL LIABILITIES	392,017	10,516,495	10,908,512
DEFERRED INFLOWS	14,678	57,352	72,030
INVESTED IN CAPITAL ASSETS, net of related debt	2,689,398	5,676,265	8,365,663
RESTRICTED:			
Benefits	12,034	23,811	35,845
UNRESTRICTED	2,706,984	2,367,121	5,074,105
TOTAL NET POSITION	5,408,416	8,067,197	13,475,613
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 5,815,111	\$ 18,641,044	\$ 24,456,155

See notes to financial statements.

TOWN OF ITHACA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
PROPRIETARY FUNDS
December 31, 2017

	PROPRIETARY FUNDS		
	Sewer Fund	Water Fund	Total
OPERATING REVENUES:			
Charges for services	\$ 2,287,056	\$ 3,084,600	\$ 5,371,656
TOTAL OPERATING REVENUES	<u>2,287,056</u>	<u>3,084,600</u>	<u>5,371,656</u>
OPERATING EXPENSES:			
Cost of sales and services	1,890,017	2,317,401	4,207,418
Wages and benefits	251,665	383,570	635,235
Depreciation	135,391	395,851	531,242
Administration	45,444	68,652	114,096
TOTAL OPERATING EXPENSES	<u>2,322,517</u>	<u>3,165,474</u>	<u>5,487,991</u>
OPERATING INCOME	(35,461)	(80,874)	(116,335)
NON-OPERATING REVENUES (EXPENSES):			
Real property taxes	201,829	892,337	1,094,166
Intergovernmental charges	-	405	405
Interest expense	-	(213,245)	(213,245)
Use of money and property	3,403	1,255	4,658
Sale of property	-	1,000	1,000
TOTAL NON-OPERATING REVENUES	<u>205,232</u>	<u>681,752</u>	<u>886,984</u>
INTERFUND OPERATING TRANSFERS	<u>(175,500)</u>	<u>779,711</u>	<u>604,211</u>
CHANGE IN NET POSITION	(5,729)	1,380,589	1,374,860
NET POSITION, beginning of year, as restated	<u>5,414,145</u>	<u>6,686,608</u>	<u>12,100,753</u>
NET POSITION, end of year	<u>\$ 5,408,416</u>	<u>\$ 8,067,197</u>	<u>\$ 13,475,613</u>

See notes to financial statements.

TOWN OF ITHACA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
December 31, 2017

	PROPRIETARY FUNDS		
	Sewer Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Received from user charges and other assessments	\$ 2,275,159	\$ 3,111,856	\$ 5,387,015
Payments for administration	(45,444)	(68,652)	(114,096)
Payments for wages and benefits	(237,121)	(325,514)	(562,635)
Payments to suppliers for goods and services	(2,044,033)	(2,258,545)	(4,302,578)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(51,439)	459,145	407,706
CASH FLOWS FROM NON-CAPITAL FINANCING:			
Real property taxes	201,829	892,336	1,094,165
Operating grants	5,231	(743,241)	(738,010)
Transfers (to) from other funds	(175,500)	779,711	604,211
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	31,560	928,806	960,366
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(223,775)	(918,173)	(1,141,948)
Principal paid on capital debt	-	(731,048)	(731,048)
Interest paid on capital debt	-	(217,597)	(217,597)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(223,775)	(1,866,818)	(2,090,593)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on cash and CD's	3,403	1,255	4,658
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,403	1,255	4,658
NET CHANGE IN CASH AND CASH EQUIVALENTS	(240,251)	(477,612)	(717,863)
Cash, beginning of year	2,847,204	1,168,698	4,015,902
Cash, end of year	<u>\$ 2,606,953</u>	<u>\$ 691,086</u>	<u>\$ 3,298,039</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ (35,461)	\$ (80,874)	\$ (116,335)
Adjustments to reconcile operating income to net cash (used in) provided by operating activities:			
Depreciation	135,391	395,851	531,242
Amortization of bond premiums	-	(10,913)	(10,913)
Changes in receivables	(11,897)	27,256	15,359
Changes in deferred outflows of resources	30,258	63,324	93,582
Changes in liabilities	(177,932)	19,719	(158,213)
Changes in deferred inflows of resources	8,202	44,782	52,984
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (51,439)</u>	<u>\$ 459,145</u>	<u>\$ 407,706</u>

See notes to financial statements.

TOWN OF ITHACA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
December 31, 2017

ASSETS:

Cash	\$ 214,674
TOTAL ASSETS	\$ 214,674

LIABILITIES:

Accounts payable and other liabilities	\$ 214,674
TOTAL LIABILITIES	214,674

NET POSITION	-
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TOTAL LIABILITIES AND NET POSITION	\$ 214,674
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See notes to financial statements.

TOWN OF ITHACA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Ithaca have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Financial Reporting Entity

The Town of Ithaca, which was established in 1821, is governed by the Town Law, other general municipal laws of the State of New York, and various local laws. The Town Board is the legislative body responsible for the overall operation, the Town Supervisor serves as Chief Executive Officer and Chief Fiscal Officer.

The Town provides the following principal services: fire protection, transportation (streets and highways), recreation, planning and zoning, general administration, and public improvements.

Street lighting is provided by the Town Board in nine separate areas of the Town called lighting districts. It is funded by means of a tax on the real property situated within each district. The Town provides for intersection street lighting from the General Fund appropriations.

Fire protection for certain areas of the Town outside the village is provided by the Town Board via the Ithaca Fire Protection District. This district is funded by means of a tax on the real property situated within the district. Services for fire protection are contracted out through the City of Ithaca and the Village of Cayuga Heights.

All governmental activities and functions performed for the Town of Ithaca are its direct responsibility. No other governmental organization has been included or excluded from the reporting entity.

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement #14, "The Financial Reporting Entity:"

1. The primary government which is the Town of Ithaca.
2. Organizations for which the primary government is financially accountable, and;
3. Other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's general purpose financial statements to be misleading or incomplete.

The decision to include a potential component unit in the reporting entity is based on the criteria set forth in GASB Statement #14, including legal standing, fiscal dependency, and financial accountability.

B. Excluded from the Reporting Entity

The following activities are jointly undertaken with other municipalities. These activities are excluded from the Town's financial statements.

1. Southern Cayuga Lake Intermunicipal Water Commission (SCLIWC) is a joint venture involving the Towns of Ithaca, Dryden, Lansing and the Villages of Cayuga Heights and Lansing. The joint venture operates under terms of an original agreement dated March 1, 1977. The agreement was restated on September 11, 2017.
 - SCLIWC's executive body consists of ten members, two members being appointed by each municipality. The Treasurer of SCLIWC is traditionally the Town of Ithaca's Supervisor.
 - The Town of Ithaca owns a majority (51.87%) of the Commission and must adopt its budget and any subsequent amendments.
 - The executive body has established charges at rates intending to be self-sustaining to cover all operating costs and debt service. Any shortfalls in revenues produced by such charges will ultimately be provided by contributions from participants.

A separate audited financial statement is available from the administrative offices of the Southern Cayuga Lake Intermunicipal Water Commission, 1402 East Shore Drive, Ithaca, New York 14850. For the year ended December 31, 2017, the audited financial statements of the Commission showed:

Total Assets	\$ 13,889,769
Deferred Outflows of Resources	\$ 360,905
Total Liabilities	\$ 7,397,798
Deferred Inflows of Resources	\$ 53,380
Net Position	\$ 6,799,496
Total Revenues	\$ 4,179,376
Total Expenses	\$ 3,695,034

2. The Ithaca Area Wastewater Treatment Plant (IAWTP) is a joint venture involving the Towns of Ithaca and Dryden, and the City of Ithaca. This joint venture was formed for the treatment of wastewater. The joint venture operates under terms of an original agreement dated December 22, 1981 and has been amended several times, the last of which is dated December 31, 2003. Construction of the treatment plant began in 1984 and was completed in 1986.
 - The Special Joint Committee (governing body) of the IAWTP consists of eight members; four from the City of Ithaca, three from the Town of Ithaca, and one from the Town of Dryden. The City of Ithaca operates the plant and has custody of the joint activity funds.
 - Capital costs allocated to the Town of Ithaca are 40.69% of the total.
 - The governing body has established charges at rates intending 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 information is from the separately issued financial statements of the IAWTP for the year ended December 31, 2016 (latest available):

Total Assets	\$ 33,586,909
Deferred Outflows of Resources	\$ 483,922
Total Liabilities	\$ 21,509,500
Deferred Inflows of Resources	\$ 57,466
Net Position	\$ 12,503,865
Total Revenues	\$ 3,751,856
Total Expenses	\$ 5,674,301

C. Basis of Presentation

1. Government-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the Town's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major Governmental and Enterprise Funds, each displayed in a separate column. All remaining Governmental Funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investments earnings, result from non-exchange transactions or ancillary activities.

The Town of Ithaca reports the following major Governmental Funds:

- **General Fund:** This is the Town's primary operating fund. It accounts for all financial transactions that are not required by law or other provision to be accounted for in other funds.
- **Highway Fund:** Used to account for revenues and expenditures for part town highway purposes.
- **Fire Protection District Fund:** Used to record transactions involving the Town Fire Protection District and the contracts for fire protection with the City of Ithaca and Village of Cayuga Heights.
- **Capital Projects Fund:** Used to account for capital improvements financed from current monies transferred from other funds, federal and state grants and proceeds of obligations.

The Town also reports the following non-major funds:

- **Lighting District Fund:** Used to record operation and maintenance transactions. Revenues derived from special districts' assessment.
- **Debt Service Fund:** Used to account for interest earned on proceeds of borrowing for capital projects. Interest earned is transferred to the Debt Service Fund from the Capital Projects Fund and then to the Operating Funds for payment of principal and interest. Annual principal and interest payments due on serial bonds are transferred from the Town's other funds. Payments are made directly from the Debt Service Fund to the respective paying agents.
- **Inlet Valley Cemetery Fund:** The Inlet Valley Cemetery Association was dissolved in 2010, upon which ownership of the cemetery devolved to the Town in accordance with state statutes. This account is used to account for funds used for maintenance of the cemetery.

The Town reports the following major enterprise funds:

- **Water Fund:** This enterprise fund is used to account for the activity of providing water service to residents of the Town of Ithaca. The Town is responsible for the collection of water revenues in the Town of Ithaca and contracts for delivery services with the Southern Cayuga Lake Intermunicipal Water Commission (SCLIWC) and Ithaca Area Wastewater Treatment Plant (IAWTP).
- **Sewer Fund:** This enterprise fund is used to account for the activity of providing sewer service to residents of the Town of Ithaca. The Town is responsible for the collection of sewer revenues in the Town of Ithaca and contracts for treatment services with the Southern Cayuga Lake Intermunicipal Water Commission (SCLIWC) and Ithaca Area Wastewater Treatment Plant (IAWTP).

The Town reports the following fiduciary funds:

- **Agency Fund:** Used to account for those funds held in custody and subsequent distributions, transmittal or release to other governments, individuals or to other funds.

D. Measurement Focus and Basis of Accounting

The Government-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town are charges to customers for sewer and water fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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. 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 the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E. Property Taxes

Town real property taxes are levied annually on January 1, and become a lien on that date. Property owners can elect to pay their taxes using one of two options. Taxpayers may elect to pay their bill in two installments equal to ½ the total bill, plus a 2.5% processing fee. If the installment option is selected, the first payment is due between January 1 and January 14, without penalty, or between January 15, and January 20, with 1% interest (election to pay in installments ceases January 20). The second installment is due on or before July 1, payable to the County Division of Budget and Finance.

Taxpayers may elect to pay their tax bill in full. Using this method, taxes are collected during the period January 1 to January 31 at face value and from February 1 to May 31 with interest added. The Town Receiver of Taxes collects all real estate taxes for Town and County purposes. The Town Receiver

distributes the collected tax money to the Town Supervisor prior to distributing the balance collected to the County on June 1. The Town thereby is assured of 100% tax collection. Responsibility for the collection of unpaid taxes rests with the County. Uncollected tax liens are sold annually by the County.

F. Budgetary Data

1. Budget Policies – The budget policies are as follows:

- a. No later than October 5, the budget officer submits a tentative budget to the Town Board for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- b. After public hearings are conducted to obtain taxpayer comments, no later than November 20, the Town Board adopts the budget.
- c. All modifications of the budget must be approved by the Town Board. However, the Town Supervisor is authorized to transfer certain budgeted amounts within departments.
- d. Appropriations lapse at year-end.

2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in all funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred. For the year ended December 31, 2017, no budgetary encumbrances were outstanding. In the interest of accurately monitoring, budgeting and maintaining an adequate operating fund balance in all funds, it is the Town's fiscal practice not to encumber unused appropriations into the ensuing year's budgeted operations.

G. Cash and Investments

The Town of Ithaca's investment policies are governed by State statutes. In addition, the Town of Ithaca has its own written investment policy. Town of Ithaca's monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The supervisor 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 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 and New York State. Underlying securities must have market value of at least the cost of the repurchase agreement.

H. Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

I. Due to/from Other Funds

Amounts due to and due from within the same fund type are eliminated in the Government-wide statements. Inter-fund receivables and payables are detailed in Note 4 on page 28.

J. Inventories and Prepaid Items

Purchases of inventoriable items are recorded as expenditures in the Governmental Funds at the time of purchase. Inventory-type items are considered immaterial and, consequently, are not provided in the Government-wide statements.

Prepaid items represent payments made by the Town for which benefits extend beyond year-end.

K. Capital Assets

Capital assets are reported at historical cost. The Town depreciates capital assets using the straight-line method over the estimated useful life of the assets. Capitalization thresholds (the dollar value above which capital asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the Government-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Building and improvements	\$ 5,000	30-40 years
Non-building improvements	5,000	15-20 years
Equipment and machinery	5,000	5-15 years
Furniture and furnishings	5,000	10 years

L. Infrastructure

The Town includes long-lived improvements to roads, water and sewer systems as capital assets in the Government-wide statements. Infrastructures are reported at historical costs and are depreciated using the straight-line method over their estimated useful lives.

Capitalization thresholds and estimated useful lives for infrastructures are as follows:

	Capitalization Threshold	Estimated Useful Life
Road systems	\$ 10,000	20 years
Water and sewer systems	10,000	40 years

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category; the deferred outflow related to pensions reported in the Statement of Net Position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and therefore, will not be recognized as an inflow of resources (revenue) until that time. The Town has two items that qualifies for reporting in this category; the deferred inflow related to pensions reported in the Statement of Net Position and the deferred inflow related to prepaid property taxes reported in each applicable governmental fund.

N. Vested Employee Benefits

Employees accrue (earn) vacation leave based on the number of years employed up to a maximum of 20 days a year. Upon separation from service, employees are paid for unused vacation time.

Employees accrue (earn) sick leave at the rate of one day per month and may accumulate such credits up to a total of 120 days. Employees who retire apply any unused sick leave to pay for individual cost employee health insurance benefits and potentially add accumulated sick time to be credited to their service time in the New York State Retirement System. In 2017, the Town has recognized a liability of \$527,053 based on accumulated sick time balances currently being spent down by retirees and accumulated sick time balances of current Town employees who have reached minimum retirement age and would be eligible to apply accumulated sick time towards the payment of health insurance premiums. The balance is allocated to a current (\$10,442) and long-term (\$516,611) liability in the Government-wide statements. The liability for accrued vacation time is reflected in the Government-wide statements as a long-term liability.

In addition to providing pension benefits, the Town of Ithaca provides health insurance coverage for retired employees. Substantially all of the Town's employees may become eligible for these benefits if they reach normal retirement age while working for the Town. Health care benefits are provided through an insurance company whose premiums are based on the benefits paid during the year for the community. These benefits are further discussed in Note 9.

O. Unemployment Insurance

As of January 1, 1978, Town employees are covered by unemployment insurance. The Town has chosen to discharge its liability to the New York State Unemployment Insurance Fund by means of the benefit reimbursement method. This is a dollar-for-dollar reimbursement to the Unemployment Insurance Fund for the benefits paid to former employees and charged to the Town's account. The Town is exempt from federal unemployment insurance tax.

P. Deferred Compensation

The Town offers their employees a Deferred Compensation Plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, which is available to all eligible participants, permits participants to defer a portion of their salary (100% of gross wages not to exceed \$18,000 or \$24,000 for employees over the age of 50 to allow for catch up contributions) until future years. Amounts deferred under the Plan are not available to the employee until termination, retirement, death or unforeseeable emergency.

Effective, January 1, 1998, all amounts of compensation deferred under the Plan, all property and rights purchased with the amounts, and all income attributable to these amounts are the sole property of the employee. As required, the Town Supervisor is the Chairman of the Town's Deferred Compensation Committee and Trustee.

Q. Risk Retention

The Town of Ithaca is exposed to various risks of loss related to employee injury. During 1996 the Town established reservations of fund balance to finance certain uninsured risks of loss in the interest of lower annual insurance costs. Claims that will be paid from these reserves are for small employee medical claims. During the year ended December 31, 2017, \$15,329 was paid out on behalf of the employees.

R. Restricted Resources

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

S. Equity Classification

1. Government-wide Statements

Equity is classified as net position 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 that are attributable to the acquisition, construction, or improvement of those assets.

- **Restricted Net Position**

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

- **Unrestricted Net Position**

All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

2. Fund Financial Statements

During the year ending December 31, 2011, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Statement No. 54 changes the terminology and classification of fund balance to reflect spending constraints on resources, rather than availability for appropriation to provide users more consistent and understandable information about a fund's net resources. Constraints are broken down into five different classifications: nonspendable, restricted, committed, assigned, and unassigned. The classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor constraints on the specific purposes for which resources in a fund can be spent.

Governmental fund equity is classified as fund balance. In the fund basis statements there are five classifications of fund balance:

- **Nonspendable Fund Balance**

Consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale and principal of endowments. The Town's nonspendable fund balance is comprised of prepaid expenses.

- **Restricted Fund Balance**

Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Town's restricted fund balance includes a general purpose benefit reserve, a parks and open space plan reserve, a highway equipment reserve and a reserve for cemetery maintenance.

- **Committed Fund Balance**

Consists of amounts that are subject to a purpose constraint imposed by formal action of the Town's highest level of decision making authority (the Town Board) before the end of the fiscal year and that require the same level of formal action to remove the constraint.

- **Assigned Fund Balance**

Consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision making authority or by their designated body or official. In funds other than the General Fund, the Town's assigned fund balance represents the residual amount of fund balance. In the General Fund, assigned fund balance represents the portion of fund balance appropriated for the ensuing year's budget.

- **Unassigned Fund Balance**

Represents the residual classification of the government's general fund and could report a surplus or a deficit. In funds other than the general fund, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

3. Order of Use of Fund Balance

The Town's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as committed or assigned fund balance. In the General Fund, committed fund balance is determined next and then assigned fund balance. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

4. Fund Financial Statements - Restricted Fund Balance

- The General Town-Wide Fund equity includes reserve funds established for the purpose of future park development and purchasing rights as outlined in the Town's Open Space Plan. The balance at the end of 2017 was \$827,661. This Reserve Fund was designated by Board Resolution No. 170 of October 2, 1997. Interest earnings and additional funding for the year both increased the Reserve Fund.
- The General Part-Town Highway Fund equity includes reserve funds established for the replacement of highway machinery. The balance at the end of 2017 was \$250,000. This Highway Equipment Reserve Fund was designated by Board resolution No. 193 of November 8, 1984, and any unexpended appropriation for machinery at year end is to be transferred to the Reserve Fund. The Reserve Fund is also increased by interest earned for the year.
- The General Town-Wide Fund, the General-Part Town Fund, the General Part-Town Highway Fund, the Water Fund, and the Sewer Fund equity include funds established for fiscally managing annual economic increases and decreases in employee fringe benefits (e.g. NYS Retirement Costs, Health Insurance). The aggregate balance at the end of 2017 was \$354,362. This Reserve Fund was established at the June 13, 2005 Town Board meeting under Board Resolution No. 084. The reserve is funded on an annual basis as assessed by the Town Board. The reserve also is increased by interest earned for the year. The balance by fund is as follows:

General Town-Wide Fund	\$	169,807
General Part-Town Fund		69,389
General Part-Town Highway Fund		79,321
Water Fund		23,811
Sewer Fund		12,034
		<u>\$ 354,362</u>

- The General Town-Wide Fund equity includes reserve funds designated for the maintenance of the Pine Tree Wildlife Preserve, donated to the Town by a local family in 2013. In conjunction with the donation of the land, the amount of \$40,000 was donated to provide for future maintenance of the preserve. As of December 31, 2017, the balance of the reserve totaled \$40,129.
- In 2014, the Town purchased development rights to Indian Creek Farm with financial assistance through a grant provided by New York State. The

grant included \$10,000 to be held in reserve by the Town, designated for future stewardship of Indian Creek Farm lands. The reserve is reflected in the General Townwide Fund and had a balance of \$9,844 at December 31, 2017.

- The Inlet Valley Cemetery Fund reserve includes funds provided for the maintenance of the cemetery. The balance at the end of 2017 was \$0.

T. Inter-fund Transfers

The operations of the Town give rise to certain transactions between funds, including transfers to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds for inter-fund transfers have been eliminated for the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these Notes.

U. New Accounting Pronouncements

GASB Statement No. 75

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The statement replaces the requirements of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". Among other things, Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Town is required to adopt GASB Statement No. 75 for its 2018 financial statements.

GASB Statement No. 83

In November 2016, the GASB issued Statement No. 83, "Certain Asset Retirement Obligations". This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The Town is required to adopt GASB Statement No. 83 for its 2019 financial statements.

GASB Statement No. 84

In January 2017, the GASB issued Statement No. 84, "Fiduciary Activities". This Statement's objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Town is required to adopt GASB Statement No. 84 for its 2019 financial statements.

GASB Statement No. 85

In March 2017, the GASB issued Statement No. 85, "Omnibus 2017". This Statement's objective is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement

addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
- Reporting amounts previously reported as goodwill and “negative” goodwill.
- Classifying real estate held by insurance entities.
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- Classifying employer-paid member contributions for OPEB.
- Simplifying certain aspects of the alternative measurement method of OPEB.
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The Town is required to adopt GASB Statement No. 85 for its 2018 financial statements.

GASB Statement No. 86

In May 2017, the GASB issued Statement No. 86, “Certain Debt Extinguishment Issues”. This Statement’s primary objective is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Town is required to adopt GASB Statement No. 86 for its 2018 financial statements.

GASB Statement No. 87

In June 2017, the GASB issued Statement No. 87, “Leases”. This Statement requires that government lessees:

- Recognize the following: (a) a lease liability and (b) an intangible asset representing the lessee’s right to use the leased asset; and
- Report in its financial statements: (a) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (b) interest expense on the lease liability and (c) note disclosures about the lease.

This Statement requires that government lessors:

- Recognize: (a) a lease receivable and (b) a deferred inflow of resources and continue to report the leased asset in its financial statements; and
- Report in its financial statements: (a) lease revenue, recognized over the term of the lease, corresponding with the reduction of the deferred inflow,

(b) interest income on the receivable; and (c) note disclosures about the lease.

The Town is required to adopt GASB Statement No. 87 for its 2020 financial statements.

GASB Statement No. 88

In April 2018, the GASB issued Statement No. 88, “Certain Disclosures Related to Debt, Including Direct Borrowings and direct Placements.” This Statement’s objective is to clarify which liabilities governments should include in their note disclosures related to debt. This Statement requires that all debt disclosures present direct borrowings and direct placements of debt separately from other types of debt. This Statement also requires governments to disclose additional essential debt-related information for all types of debt, including:

- Amounts of unused liens of credit
- Assets pledged as collateral for debt
- Terms specified in debt agreements related to significant:
 - Events of default with finance-related consequences
 - Termination events with finance-related consequences
 - Subjective acceleration clauses

The Town is required to adopt GASB Statement No. 88 for its 2019 financial statements.

GASB Statement No. 89

In June 2018, the GASB issued Statement No. 89, “Accounting for Interest Cost Incurred before the End of a Construction Period.” This Statement’s objectives are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. For financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset. For financial statements prepared using the current financial resources measurement focus, interest incurred before the end of a construction period should continue to be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The Town is required to adopt GASB Statement No. 88 for its 2020 financial statements.

GASB Statement No. 90

In August 2018, the GASB issued Statement No. 90, “Majority Equity Interests.” This Statement’s primary objectives are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statements information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

The Town is required to adopt GASB Statement No. 90 for its 2019 financial statements.

V. Non-Cash Capital and Related Financing Activities - Proprietary Funds

The Water Fund recorded debt and a receivable of \$2,053,750 related to the Town of Ithaca's proportionate share of bond liabilities related to the Southern Cayuga Intermunicipal Water Commission. This activity is not reflected in the Statement of Cash Flows for Proprietary Funds.

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the Government-wide statements, certain financial transactions are treated differently. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the Governmental Funds.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:

Total fund balances of the Town's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the Governmental Fund Balance Sheet.

B. Explanation of Difference between Governmental Funds Operating Statement and the Statement of Activities:

Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories. The amounts shown below represent these differences as follows:

- Long-term revenue differences arise because Governmental Funds report revenues only when they are considered "available," whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because Governmental Funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.
- Capital related differences include the difference between proceeds for the sale of capital assets reported on Governmental Fund Statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the Governmental Fund Statements and depreciation expense on those items as recorded in the Statement of Activities.
- Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the Governmental Fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

The basic financial statements contain a detailed reconciliation of 1) the items creating the differences between fund balance reported in the Governmental Fund Statements and net position reported on the Statement of Net Position and 2) the items creating the differences between the change in fund balance reported in the Governmental Fund Statements and the change in net position reported in the Statement of Activities.

NOTE 3 – CASH

The Town of Ithaca's investment policies are governed by State statutes, as previously described in these Notes. Deposits are valued at cost or cost plus interest and are categorized as either:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name;
2. Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name; or
3. Uncollateralized.

Total financial institution (bank) balances at December 31, 2017, per the bank, were \$16,556,112.

	<u>1</u>	<u>2</u>	<u>3</u>
Governmental funds	\$ 12,947,412	\$ -	\$ -
Enterprise funds	\$ 3,261,459	\$ -	\$ -
Agency funds	\$ 347,241	\$ -	\$ -

NOTE 4 – INTER-FUND ACTIVITY

Inter-fund receivables and payables at December 31, 2017, were as follows:

<u>Fund Type</u>	<u>Inter-Fund Receivables</u>	<u>Inter-Fund Payables</u>
General town-wide	\$ 92,213	\$ 56,088
Highway	87,149	10,085
Water	1,980,305	55,045
Sewer	-	58,144
Capital projects	-	1,980,305
	<u>\$ 2,159,667</u>	<u>\$ 2,159,667</u>

Inter-fund revenues and expenditures at December 31, 2017, were as follows:

<u>Fund Type</u>	<u>Inter-Fund Revenues</u>	<u>Inter-Fund Expenditures</u>
General town-wide	\$ 655,665	\$ 258,295
General part-town	181	81,100
Highway	-	378,225
Water	817,789	38,078
Sewer	-	175,500
Capital projects	95,500	888,134
Risk retention	-	-
Non-major	250,197	-
	<u>\$ 1,819,332</u>	<u>\$ 1,819,332</u>

NOTE 5 – CAPITAL ASSETS

Capital asset balances and activity for the year ended December 31, 2017, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals & Reclassifications</u>	<u>Ending Balance</u>
<u>Governmental Funds</u>				
CAPITAL ASSETS THAT ARE NOT DEPRECIATED:				
Land	\$ 599,780	\$ -	\$ -	\$ 599,780
Construction in progress	68,696	292,770	-	361,466
TOTAL NON-DEPRECIABLE HISTORICAL COST	668,476	292,770	-	961,246
 CAPITAL ASSETS THAT ARE DEPRECIATED:				
Buildings	5,048,915	-	-	5,048,915
Equipment and machinery	5,582,608	501,915	356,564	5,727,959
Furniture and furnishings	209,179	-	-	209,179
Non-building improvements	1,010,983	13,077	-	1,024,060
Infrastructures	5,407,576	447,888	-	5,855,464
TOTAL DEPRECIABLE HISTORICAL COST	17,259,261	962,880	356,564	17,865,577
 LESS ACCUMULATED DEPRECIATION:				
Buildings	1,779,588	149,975	-	1,929,563
Equipment and machinery	2,972,579	533,722	205,222	3,301,079
Furniture and furnishings	200,385	2,549	-	202,934
Non-building improvements	345,847	38,712	-	384,559
Infrastructures	883,744	273,295	-	1,157,039
TOTAL ACCUMULATED DEPRECIATION	6,182,143	998,253	205,222	6,975,174
 TOTAL HISTORICAL COST, net	<u>\$ 11,745,594</u>	<u>\$ 257,397</u>	<u>\$ 151,342</u>	<u>\$ 11,851,649</u>

Depreciation was charged to governmental functions as follows:

General government support	\$ 113,186
Transportation	614,770
Culture and recreation	98,491
Home and community services	171,806
	<u> </u>
Total Depreciation Expense	<u>\$ 998,253</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals & Reclassifications</u>	<u>Ending Balance</u>
<u>Enterprise Funds</u>				
CAPITAL ASSETS THAT ARE NOT DEPRECIATED:				
Construction in progress	<u>\$ 466,363</u>	<u>\$ 156,853</u>	<u>\$ 743</u>	<u>\$ 622,473</u>
CAPITAL ASSETS THAT ARE DEPRECIATED:				
Equipment and machinery	796,172	167,305	-	963,477
Infrastructures	<u>16,598,378</u>	<u>818,533</u>	<u>-</u>	<u>17,416,911</u>
TOTAL DEPRECIABLE HISTORICAL COST	<u>17,394,550</u>	<u>985,838</u>	<u>-</u>	<u>18,380,388</u>
LESS ACCUMULATED DEPRECIATION:				
Equipment and machinery	97,661	112,872	-	210,533
Infrastructures	<u>2,461,225</u>	<u>418,370</u>	<u>-</u>	<u>2,879,595</u>
TOTAL ACCUMULATED DEPRECIATION	<u>2,558,886</u>	<u>531,242</u>	<u>-</u>	<u>3,090,128</u>
TOTAL HISTORICAL COST, net	<u><u>\$ 15,302,027</u></u>	<u><u>\$ 611,449</u></u>	<u><u>\$ 743</u></u>	<u><u>\$ 15,912,733</u></u>

Depreciation was charged to enterprise funds as follows:

Sewer fund	\$ 135,391
Water fund	<u>395,851</u>
Total Depreciation Expense	<u><u>\$ 531,242</u></u>

NOTE 6 – LIABILITIES

A. Pension Plans

Plan Description

The Town of Ithaca participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer 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, Gov. Alfred E. Smith State Office Building, 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 for their first 10 years in the system, and employees who joined on or after January 1, 2010 who generally contribute 3% percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of member payroll and employer contributions, used in computing the contributions required to be made by employers to the pension accumulation fund. Chapter 126 adds Article 19 "Benefits Enhancements" of the New York State and Local Employees Retirement System. An Eligible Tier III or IV member with ten or more years of membership or ten years credited service will not be required to contribute to the Retirement System. Effective in 2000, the Town adopted Section 41j of the Retirement System. This allows a retiring municipal employee to add service credit by using accumulated sick time.

The Town of Ithaca is required to contribute at an actuarially determined rate. The required contributions for the current year and four preceding years were:

	ERS
2017	\$ 459,827
2016	\$ 513,481
2015	\$ 548,769
2014	\$ 570,512
2013	\$ 602,622

Town contributions made to the Systems were equal to 100% of the contributions required for each year. Since 1989, the Systems' billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the Systems' fiscal years ended March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. The Town's total unpaid liability at the end of 2017 fiscal year was \$0.

a. Southern Cayuga Lake Intermunicipal Water Commission Pension Plan

The Southern Cayuga Lake Intermunicipal Water Commission's payroll is prepared through the Town of Ithaca, resulting in the New York State and Local Retirement Plan billings being a combination of the Town's and the Water Commission's. The Water Commission is remitted along with the Town's share.

Pension Liabilities and Deferred Outflows and Inflows of Resources Related to Pensions

At December 31, 2017, the Town reported the following liability for its proportionate share of the net pension liability for the Systems. The net pension liability was measured as of March 31, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation.

Measurement date	March 31, 2017
Net pension liability	\$ 1,036,325
Town's portion of the Plan's total net pension liability	0.011%

At year end December 31, 2017, the Town recognized pension expenses of \$624,204. The Town reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 25,970
Changes of assumptions	354,047
Net difference between projected and actual investment earnings on pension plan investments	206,996
Changes in proportion and differences between employer contributions and proportionate share of contributions	87,822
Employer contributions subsequent to the measurement date	459,827
Total	<u>\$ 1,134,662</u>

The Town reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 157,372
Changes of assumptions	-
Net difference between projected and actual investment earnings on pension plan investments	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,485
Total	<u>\$ 170,857</u>

The Town's contributions subsequent to the measurement date for the Plans amounted to \$459,827.

The Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. The Town's balances of deferred outflows and inflows of resources related to pension will be recognized in the pension expense as follows:

2018	\$ 218,934
2019	218,934
2020	194,491
2021	(128,380)
Total	<u>\$ 503,979</u>

Actuarial Assumptions

The Town's total pension liability as of the measurement date was determined by using an actuarial valuation as of April 1, 2016, with updated procedures used to roll forward the total pension liability to March 31, 2017. The actuarial valuations used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.5%
Investment rate of return	7.0%
Salary scale	3.8%
Projected COLAs	1.3%
Decrement tables	04/01/10-03/31/15

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014.

The Town's long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each of the target asset allocation percentages and by adding expected inflation. Best estimate of the arithmetic real rates of return for each major asset class included in the target asset allocation at the valuation date of March 31, 2017 are as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	36%	4.55%
International equity	14%	6.35%
Privet equity	10%	7.75%
Real estate	10%	5.80%
Absolute return strategies	2%	4.00%
Opportunistic portfolio	3%	5.89%
Real assets	3%	5.54%
Bonds and mortgages	17%	1.31%
Cash	1%	-0.25%
Inflation-indexed bonds	4%	1.50%
	100%	

Discount rate

The Discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that the contributions from plan members will be made at the current contributions rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following tables present the Town's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.0%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension (asset)/liability	\$ 3,309,824	\$ 1,036,325	\$ (885,910)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liabilities of the employers as of March 31, 2017 were as follows:

Employers' total pension liability	\$ (177,400,586,000)
Fiduciary net position	168,004,363,000
Employers' net pension liability	<u><u>\$ (9,396,223,000)</u></u>
Ratio of Plan net position to the employers' total pension asset/(liability)	94.7%

B. Short-Term Debt

Liabilities for bond anticipation notes (BANs) are generally accounted for in the Capital Projects Fund. The notes or renewal thereof may not extend more than five years beyond the original date of issue unless a portion is redeemed within five years and within each 12-month period thereafter. For short-term financing, the Town of Ithaca redeems (pays down) one-fifth (1/5) of the original BAN borrowing.

State law requires that 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 period's equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

As of December 31, 2017, temporary financing in outstanding bond anticipation notes totaled \$0.

C. Long-Term Debt

Bonds: The Town of Ithaca 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.

At December 31, 2017, the total principal indebtedness outstanding of the Town of Ithaca aggregated \$12,822,750. Of this amount, \$3,221,930 was subject to the Town's constitutional debt limit and represented 3.47% of the Town's debt limit.

Further calculations disclosed that the Town of Ithaca meets the 7% indebtedness requirement and has not exhausted its borrowing and repayment abilities.

The following is a summary of the Town of Ithaca's outstanding serial bonds for the year ended December 31, 2017:

Description	Original Date of Issue	Original Amount	Interest Rate	Maturity Date	Outstanding 12/31/2017
GENERAL TOWNWIDE FUND					
2011 Public Improvement	9/1/11	\$ 300,000	2.25%	9/1/21	\$ 120,000
2013 Public Improvement	8/1/13	790,000	2.00%	8/1/23	522,000
WATER FUND					
2004 Public Improvement	2/12/04	1,000,000	3.88%	2/12/19	134,000
2009 Public Improvement	10/1/09	1,125,000	2.75%	10/1/24	585,000
2011 Public Improvement	9/1/11	2,000,000	2.25%	9/1/31	1,565,000
2013 Public Improvement	8/1/13	1,420,000	2.00%	8/1/23	1,052,000
2014 Public Improvement	12/30/14	950,000	2.00%	12/15/29	1,698,000
2014 Refunding Bond	12/30/14	910,000	2.00%	5/15/24	685,000
2015 Public Improvement	11/13/15	2,150,000	2.00%	10/15/30	1,902,000
SCLIWC serial bonds	various	3,763,000	various	various	2,053,750
HIGHWAY FUND					
2011 Public Improvement	9/1/11	350,000	2.25%	9/1/21	140,000
2013 Public Improvement	8/1/13	1,240,000	2.00%	8/1/23	891,000
2014 Public Improvement	12/30/14	950,000	2.00%	12/15/29	767,000
2015 Public Improvement	11/13/15	\$ 800,000	2.00%	10/15/30	708,000
Total Serial Bonds Payable					<u>\$ 12,822,750</u>

Interest on long-term debt paid during the year was:

Interest paid	\$ 314,012
Add interest accrued - current year	72,446
Less interest accrued - prior year	(78,594)
	<u>\$ 307,864</u>

Interest expense has been allocated to the following governmental functions:

General	\$ 9,452
Transportation	85,167
	<u>\$ 94,619</u>

Interest expense has been allocated to the following enterprise funds:

Water fund	<u>\$ 213,245</u>
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Long-term liability balances and activity for the year are summarized below:

<u>Governmental Funds</u>	Beginning Balance	Issued	Redeemed	Ending Balance
Serial bonds	\$ 3,579,882	\$ -	\$ (357,952)	\$ 3,221,930
Total serial bonds and	<u>\$ 3,579,882</u>	<u>\$ -</u>	<u>\$ (357,952)</u>	<u>\$ 3,221,930</u>
Other liabilities:				
Compensated absences	\$ 144,706	\$ 10,070	\$ -	\$ 154,776
Net pension liability	1,677,531	-	(723,909)	953,622
Convertible sick/personal time (1)	453,097	73,956	-	527,053
Other post-employment benefits	4,563,764	793,327	-	5,357,091
Total long-term liabilities	<u>\$ 10,418,980</u>	<u>\$ 877,353</u>	<u>\$ (1,081,861)</u>	<u>\$ 10,214,472</u>

(1) Value of accumulated sick/personal time that may be used by retirees to offset retiree portion of health insurance premiums. See Note 9.

<u>Enterprise Funds</u>	Beginning Balance	Issued	Redeemed	Ending Balance
Serial bonds	\$ 8,278,118	\$ -	\$ (731,048)	\$ 7,547,070
SCLIWC serial bonds	2,438,000	-	(384,250)	2,053,750
Total serial bonds and bond anticipation notes	<u>\$ 10,716,118</u>	<u>\$ -</u>	<u>\$ (1,115,298)</u>	<u>\$ 9,600,820</u>
Other liabilities:				
Compensated absences	\$ 16,103	\$ 1,696	\$ -	\$ 17,799
Net pension liability	156,669	-	(73,966)	82,703
Convertible sick/personal time (1)	-	-	-	-
Other post-employment benefits	507,858	108,199	-	616,057
Total long-term liabilities	<u>\$ 11,396,748</u>	<u>\$ 109,895</u>	<u>\$ (1,189,264)</u>	<u>\$ 10,317,379</u>

(1) Value of accumulated sick/personal time that may be used by retirees to offset retiree portion of health insurance premiums. See Note 9.

Activity for compensated absences is shown at net due to the impracticability of determining these amounts separately. Payments of compensated absences are dependent upon future factors and, therefore, the timing of such payments cannot be determined. Compensated absences are reflected as a long-term liability in the Statement of Net Position.

The following is a summary of the maturity of total long-term indebtedness (excluding SCLIWC bonds):

Serial Bonds	Year	Principal	Interest	Total
	2018	\$ 1,047,000	\$ 288,643	\$ 1,335,643
	2019	1,082,000	260,569	1,342,569
	2020	1,020,000	236,619	1,256,619
	2021	1,040,000	212,769	1,252,769
	2022	990,000	183,547	1,173,547
	2023-2027	3,815,000	560,006	4,375,006
	2028-2031	1,775,000	103,769	1,878,769
Total Serial Bonds		<u>\$ 10,769,000</u>	<u>\$ 1,845,922</u>	<u>\$ 12,614,922</u>

The following long-term debt has been authorized, but remains unissued at December 31, 2017:

Trumansburg Water Tank Replacement	\$ 900,000
Park Lane Water Main Replacment	500,000
Sapsucker Woods Water Main Replacement	579,598
Christopher Circle Water Main Replacement	422,319
Total- authorized, but unissued debt	<u>\$ 2,401,917</u>

NOTE 7 – DEBT: SOUTHERN CAYUGA LAKE INTERMUNICIPAL WATER COMMISSION (SCLIWC)

Per agreement, the Town of Ithaca is a joint obligor of debt used to fund the capital activities of the Southern Cayuga Lake Intermunicipal Water Commission (SCLIWC). The Town has recorded a liability for bonds payable in the Water Fund of \$2,053,750 representing the Town's approximate 53% share of the total outstanding serial bond debt associated with SCLIWC as of December 31, 2017. Historically, and consistent with the cooperative agreement of the SCLIWC participating municipalities, the repayment of SCLIWC debt and related interest has been funded through user fees charged by the Water Commission. Accordingly, the Water Fund reflects a receivable (due from other governments) of \$2,053,750 at December 31, 2017 which reflects the anticipated debt principal payments to be made by SCLIWC.

The following reflects information related to the total serial bond debt for SCLIWC at December 31, 2017:

Description	Date of Issue	Original Amount	I/R	Date of Final Maturity	Outstanding 12/31/2017
Joint Water Improvement 3	5/17/2006	1,000,000	4.66%	5/17/2026	\$ 545,000
Joint Water Improvement 4	10/5/2012	2,600,000	2% - 3%	10/5/2032	2,055,000
Joint Water Improvement 5	6/12/2013	1,500,000	3%-3.25%	6/12/2033	1,275,000
Total Serial Bonds					<u>\$ 3,875,000</u>

The following is a summary of the maturity of total long-term indebtedness for SCLIWC debt:

	Year	Principal	Interest	Total
Serial Bonds	2018	\$ 235,000	\$ 115,410	\$ 350,410
	2019	240,000	108,522	348,522
	2020	245,000	101,559	346,559
	2021	245,000	94,496	339,496
	2022	260,000	87,433	347,433
	2023-2033	2,650,000	438,659	3,088,659
Total Serial Bonds		<u>\$ 3,875,000</u>	<u>\$ 946,079</u>	<u>\$ 4,821,079</u>

NOTE 8 – UNRESTRICTED BALANCES

Of the \$6,297,028 in unrestricted net position, \$1,929,486 has been appropriated by the Town for 2018 expenditures.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description - The Town of Ithaca administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town’s group health insurance plan, which covers both active and retired members. The Town pays a portion of retiree’s premiums for healthcare insurance based on the number of years of service to the Town at the time of retirement.

In addition, retiring employees can convert unused sick time to offset portions of healthcare premiums that are the retiree’s responsibility. The Town tracks the accumulated balances and makes premium payments on behalf of the retirees until the balances are exhausted.

The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy - The Town contributes a portion of the retiree’s healthcare premium according to the following schedule. For employees whose most recent date of hire is prior to 1/1/2015, the following percentages apply:

Years of Service	Town Contribution
30 and over	75.0%
25-29	50.0%
15-24	35.0%
5-14	20.0%
less than 5	0.0%

For employees who were hired on or after 1/1/2015, the following percentages apply:

Years of Service	Town Contribution
30 and over	50.0%
25-29	35.0%
10-24	20.0%
less than 10	0.0%

For fiscal year 2017, the Town contributed \$47,600 to the plan.

Annual OPEB Cost and Net OPEB Obligation - The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation to the Retiree Health Plan.

Annual required contribution	\$ 1,006,131
Interest on net OPEB obligation	138,962
Adjustment to annual required contribution	(195,967)
Annual OPEB expense	949,126
Contributions made	(47,600)
Increase in net OPEB obligation	901,526
Net OPEB obligation- beginning of year	5,071,622
Net OPEB obligation- end of year	<u>\$ 5,973,148</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year, 2008 through 2017 are as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	\$ 349,422	7.70%	\$ 322,544
12/31/2009	\$ 362,344	11.15%	\$ 644,482
12/31/2010	\$ 375,221	9.16%	\$ 985,330
12/31/2011	\$ 662,956	7.27%	\$ 1,600,116
12/31/2012	\$ 681,399	7.94%	\$ 2,227,380
12/31/2013	\$ 700,217	7.45%	\$ 2,875,456
12/31/2014	\$ 759,159	6.15%	\$ 3,587,913
12/31/2015	\$ 778,752	5.02%	\$ 4,327,608
12/31/2016	\$ 799,093	6.89%	\$ 5,071,622
12/31/2017	\$ 949,126	5.02%	\$ 5,973,148

Funded Status and Funding Progress - As of December 31, 2017 (actuarial valuation date of 12/31/17), the actuarial accrued liability for benefits was \$8,675,669, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,670,571 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 236.36%. See the Schedule of Funding Progress on page 43 for additional details.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of

events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, 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.

Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The 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.

The following simplifying assumptions were made:

Retirement age for active employees—Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Marital status—Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality—Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2009 United States Life Tables for Males and for Females were used.

Turnover—Non-group-specific age-based turnover data from GASB Statement 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate—The expected rate of increase in healthcare insurance premiums was based on current premium rates and projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 7.8 percent was used initially, reduced to an ultimate rate of 7.0 percent after six years.

Health insurance premiums—2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate—The expected long-term inflation assumption of 2.8 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2014 Annual Report of the Board of Trustees of the Federal Old-age and survivors' insurance and disability insurance trust funds* for an intermediate growth scenario.

Payroll growth rate—The expected long-term payroll growth rate was assumed to equal 2.0%.

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of 2.74 percent was used. In addition, a simplified version of

the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2017, was twenty-three years.

In addition to the plan described above, retiring employees can convert a portion of unused sick and vacation time to offset portions of healthcare premiums that are the retiree's responsibility. The Town tracks the accumulated balances and makes premium payments on behalf of the retirees until the balances are exhausted. The Town estimates its liability based on an analysis of accumulated sick and vacation time for current retirees and employees who have reached retirement age (55). At December 31, 2017 there were two retirees spending down a cumulative balance of \$16,604 and fifteen employees who had reached retirement age with a cumulative balance of \$510,449. The total liability was \$527,053 at December 31, 2017. The Town calculates this liability separately from its OPEB liability under GASB 45.

NOTE 10 – POLLUTION REMEDIATION CONTINGENT OBLIGATION

In 2009, a site commonly known as the Ithaca Area Wastewater Treatment Plant (IAWTP), which is jointly owned and operated by the City of Ithaca and the Towns of Ithaca and Dryden, was listed as a site under CERCLA for hydrocarbon contamination (coal-tar). The City of Ithaca was sued by First Energy (parent company of New York State Electric & Gas) for \$750,000 in remediation costs. The Town of Ithaca and Dryden voluntarily joined in defense of this lawsuit. In 2010 an out-of-court settlement was reached in the amount of \$284,249, of which the Town of Ithaca is liable for \$80,000, payable over a ten-year period. At December 31, 2017, the remaining liability totaled \$32,000.

NOTE 11 – TAX ABATEMENTS

Town of Ithaca negotiates property tax abatement agreements on an individual basis. The Town of Ithaca has tax abatement agreements with five entities as of December 31, 2017:

<u>Purpose</u>	<u>Percentage of Taxes Abated during the Fiscal Year</u>	<u>Amount of Taxes Abated during the Fiscal Year</u>
Acquire, construct and equip a new residential campus for student housing.	36%	\$ 80,129
Purchase of housing development fund company and continuation to conform to requirements for low income housing.	20%	4,634
Acquiring title to acres of vacant land and maintain and operate solely as a housing project for persons of low income.	20%	3,358
Construction of new brewing facility, welcome center and brew pub.	41%	11,025
Operate and maintain a facility for the benefit of the citizens of Tompkins County, New York and its practice of providing Charitable Services	51%	51,150

Each agreement was negotiated under the Real Property Tax Law of the State of New York allowing localities to abate property taxes for a variety of purposes, including acquiring and constructing a new residential campus for student housing, maintaining and operating housing for persons of low income, construction of a new brewing facility, and maintaining and operating a facility to benefit the citizens of Tompkins County, New York. The taxes were originally based on the assessed value of the property and through PILOT Agreements have been reduced to an agreed upon value for the given year. As long as each individual agreement is met based on the conditions set, taxes will continue to be abated each year.

The Town of Ithaca has not made any commitments as part of the agreements other than to reduce taxes. The Town of Ithaca is not subject to any tax abatement agreements entered into by other governmental agencies. The Town of Ithaca has chosen to disclose information about its tax abatement agreements individually. There was no established quantitative threshold of the total dollar amount of taxes abated during the year.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events were evaluated through October 25, 2018, which is the date the financial statements were available to be issued.

TOWN OF ITHACA
SCHEDULE OF FUNDING PROGRESS
FOR THE RETIREE HEALTH PLAN
December 31, 2017

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Simplified Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2008	12/31/2008	\$ -	\$ 3,302,265	\$ 3,302,262	0.00%	\$ 2,935,300	112.50%
2009	12/31/2008	-	3,302,265	3,302,262	0.00%	3,047,779	108.35%
2010	12/31/2008	-	3,302,265	3,302,262	0.00%	3,127,364	105.59%
2011	12/31/2011	-	6,513,090	6,513,090	0.00%	2,713,389	240.04%
2012	12/31/2011	-	6,513,090	6,513,090	0.00%	3,023,321	215.43%
2013	12/31/2011	-	6,513,090	6,513,090	0.00%	3,255,652	200.05%
2014	12/31/2014	-	7,565,004	7,565,004	0.00%	2,941,028	257.22%
2015	12/31/2014	-	7,565,004	7,565,004	0.00%	3,381,971	223.69%
2016	12/31/2014	-	7,565,004	7,565,004	0.00%	3,397,458	222.67%
2017	12/31/2017	-	8,675,669	8,675,669	0.00%	3,670,571	236.36%

See independent auditor's report.

TOWN OF ITHACA
SCHEDULE OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET
MAJOR FUNDS
For the Year Ended December 31, 2017

	GENERAL		HIGHWAY	
	Original Budget	Actual	Original Budget	Actual
REVENUES:				
Real property taxes	\$ 3,052,000	\$ 3,052,000	\$ 1,250,000	\$ 1,250,001
Real property tax items	54,000	60,966	-	-
Nonproperty tax items	1,113,000	1,181,168	1,955,000	2,084,969
Departmental income	431,950	385,250	-	-
Intergovernmental charges	96,851	101,496	10,000	15,213
Interest income	6,500	7,675	2,500	2,661
Rental income	28,350	30,674	-	-
Licenses and permits	12,500	22,829	-	-
Fines and forfeitures	280,000	224,402	-	-
Sale of property and compensation for loss	-	5,907	25,000	240,207
Local sources	115,000	165,216	-	11,149
State and federal sources	389,650	458,368	74,000	132,581
TOTAL REVENUES	5,579,801	5,695,951	3,316,500	3,736,781
OTHER SOURCES:				
Interfund transfers	596,900	655,846	-	-
Proceeds of obligations	-	-	200,000	-
Appropriated fund balance	462,096	-	324,805	-
TOTAL REVENUES AND OTHER SOURCES	6,638,797	6,351,797	3,841,305	3,736,781
EXPENDITURES:				
General governmental support	1,890,720	1,594,773	75,550	72,016
Public safety	92,534	75,225	-	-
Transportation	530,450	369,715	2,834,080	2,403,978
Culture and recreation	1,158,679	951,103	-	-
Home and community services	1,354,525	1,163,127	-	-
Employee benefits	1,361,775	1,305,738	550,250	414,529
TOTAL EXPENDITURES	6,388,683	5,459,681	3,459,880	2,890,523
OTHER USES:				
Interfund transfers	250,114	339,395	381,425	378,225
TOTAL EXPENDITURES AND OTHER USES	6,638,797	5,799,076	3,841,305	3,268,748
EXCESS OF REVENUES OVER EXPENDITURES	-	552,721	-	468,033
FUND BALANCE, beginning of year	4,668,755	4,668,755	1,799,478	1,799,478
FUND BALANCE, end of year	\$ 4,206,659	\$ 5,221,476	\$ 1,474,673	\$ 2,267,511

See independent auditor's report.

FIRE

<u>Original Budget</u>	<u>Actual</u>
\$ 3,500,000	\$ 3,500,000
-	-
-	-
-	-
-	-
4,000	4,604
-	-
-	-
-	-
-	-
-	-
20,000	27,184
<u>3,524,000</u>	<u>3,531,788</u>
-	-
-	-
6,000	-
<u>3,530,000</u>	<u>3,531,788</u>
5,000	2,268
3,525,000	3,108,405
-	-
-	-
-	-
-	-
<u>3,530,000</u>	<u>3,110,673</u>
-	-
<u>3,530,000</u>	<u>3,110,673</u>
-	421,115
<u>1,657,713</u>	<u>1,657,713</u>
<u>\$ 1,651,713</u>	<u>\$ 2,078,828</u>

TOWN OF ITHACA
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY
For the Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>
Proportion of the net pension liability (asset)	0.011%	0.011%
Proportionate share of the net pension liability (asset)	\$ 1,036,325	\$ 1,834,200
Covered-employee payroll	\$ 3,444,677	\$ 3,256,757
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	30.08%	56.32%
Plan fiduciary net position as a percentage of the total pension liability (asset)	94.7%	90.7%

See independent auditor's report.

TOWN OF ITHACA
SCHEDULE OF THE TOWN'S PENSION CONTRIBUTIONS
For the Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 459,827	\$ 513,481
Contributions in relation to the contractually required contribution	<u>459,827</u>	<u>513,481</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 Covered-employee payroll	 \$ 3,670,571	 \$ 3,397,458
Contributions as a percentage of covered-employee payroll	12.53%	15.11%

See independent auditor's report.

**TOWN OF ITHACA
CAPITAL PROJECTS FUND
DETAILED BALANCE SHEET
December 31, 2017**

ASSETS

	Active Projects				
	State Route 96B Sidewalk	Gateway Trail	Sand Bank Road Reconstr.	Park Lane Water Main	Christopher Circle Water Main
ASSETS:					
Cash in savings	\$ 95,505	\$ 72,421	\$ 360,462	\$ 12,019	\$ 2,463
Due from other funds	-	-	-	-	-
Due from other gov't	-	126	-	-	-
	<u>95,505</u>	<u>72,547</u>	<u>360,462</u>	<u>12,019</u>	<u>2,463</u>
TOTAL ASSETS	<u>\$ 95,505</u>	<u>\$ 72,547</u>	<u>\$ 360,462</u>	<u>\$ 12,019</u>	<u>\$ 2,463</u>

LIABILITIES AND FUND BALANCE

LIABILITIES:					
Due to other funds	\$ -	\$ -	\$ -	\$ 454,542	\$ 364,862
Retainage	-	-	-	23,098	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>477,640</u>	<u>364,862</u>
FUND BALANCE:					
Committed fund balance	95,505	72,547	360,462	-	-
Unassigned fund balance	-	-	-	(465,621)	(362,399)
TOTAL FUND BALANCE	<u>95,505</u>	<u>72,547</u>	<u>360,462</u>	<u>(465,621)</u>	<u>(362,399)</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 95,505</u>	<u>\$ 72,547</u>	<u>\$ 360,462</u>	<u>\$ 12,019</u>	<u>\$ 2,463</u>

See independent auditor's report.

Active Projects		Closed Projects		Total
Sapsucker Water Main	Trumansburg Water Tank	Hanshaw Road Walkway	Pine Tree Rd. Ped Bridge	
\$ 4,743	\$ 1,238	\$ -	\$ -	\$ 548,851
-	-	-	-	-
-	-			126
<u>4,743</u>	<u>1,238</u>	<u>-</u>	<u>-</u>	<u>548,977</u>
<u>\$ 4,743</u>	<u>\$ 1,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 548,977</u>
\$ 460,877	\$ 700,024	\$ -	\$ -	\$ 1,980,305
-	-	-	-	23,098
<u>460,877</u>	<u>700,024</u>	<u>-</u>	<u>-</u>	<u>2,003,403</u>
-	-	-	-	528,514
(456,134)	(698,786)	-	-	(1,982,940)
<u>(456,134)</u>	<u>(698,786)</u>	<u>-</u>	<u>-</u>	<u>(1,454,426)</u>
<u>\$ 4,743</u>	<u>\$ 1,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 548,977</u>

TOWN OF ITHACA
CAPITAL PROJECTS FUND
DETAILED REVENUES AND EXPENDITURES
For the Year Ended December 31, 2017

	Active Projects				
	State Route 96B Sidewalk	Gateway Trail	Sand Bank Road Reconstruction	Park Lane Water Main	Christopher Circle Water Main
REVENUE:					
Interest earnings	\$ 5	\$ 55	\$ 283	\$ -	\$ -
Interfund transfers	95,500	-	-	-	-
State and federal grants	-	126	-	-	-
Contributions	-	-	-	-	-
TOTAL REVENUE	\$ 95,505	\$ 181	\$ 283	\$ -	\$ -
EXPENDITURES:					
Design	\$ -	\$ 157	\$ -	\$ -	\$ -
General construction contract	-	-	-	-	359,859
Contract administration	-	-	-	-	154
Row permit/inspection	-	-	-	-	-
Testing	-	-	-	-	1,691
Transfers to other funds	-	-	-	-	-
TOTAL EXPENDITURES	\$ -	\$ 157	\$ -	\$ -	\$ 361,704

See independent auditor's report.

Active Projects		Closed Projects	
Sapsucker Water Main	Trumansburg Water Tank	Total for all Closed Projects	Total
\$ -	\$ -	\$ 87	\$ 430
-	-	-	95,500
-	-	-	126
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87</u>	<u>\$ 96,056</u>
\$ -	\$ -	\$ -	\$ 157
455,010	-	100,378	915,247
212	-	-	366
-	-	-	-
864	-	-	2,555
-	-	70,345	70,345
<u>\$ 456,086</u>	<u>\$ -</u>	<u>\$ 170,723</u>	<u>\$ 988,670</u>

TOWN OF ITHACA

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

YEAR ENDED DECEMBER 31, 2017

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

Supervisor and Town Board
Town of Ithaca
Ithaca, New York 14850

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ithaca, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 25, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Ithaca's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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 Town of Ithaca's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Ithaca's internal control.

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 Town's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Ithaca'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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Sciarabba Walker & Co. LLP". The signature is written in a cursive, flowing style.

Sciarabba Walker & Co., LLP

Ithaca, New York
October 25, 2018