PRELIMINARY OFFICIAL STATEMENT

NEW / RENEWAL ISSUES **BOND ANTICIPATION NOTES**

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

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

$13,189,240
CITY OF ITHACA
TOMPKINS COUNTY, NEW YORK

GENERAL OBLIGATIONS
CUSIP BASE #: 465650

$13,189,240 Bond Anticipation Notes, 2017 Series C

(referred to herein as the "Notes")

Dated: July 27, 2017 **Due: July 27, 2018**

The Notes are general obligations of the City of Ithaca, Tomkins County, New York (the "City") all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, subject to applicable statutory limitations. See "THE NOTES - Nature of the Obligation" and "TAX LEVY LIMITATION LAW" herein.

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

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

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

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the approving legal opinion as to the validity of the Notes of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York City. It is anticipated that the Notes will be available for delivery through the facilities of DTC located in Jersey City, New Jersey, or at such place as may be agreed upon with the purchaser(s), on or about July 27, 2017.

THE CITY WAS A PARTICIPANT OF THE SECURITIES AND EXCHANGE COMMISSION'S MUNICIPALITIES CONTINUING DISCLOSURE COOPERATION INITIATIVE. FOR ADDITIONAL INFORMATION PLEASE REFER TO THE SUBSECTION "MUNICIPALITIES CONTINUING DISCLOSURE COOPERATION INITIATIVE" UNDER THE HEADING "MATERIAL EVENT NOTICES" HEREIN.

ELECTRONIC BIDS for the Notes must be submitted on Grant Street Group's MuniAuction website ("MuniAuction") accessible via www.GrantStreet.com, on July 11, 2017 by no later than 11:15 A.M. ET. Bids may also be submitted by facsimile at (315) 930-2354. No other form of electronic bidding services will be accepted. Once the bids are communicated electronically via MuniAuction or via facsimile to the City, each bid will constitute an irrevocable offer to purchase the Notes pursuant to the terms provided in the Notice of Sale for the Notes.

June 30, 2017

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

CITY OF ITHACA, NEW YORK

CITY OFFICIALS

SVANTE MYRICK
Mayor

COMMON COUNCIL

CYNTHIA BROCK
GEORGE MCGONIGAL
JOSEPH MURTAGH
DEBORAH MOHLENHOF
ROB GEARHART

DONNA FLEMMING
STEPHEN J. SMITH
DUCSON NGUYEN
JOSEPHINE MARTELL
GRAHAM KERSLICK

* * * * * * * * *

DEBORAH WHITNEY
City Chamberlain

JULIE CONLEY HOLCOMB
City Clerk

STEVEN P. THAYER
City Controller

SCOTT A. ANDREW
Deputy City Controller

AARON LAVINE, ESQ.
City Attorney

FINANCIAL ADVISOR

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120 Walton Street, Suite 600
Syracuse, New York 13202
(315) 752-0051

BOND COUNSEL

ORRICK

Orrick, Herrington & Sutcliffe LLP
51 West 52nd Street
New York, New York 10019
(212) 506-5151

No dealer, broker, salesman or other person has been authorized by the City of Ithaca to give any information or to make any representations other than those contained in this Official Statement; and if given or made, such other information or representations must not be relied upon as having been authorized by the City of Ithaca. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the City of Ithaca from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City of Ithaca since the date thereof.

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PREPARED WITH THE ASSISTANCE OF

Fiscal Advisors & Marketing, Inc.
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Syracuse, New York 13202
Phone: (315) 752-0051
http://www.fiscaladvisors.com

OFFICIAL STATEMENT

of the

CITY OF ITHACA

TOMPKINS COUNTY, NEW YORK

Relating to

$13,189,240 Bond Anticipation Notes, 2017 Series C

This Official Statement, which includes the cover page and appendices, has been prepared by the City of Ithaca, Tompkins County, New York (the "City," "County," and "State," respectively), in connection with the sale by the City of its aggregate principal amount of $13,189,240 Bond Anticipation Notes, 2017 Series C (referred to herein as the “Notes”).

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

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

THE NOTES

Description of the Notes

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

The Notes are dated July 27, 2017 and mature, **without the option of prior redemption**, on July 27, 2018. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes will be registered in either (i) the name of the purchaser(s), in denominations of $5,000 each or multiples thereof, except for a necessary odd denomination in relation to the Notes, as may be determined by the successful bidder(s) with principal and interest payable in Federal Funds at such bank(s) or trust company(ies) located and authorized to do business in the State as may be selected by such successful bidder(s); or (ii) at the option of the purchaser(s), as registered notes, and, if so issued, registered in the name of Cede & Co. as nominee of DTC, which will act as the securities depository for the Notes. See "BOOK-ENTRY-ONLY SYSTEM" herein.

No Optional Redemption

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

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Purposes of Issue

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

Authorization Date	Renewal Notes Purpose		Amount
December 5, 2012	Ithaca Commons Pedestrian Mall Reconstruction		1,733,487
July 3, 2013	Water Treatment Plant Improvements/Replacement		2,918,326
July 2, 2014	Pedestrian Signal Countdown Timers		69,964
December 5, 2012	Ithaca Commons Pedestrian Mall Reconstruction		2,714,994
July 2, 2014	Ithaca Commons Pedestrian Mall Reconstruction		904,998
July 2, 2014	Ithaca Falls Overlook Site Investigation		171,141
July 6, 2011	Ithaca Falls Overlook Site Remediation		230,124
January 7, 2015	Public Transportation Alternatives Program		136,398
July 1, 2015	W. Green & W. Seneca Street Bulb-outs		45,466
July 1, 2015	Painting Stewart Ave. Bridge		45,466
July 1, 2015	Skate Park Renovation		57,167
July 1, 2015	IAWWTF Influent & Dewatering (Sewer Improvements)		3,647,311
July 1, 2015	Upper Cascadilla Creek Walkway Improvements		48,398
June 1, 2016	Replace Water Main 200 Block Dryden Road		131,100
June 1, 2016	Replace Sewer Main 200 Block Dryden Road		104,900
June 1, 2016	Design East Hill Fire Station		30,000
	Sub Total Renewal Money:	$	12,989,240

Authorization Date	New Money Notes Purpose		
June 7, 2017	Reconstruction North Aurora Street Bridge	$	200,000
	Sub Total New Money:	$	200,000
	Total:	$	13,189,240

The proceeds of the Notes, along with $603,717 in available funds, will redeem $13,592,957 bond anticipation notes outstanding which mature on July 28, 2017 and provide $200,000 in new monies for the aforementioned purposes.

Nature of the Obligations

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

Holders of any series of notes or bonds of the City 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 Notes will be general obligations of the City and will contain a pledge of the faith and credit of the City 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 City has power and statutory authorization to levy ad valorem taxes on all real property within the City subject to such taxation by the City, 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 City is required to pledge its faith and credit for the payment of the principal of and interest on the Notes 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 City'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 City'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 City'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.

BOOK-ENTRY-ONLY SYSTEM

DTC will act as securities depository for the Notes, if book-entry-only format is chosen by the successful bidder. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Fully-registered note certificate will be issued for Notes bearing the same rate of interest and CUSIP number, 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 110 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among

Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

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

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

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

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

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

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

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

Source: The Depository Trust Company.

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

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

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

Certificated Notes

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

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

THE CITY

General Information

The City of Ithaca, with an area of six square miles and a current estimated population of 30,756 (2016 U.S. Census estimate as of July 1, 2015), is located in upstate New York at the southern tip of Cayuga Lake. It is approximately 35 miles northwest of the City of Binghamton and 45 miles south – southwest of the City of Syracuse.

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

The Ithaca campus of Cornell University has approximately 21,850 students and 8,900 employees. These employees generate an annual payroll of approximately $200,000,000. Ithaca College, with approximately 6,723 students and 1,800 employees has an annual payroll of approximately $17,500,000. These two institutions are stabilizing factors for the economy of the area.

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

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

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

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

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

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

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

Since 2003, the City has enjoyed growth of retail stores in the southwest area of the City. The area includes Wal-Mart, Home Depot, Lowes, Bed Bath and Beyond, Kohl's, Harbor Freight and several other smaller retail stores and restaurants.

<u>The following projects have been completed, started construction or expect to start construction in the near future:</u>

The Breckenridge Apartments, formerly the Women's Community Building, is complete. This is a six story mixed use space with 50 apartments, and office and meeting space.

A Fairfield Inn & Suites with 106 rooms is complete and opened in late 2013. This hotel is located in the southwest portion of the City, and is located just 2.5 miles from both Ithaca College and Cornell University.

The Argos Inn, a small boutique hotel opened in late 2013.

The Iacovelli Properties apartment building on West Seneca Street with 24 units is now renting.

Seneca Way Apartments with 38 luxury apartment and office space project was completed in 2014 and is now renting.

Discussions are on-going for additional development on Inlet Island including retail, housing and parking. Also, the Cayuga Green Project Phase III Cayuga Place with 39 apartment units has completed construction. These units are located in downtown.

The Marriott hotel with 10-stories, 150 guest rooms, and 7 suites near the Ithaca Commons was recently completed and opened in December 2016. The hotel includes a restaurant and bar, Monks on the Commons and provides complimentary shuttles to Ithaca College, Cornell University and Ithaca Tompkins Regional Airport.

A large scale development project called the Collegetown Terrace Apartments has completed its first and second phase. Groundbreaking took place in spring 2011. The total project cost is between $70-80 million with the first and second phase completed and the third and final phase under construction. The project includes the demolition of 33 current buildings and the construction of 18 3-story apartment buildings that will accommodate 1,100 bedrooms. In all, 400,000 square feet of new housing will be constructed. The entire project is expected to be complete in late 2017.

The former Ithaca Gun Factory site has a proposed Gun Hill Development, which will feature 60 apartment units. The project is expected to break ground in 2018. Site remediation is nearly complete on the old factory site.

The former Holiday Inn downtown, now known as The Hotel Ithaca, is currently being renovated by replacing the current two-story building with a tower conference center to draw meetings and events to downtown. Renovations are expected to be completed by late Summer 2017.

A $28 million Klarman Hall reconstruction on the Cornell Campus was completed in 2016. Cornell University projects for Rand Hall addition and Hughes Hall renovations are currently under construction.

The City has completed the reconstruction of The Commons Pedestrian Mall in the downtown core. This project was funded by a combination of Federal, State and City funds. The project included new water, sewer and fire services, as well as a new surface, lighting, seating and a public entertainment stage.

Stone Quarry Apartments are complete. The project has 35 apartments. A four story, 76 room Holiday Inn Express in the Southeast Area is complete and recently opened. The City has also seen development of the following:

- Purity Ice Cream expansion – Enlarge current ice cream shop and add two stories of apartments/offices in west end of the City. Construction is complete.
- Thurston Avenue Apartments – three building, three story, 57 bedroom, 18 unit project in Cornell Heights was completed and began renting in 2014.
- Collegetown Crossing – a 6-story mixed use building including a 53-unit apartment building with first floor retail opened in September 2016.
- 205 Dryden Road Dryden South – a 6-story, 36,000 square foot mixed use building with apartment and commercial space building is completed and open.
- 210 Hancock Street (site of Neighborhood Pride Grocery Store in the Northside). The property was recently purchased by Ithaca Neighborhood Housing Services with plans to add townhouse, multi-family housing and commercial space on the one block parcel. Construction is ongoing with a late 2017 completion date.

- The Cary Building in Downtown was recently renovated. It will be used as a 9,000 square foot incubator site for Cornell University, Ithaca College and Tompkins Cortland Community College ("TC3"). In addition, the building will add five stories of apartments. Construction is complete.
- 327 Eddy Street Dryden Eddy Apartments – A 3 building 6-story each mixed use project is approved. The buildings will have both residential and commercial space. Construction is complete.
- 209-215 Dryden Road – A proposed 6-story building leased by the developer to Cornell University's MBA program. The building would remain taxable. Construction is currently underway and expected to be completed in late 2017.
- Smaller retail stores and restaurants continue to open in the southwest area of the City.

Currently approved or under review are the following projects:

- Clinton Street Apartments – a 36-unit apartment complex on Terrace Hill. This project is working its way through the approval process.
- Harold's Square – a 6-story mixed use building on the Commons. Proposed is a 126,000 square foot building with retail, office and up to 72 market rate apartment units. The project has been approved and construction is expected to commence in 2017.
- 323 Taughannock Blvd. – 8 for sale Townhouses has gained approval. Construction start date is planned for late 2017.
- A new Hilton Canopy Hotel has been planned for downtown. The 6-story 120 room hotel has been approved. Construction is expected to start in 2017.
- The old Emerson Power Train Plant site, which is a 95-acre parcel in both the City and Town of Ithaca, is looking to be redeveloped by Unchained Properties, LLC for planned unit development. The project has gained conceptual approval and has been renamed the Chain Works District. No timetable has been set for the redevelopment.
- Tompkins Financial has proposed a $32 million building project for downtown to become the group's headquarters. The 7-story, 110,000 square foot project will be located at 118 East Seneca Street. The project has started construction and has a March 2018 completion date.
- 310-312 N. Cayuga Street (old library) – The 86,700 square foot, 4-story building, will house 58 senior apartments and 1,200 square feet of retail. Construction is expected to start late 2017 with a spring 2019 completion date.
- 201 College Ave. – a 5-story apartment building with 44 units of housing. Construction is planned for 2017.
- 100 Block of College Ave. – a 3-4 story rental townhouses. Construction is planned for 2017.
- 302-306 College Ave. – a mixed-used building with retail and apartments. Construction is planned for late 2017 or early 2018.
- 325 College Ave. - a 6-story mixed use building. Construction is planned for 2018.
- 159 Dryden – a 6-story mixed used building. Construction is planned for late 2017 or early 2018.
- 119-125 College Ave. – Townhouse Complex –a late 2017 construction start date is planned.
- 210 Linden Ave. – A 4-story mixed use building is planned for late 2017 construction.
- The "City Centre" Building is planned for downtown. The 8-story building would have 193 apartments and 10,300 square feet of retail space. The project recently gained approval. Construction is expected to be complete in 2019.
- 118 College Ave. - A 4-story apartment building is planned.
- 126 College Ave. - A 4-story apartment building is planned.
- 232-236 Dryden Rd. - A 4-story apartment building is planned.
- 123-125 Eddy St. - A new two-family dwelling is planned on a currently vacant lot.
- 238 Undeal Ave. - A 4-story short-term housing structure is planned.
- 701 Spencer St. - 23 studio apartments is planned with a late 2017 construction start date.
- 709-713 West Court St./326-328 N. Meadow - A 5-story mixed use building with affordable housing is planned.
- South Meadow St. Square - 22,000 square feet of retail space has been approved.

Note: Many of the above listed projects will replace outdated smaller structures.

Source: City Officials.

Population Trends

Year	City of Ithaca	Tompkins County	New York State
1970	26,226	75,337	18,236,882
1980	28,732	87,085	17,558,072
1990	29,541	94,097	17,990,455
2000	29,287	96,501	18,796,457
2010	30,014	101,564	19,378,102
2014	30,720	104,691	19,746,227
2015 (estimated)	30,788	104,926	19,795,791
2015 (estimated)	30,756	104,871	19,745,289

Source: U.S. Census.

Selected Wealth and Income Indicators

Per capita income statistics are available for the City, County and State. Listed below are select figures from the 2000 Census reports and 2006-2010 and 2011-2015 American Community Survey data.

	Per Capita Income			Median Family Income		
	2000	2006-2010	2011-2015	2000	2006-2010	2011-2015
City of:						
Ithaca	$ 13,408	$ 17,346	$ 17,233	$ 42,304	$ 65,935	$ 69,408
County of:						
Tompkins	19,659	25,737	28,460	53,041	72,231	74,524
State of:						
New York	23,389	30,948	33,236	51,691	67,405	71,913

Note: 2012-2016 American Community Survey estimates are not available as of the date of this Official Statement.

Major Employers

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

Name of Employer	Type of Business	Approximate Number Employed
Cornell University	Education	9,100
Ithaca College	Education	1,700
Borg Warner-Axiohm Corporation	Manufacturing	1,500
Cayuga Medical Center at Ithaca	Health Center	1,500
Ithaca City School District	Education	1,200
Tompkins County	Government	840
Wegmans Food Market	Retail Grocery	550
Franziska Racker Center	Education/Learning Disability	465
William George Agency	Social Services	425
City of Ithaca	Government	410
Tops Markets	Retail Grocery	290

Source: City Officials.

Building Permits

Fiscal Year Ending December 31st:	2013	2014	2015	2016	2017 (1)
One & Two Family Residential					
Number of Permits	12	8	8	19	5
Estimated Value	$ 1,778,595	$ 476,000	$ 806,000	$ 4,134,475	$ 996,000
New Retail/Commercial/Industrial/Other Residential					
Number of Permits	11	16	18	16	5
Estimated Value	$ 16,945,700	$ 14,324,002	$ 30,135,089	$ 62,350,715	$ 22,040,250
Repairs					
Number of Permits	386	762	546	469	143
Estimated Value	$ 9,122,783	$ 86,450,032	$ 9,101,418	$ 10,506,141	$ 5,764,975
Others					
Number of Permits	758	679	896	994	80
Estimated Value	$ 28,020,252	$ 2,540,939	$ 63,536,195	$ 36,576,029	$ 10,366,253
Yearly Total					
Number of Permits	1,167	1,465	1,468	1,498	233
Estimated Value	$ 55,867,330	$ 103,790,973	$ 103,578,702	$ 113,567,360	$ 39,167,478

(1) As of April 30, 2017.

Source: City Officials.

Unemployment Rate Statistics

The information set forth below with respect to the City, the Ithaca NY Metropolitan Statistical Area ("MSA"), the County of Tompkins and the State of New York is included for informational purposes only. It should not be implied from the inclusion of such data in this Official Statement that the MSA, County or State is necessarily representative of the City, or vice versa.

	Annual Average						
	2010	2011	2012	2013	2014	2015	2016
City of Ithaca, NY	6.8%	6.7%	6.6%	5.8%	4.9%	5.0%	4.7%
Ithaca, NY MSA	6.2	5.1	6.1	5.2	4.4	4.4	4.1
Tompkins County	6.2	6.1	6.1	5.2	4.4	4.4	4.1
New York State	8.6	8.3	8.5	7.7	6.3	5.3	4.8

	2017 Monthly Figures					
	Jan	Feb	Mar	Apr	May	Jun
City of Ithaca, NY	4.5%	4.7%	4.0%	4.3%	4.3%	N/A
Ithaca, NY MSA	4.3	4.3	3.8	3.8	3.8	N/A
Tompkins County	4.3	4.3	3.8	3.8	3.8	N/A
New York State	4.9	5.0	4.4	4.2	4.3	N/A

Note: Unemployment rates for the month June 2017 have not been released as of the date of this Official Statement.

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

Financial Organization

The City Controller is the Chief Fiscal Officer of the City, and is responsible for the receiving and collecting of funds. It is the responsibility of the City Controller to receive, disburse and account for all financial transactions.

The City Chamberlain receives and collects all taxes, water and sewer charges and such other fees and rentals due to the City. In addition, the Chamberlain enforces the collection of delinquent property taxes and liens from unpaid fees, charges and rentals due to the city. The City Chamberlain is responsible for the custody, receipt and disbursement of City moneys and investments in accordance with such procedures as may be prescribed pursuant to law.

Form of City Government

The City's local government is a Mayor-Council form of government. The Mayor is elected at-large for a four-year-term. There are ten members of Common Council who represent five wards in the City. Each ward elects two representatives to four-year staggered terms. There is a Chief of Staff who works with the Mayor. The Chief of Staff and City Attorney serve at the pleasure of the Mayor.

Budgetary Procedures

The department and agency heads present their budget requirements to the Mayor on or before August 1 each year for the following fiscal year. The Mayor prepares a tentative budget for the forthcoming year together with a budget message to the Common Council on or before the 1st day of October. The tentative budget includes proposed expenditures and the proposed means of financing for all funds of the City. The Common Council and the Mayor discuss and amend the Mayor's budget during October/November of each fiscal year. The Common Council establishes a date, time and place for the public hearings with public notice duly advertised of such hearing. The Common Council, at a regular or special meeting held after the last public hearing but not later than the 20th day of December shall by resolution adopt, or amend and adopt, the budget, which budget when adopted shall thereupon become the annual budget of the City for the ensuing fiscal year.

Investment Policy

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

Consistent with the above statutory limitations, it is the City's current policy to invest only in: (1) certificates of deposit or time deposit accounts that are fully secured as required by statute, (2) obligations of the United States of America or (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America. In the case of obligations of the United States government, the City may purchase such obligations pursuant to a written repurchase agreement that requires the purchased securities to be delivered to a third party custodian. The City does not invest in reverse repurchase obligations or similar derivative type investments.

State Aid

The City receives financial assistance from the State. In its budget for the 2017 fiscal year, approximately 6.0% of the operating revenues of the City are estimated to be received from the State as State aid. The State is not constitutionally obligated to maintain or continue State aid to the City and no assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse effect upon the City, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. Furthermore, if a significant default or other financial crisis should occur in the affairs of New York State or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the City to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

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

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

Employees

The City provides services through approximately 410 full-time employees. The bargaining units, approximate number of members and contract expiration dates are as follows:

Bargaining Unit	Number of Members	Contract Expiration Date
City Executive Association	17	December 31, 2021
DPW Unit of Tompkins County	89	December 31, 2020
Administration Unit of Tompkins County	120	December 31, 2019
Firefighters' Association	59	December 31, 2015 [1][2]
Police Benevolent Association	66	December 31, 2011 [1][2]
Assistant Fire Chiefs	6	December 31, 2015 [1][2]

[1] Currently under negotiation.
[2] It is anticipated that any settlements will not include a retroactive component at this time.

Source: City Officials.

Status and Financing of Employee Pension Benefits

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

On December 10, 2009, then Governor Paterson signed into law pension reform legislation that is projected to provide (according to a Division of the Budget analysis) more than $35 billion in long-term savings to State taxpayers over a period of thirty years. The legislation created a new Tier V pension level. Key components of Tier V included:

- 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 a 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 and firefighters at 15% of non-overtime wages.

On March 16, 2012, the Governor signed into law the Tier VI pension program, effective for new ERS and PFRS employees hired after April 1, 2012. The Tier VI legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier VI employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

The City's payments to the Retirement Systems for the past five years, including the budgeted amount for the current fiscal year, have been as follows:

Year	ERS	PFRS
2012	$ 2,552,848	$ 2,644,002
2013	2,495,000	2,959,440
2014	2,708,364	2,603,834
2015	2,464,790	2,442,749
2016	2,142,102	2,600,128
2017 (Budgeted)	2,180,000	2,750,000

Source: City officials.

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. In 2012, the City offered an early retirement incentive that 12 employees opted into resulting in savings of $203,000. The City did not offer any retirement incentives for the 2013, 2014, 2015, and 2016 fiscal years and does not expect to for the 2017 fiscal year.

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 and PFRS rates (2013 to 2018) is shown below:

Year	ERS	PFRS
2013	18.9%	25.8%
2014	20.9	28.9
2015	20.1	27.6
2016	18.2	24.7
2017	15.5	24.3
2018	15.3	24.4

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 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.

The City pays its pension payments in full in December. The City is not amortizing any pension payments nor does it intend to do so in the foreseeable future.

Stable Rate Pension Contribution Option: The Enacted 2013-14 State Budget included a provision that provided local governments, including the City, 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. For 2014 and 2015 the rate was 12.0% for ERS and 20% for PFRS; the rates applicable to 2016 and thereafter are subject to adjustment. The pension contribution rates under this "smoothing" program would reduce near-term payments for employers, but will require higher than normal contributions in later years. The City is not participating in the Stable Rate Pension Contribution Option nor does it intend to do so in the foreseeable future.

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

Other Post-Employment Benefits

Healthcare Costs. It should also be noted that the City provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that requires governmental entities, such as the City, to account for post-retirement healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), described below, requires such accounting.

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 City 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 City contracted with Armory Associates LLC to assist in the determination of the costs and liabilities associated with the City's "other post-employment benefits" ("OPEB") plan (the "Plan"). This analysis has been completed in accordance with GASB Statement No. 45; Accounting and Financial Reporting by Employers for Post-Employment Benefits other than Pensions.

The City contracted with Armory Associates, an actuarial firm, to calculate its OPEB in accordance with GASB 45. Based on the most recent actuarial evaluation dated January 1, 2014, the following tables shows the components of the City's annual OPEB cost, the amount actuarially contributed to the plan, changes in the City's net OPEB obligation and funding status for the December 31, 2014 through 2016 fiscal years.

Annual OPEB Cost and Net OPEB Obligation:	***2016***	***2015***	***2014***
Annual required contribution (ARC)	$ 18,917,872	$ 22,173,620	$ 20,653,277
Interest on net OPEB obligation	4,159,661	4,101,808	3,481,019
Adjustment to ARC	(7,570,877)	(6,636,751)	(5,488,196)
Annual OPEB cost (expense)	15,506,656	19,638,677	18,646,100
Contributions made	(4,023,666)	(3,336,444)	(3,126,358)
Increase in net OPEB obligation	11,482,990	16,302,233	15,719,742
Net OPEB obligation – beginning of year	118,847,437	102,545,204	87,025,462
Net OPEB obligation – end of year	$ 130,330,427	$ 118,847,437	$ 102,545,204
Percentage of annual OPEB cost contributed	25.9%	17.0%	16.8%
Funding Status:			
Actuarial Accrued Liability (AAL)	$ 172,520,782	$ 197,854,620	$ 187,857,431
Actuarial Value of Assets	0	0	0
Unfunded Actuarial Accrued Liability (UAAL)	$ 172,520,782	$ 197,854,620	$ 187,857,431
Funded Ratio (Assets as a Percentage of AAL)	0.0%	0.0%	0.0%

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	$ 15,506,656	25.9%	$ 130,330,427
2015	19,638,677	17.0	118,847,437
2014	18,646,100	16.8	102,545,204
2013	18,317,041	15.7	87,025,462

Note: The above tables are not audited. 2016 information is unavailable as of the date of this Official Statement.

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

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

The City's unfunded actuarial accrued OPEB liability could have a material adverse impact upon the City's finances and could force the City 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 less than 200 members.

The City has taken steps to address escalating post-retirement health care costs. In 2009, the City reduced costs by requiring retirees over 65 to use Medicare as primary insurance before using City health insurance. Also in 2009, the City went to a single insurance carrier, resulting in additional savings. Since late 2008, the City's vacancy review committee has monthly been reviewing all open positions to determine if the positions need to be filled. In addition, in 2012 the City implemented a retirement incentive program which 12 city staff took advantage of. Lastly, as part of the approved 2013 budget, the city left 25 positions unfunded. The combination of all of these items has prevented layoffs through 2013. In 2014 only one layoff was realized and the 2015 and 2016 budgets did not include any layoffs. In all contract negotiations the City is looking for changes to the contribution rates at retirement.

In April 2015, the State Comptroller announced proposed 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 proposal for an optional investment pool for OPEB liability was not adopted in the last two State legislative sessions. It is not known at this time if it will be reintroduced or enacted if introduced.

Other Information

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

The City is in compliance with the procedure for the validation of the Notes as provided in Title 6 of Article 2 of the Local Finance Law.

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

The fiscal year of the City is the calendar year.

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

Independent Audit

The City retains independent Certified Public Accountants. The financial affairs of the City are also subject to periodic compliance audits by the State Comptroller. (See "New York State Comptroller Reports of Examination" herein). The last audit report is for the period ending December 31, 2015 and may be found attached hereto as "APPENDIX – D" to this Official Statement. The fieldwork for the audit report for the period ending December 31, 2016 is scheduled to begin July 17, 2017 and City reasonably expects it to be completed by December 31, 2017. The City is currently in the process of finalizing the Annual Financial Update Report Document (unaudited) for the fiscal year ending December 31, 2016 and is anticipated to be completed on or before July 14 2017, and promptly posted to the Electronic Municipal Market Access Website (EMMA). Copies of certain annual financial update report documents (unaudited statements) are also available by contacting the City or Fiscal Advisors & Marketing, Inc. or by accessing the Electronic Municipal Market Access website: www.emma.msrb.org. Certain financial information may be found in the Appendices to this Official Statement.

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

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

2016 Operating Expectations

The following expectations of fiscal year end results are based on unaudited numbers and are subject to revision. Major development continues inside the City. It is expected that this increased development will continue through 2017. The City's long term plan is to gradually reduce the use of fund balance in future years.

The 2016 preliminary unaudited actual activity reflects a surplus of approximately $590,000 which is better than anticipated. Reasons for surplus 2016 results include higher than anticipated building permit revenue, parking revenue, property sale revenue, mortgage tax revenue and savings on liability insurance premiums.

Summary unaudited information for the General Fund for the period ending December 31, 2016 is as follows:

Revenues:	$ 55,183,000
Expenditures:	54,510,600
Excess (Deficit) Revenues Over Expenditures:	$ 672,400
Total Fund Balance:	$ 8,600,000

Note: These projections are based upon certain current assumptions and estimates and the audited results may vary therefrom.

Source: City officials.

2017 Operating Expectations

The 2017 General Fund budget anticipates using $488,155 of fund balance. At this time, there are no expectations of any significant variances for results of operations.

Note: These projections are based upon certain current assumptions and estimates and the audited results may vary therefrom.

Source: City officials.

New York State Comptroller Reports of Examinations

The New York State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the District 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 City on May 11, 2012 The purpose of the audit was to review selected cash receipts processes and cash disbursements for the period January 1, 2010 to April 14, 2011. The City provided a complete response to the State Comptroller's office on April 24, 2012.

The State Comptroller's office released an audit report of the City on August 24, 2012. The purpose of the audit was to determine if the City could achieve cost savings opportunities for the period January 1, 2010, to September 21, 2011. The City provided a complete response to the State Comptroller's office on August 2, 2012.

Additionally, the State Comptroller's office released a statewide audit report including the City's Fire Department on May 27, 2015. The purpose of the audit was to review the City's enforcement of the Fire Code of New York State Fire Safety Building evaluation fire safety plans and procedures for the period January 1, 2013 to December 31, 2013.

The State Comptroller's office is currently working on a statewide audit exam of the maintenance of city parking structures. The City's parking structures are included in the audit. The report is expected to be released in late 2017.

Complete copies of the above reports and responses can be found on the website of the Office of the New York State Comptroller.

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 ("OSC") 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 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 fiscal years of the City are as follows:

Fiscal Year Ending In	Stress Designation	Fiscal Score
2015	Have not Filed (1)	N/A
2014	Have not Filed (1)	N/A
2013	Have not Filed (1)	N/A

(1) There is currently no applicable report of the State Comptroller for the City. In order to receive FSMS scores, local governments must report their financial data to OSC. They are required by law to file their Annual Financial Update Reports within 120 days (about four months) of the end of their fiscal year. The FSMS scores reported also include data from late filers who filed within eight months after the end of the fiscal year. In some cases, financial data was filed but was not sufficiently complete to calculate FSMS scores. These filings are deemed "inconclusive" at the time of the FSMS score assignment. The City failed to file their financial data in time to the State Comptroller to receive a fiscal stress score in all three reporting years. Due to the delayed delivery of audited financial statements for fiscal years 2013 through and including 2015, the City was unable to file on a timely basis. For further discussion on the delivery of audited financial statements please see "CONTINUING DISCLOSURE" herein. In cases where local governments, such as the City, did not file its financial data as of the specified snapshot date, that entity is classified as "Have Not Filed". Copies of certain annual financial update report documents (unaudited statements) are also available by contacting the City or Fiscal Advisors & Marketing, Inc. or by accessing the Electronic Municipal Market Access website: www.emma.msrb.org.

Note: Reference to website implies no warranty of accuracy of information therein. Information for the Fiscal Year Ending in 2016 for the City is unavailable as of the date of this Official Statement.

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

TAX INFORMATION

Taxable Assessed Valuations

Fiscal Year Ending December 31:	2013	2014	2015	2016	2017
Assessed Valuations	$ 1,536,073,783	$ 1,563,868,095	$ 1,660,375,229	$ 1,686,923,021	$ 1,843,576,510
New York State Equalization Rate	100.00%	100.00%	100.00%	100.00%	100.00%
Total Taxable Full Valuation	$ 1,536,073,783	$ 1,563,868,095	$ 1,660,375,229	$ 1,686,923,021	$ 1,843,576,510

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

Tax Rate Per $1,000 (Assessed)

Fiscal Year Ending December 31:	2013	2014	2015	2016	2017
General City	$ 13.08	$ 13.12	$ 12.89	$ 12.89	$ 12.04

Tax Collection Procedure

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

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

Tax Levy and Tax Collection Record

Fiscal Year Ending December 31:	2013	2014	2015	2016	2017
Total Tax Levy	$ 20,094,108	$ 20,520,104	$ 21,402,255	$ 21,744,438	$ 22,196,661
Uncollected End of Year (1)	184,287	323,942	331,312	219,473	N/A
% Uncollected	0.92%	1.58%	1.55%	1.01%	N/A

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

Ten Largest Taxpayers - (2017 Tax Roll)

Name	Type	Estimated Assessed Valuation
N.Y.S. Electric & Gas Corporation	Utility	$ 37,663,290
G & I IX Empire Tops Plaza Ithaca	Retail/Commercial	22,741,000
VVA Phase I & II, LLC	Advertising/Marketing	21,830,000
312 College Ave. Assoc. LLC	Apartments	18,000,000
Fairview SIHP, LLCC	Apartments	17,050,000
Fane Jason	Apartments/Commercial	16,815,000
Collegetown Center, LLC	Apartments	16,500,000
VVA Phase III, LLC	Apartments	14,400,000
Wegmans Enterprises Inc.	Retail Grocery	14,000,000
Widewaters Route 13 II Company, LLC	Retail Development	13,706,000

The ten largest taxpayers listed above have a total estimated assessed valuation of $192,705,290 that represents 10.45% of the City's tax base. As of the date of this Official Statement, the City does not currently have any pending or outstanding tax certioraris that are believed to have a material impact on the finances of the City. See “LITIGATION” herein.

Source: City tax rolls.

Constitutional Tax Margin

Computation of Constitutional Tax Margin for fiscal years ending December 31, 2017 back to and including December 31, 2010:

Fiscal Year Ending December 31:	2017	2016	2015	2014
Five Year Average Full Valuation…..………..	$ 1,658,288,778	$ 1,592,110,600	$ 1,553,188,197	$ 1,517,297,675
Tax Limit - 2% Five Year Average…………...	33,165,776	31,842,212	31,063,764	30,345,954
Add: Exclusions from Tax Limit………….....	8,215,393	7,435,880	7,117,912	6,461,805
Total Taking Power………………...………..	$ 41,381,169	$ 39,278,092	$ 38,181,676	$ 36,807,759
Less: Total Levy…………………………..……..	22,196,661	21,744,438	21,402,337	20,520,104
Constitutional Tax Margin…………………..….	$ 19,184,508	$ 17,533,654	$ 16,779,339	$ 16,287,655

Fiscal Year Ending December 31:	2013	2012	2011	2010
Five Year Average Full Valuation…..………..	$ 1,490,468,755	$ 1,463,863,475	$ 1,424,198,349	$ 1,353,830,446
Tax Limit - 2% Five Year Average…………...	29,809,375	29,277,270	28,483,967	27,076,609
Add: Exclusions from Tax Limit………….....	6,700,897	6,834,589	6,245,583	6,857,557
Total Taking Power………………...………..	$ 36,510,272	$ 36,111,859	$ 34,729,550	$ 33,934,166
Less: Total Levy…………………………..……..	20,097,901	19,562,775	18,844,225	18,230,157
Constitutional Tax Margin…………………..….	$ 16,412,371	$ 16,549,084	$ 15,885,325	$ 15,704,009

Source: City officials.

City Sales Tax

As permitted by State Law, the City pre-empts 1.5% of the 3% County of Tompkins sales tax generated within the County. In addition, the County shares sales tax revenue with certain towns and villages. The distribution of the County to the City of sales tax is as follows:

- 1.50% distribution within City (New York State Law)
- 0.25% sharing of County 1% within the City (New York State Law)
- 0.25% additional according to the 1998 Sales Tax Agreement with Tompkins County for amount equal to the preceding year's actual 25% share of the additional State authorized 1% sales tax proceeds received by the City of Ithaca. The City total is 2%. The Sales Tax Agreement was enacted on March 26, 1998 and continues indefinitely.

The total City receipts since 2007 are as follows:

Fiscal Year	Budgeted Amount	Actual Amount
2007	$ 10,879,793	$ 11,048,064
2008	11,415,000	12,162,170
2009	12,427,600	11,476,920
2010	11,820,691	11,929,543
2011	12,289,000	12,414,740
2012	12,580,000	12,582,768
2013	12,940,806	12,846,512
2014	13,123,000	13,432,961
2015	13,425,000	13,315,151
2016	13,690,535	13,442,751
2017	13,700,000	5,016,416 (1)

(1) 2017 collections are as of May 1, 2017.

Note: The above table is not audited.

Source: City officials.

Additional Tax Information

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

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

The estimated total annual property tax bill of a $100,000 market value residential property located in the City is approximately $3,634 including County, City and School District taxes.

The City assessment roll is estimated to be constituted as follows: 42.2% residential; 52.5% commercial, and 5.3% other.

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 would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are 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 Law (June 24, 2011).

While the Tax Levy Limitation Law may constrict an issuer's power to levy real property taxes for the payment of debt service on debt contracted after the effective date of 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.

The City tax levy for the 2015 fiscal year increased by 4.30% and did exceed the property tax cap of 2.29%

The City tax levy for the 2016 fiscal year increased by 1.60% and did not exceed the property tax cap of 2.26%

The City tax levy for the 2017 fiscal year increased by 1.98% and did not exceed the property tax cap of 2.03%.

Real Property Tax Rebate. Chapter 59 of the Laws of 2014 ("Chapter 59"), a State budget bill included provisions which provided 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 were 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 were 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 depended on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. School districts budgets must have complied in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government ?'had their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must have been 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 included 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 was 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 was 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 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do 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 City remain uncertain at this time.

STATUS OF INDEBTEDNESS

Constitutional Requirements

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

Purpose and Pledge. Subject to certain enumerated exceptions, the City shall not give or loan any money or property to or in aid of any individual, private corporation or private undertaking or give or loan its credit to or in aid of any foreign or public corporation. The City may contract indebtedness only for a City purpose and shall pledge its faith and credit for the payment of the principal of any 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; no installment may be more than fifty per centum in excess of the smallest prior installment, unless substantially level or declining debt service is utilized. The City is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its bonds.

Debt Limit. The City has the power to contract indebtedness for any City purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven per centum of the average full valuation of taxable real property of the City and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

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

Statutory Procedure

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

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

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

(1) Such obligations are authorized for a purpose for which the City is not authorized to expend money, or

(2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations, and

(3) An action contesting such validity, is commenced within twenty days after the date of such publication, or,

Such obligations are authorized in violation of the provisions of the Constitution.

The City generally issues its obligations after the time period specified in 3, above has expired with no action filed that has contested validity. It is a procedure that is recommended by Bond Counsel and followed by the City, but it is not an absolute legal requirement.

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

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

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

Debt Outstanding End of Fiscal Year

Fiscal Years Ending December 31st:	2012	2013	2014	2015	2016
Bonds	$ 54,015,840	$ 70,090,429	$ 75,512,160	$ 70,673,260	$ 92,787,046
Bond Anticipation Notes	30,428,531	38,146,367	57,152,060	71,236,534	34,599,857
Other Debt [1]	2,336,346	1,863,626	2,686,159	2,344,681	1,991,685
Total Debt Outstanding	$ 86,780,717	$ 110,100,422	$ 135,118,219	$ 144,254,475	$ 129,378,588

(1) Represents lease purchase obligations and does not constitute "debt" for constitutional purposes. See "Energy Performance Contract" herein.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the City evidenced by bond and notes as of June 30, 2017:

Type of Obligation	Maturity	Amount
Bonds	2017-2046	$ 90,055,930
Bond Anticipation Notes		
Various Purposes	July 28, 2017	13,592,957 [1]
Various Purposes	February 16, 2018	28,456,643 [2]
Various Purposes	February 16, 2018	275,000 [2]
	Total Indebtedness	$ 132,380,530

(1) To be redeemed at maturity with the proceeds of the Notes and $603,717 in available funds.
(2) To be redeemed at maturity with the proceeds of serial bonds and/or bond anticipation notes, less available funds.

Debt Statement Summary

Statement of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of June 30, 2017:

Average Full Valuation of Taxable Real Property			$ 1,658,163,328
Debt Limit - 7% thereof			116,071,433
Inclusions:			
Bonds	$ 90,055,930		
Bonds Anticipation Notes	42,324,600		
Total Inclusions		$ 132,380,530	
Exclusions:			
Appropriations Bonds	$ 1,670,871		
Appropriations Notes	603,717		
Sewer Indebtedness [1]	4,904,457		
Water Indebtedness – Bonds [2]	31,027,587		
Water Indebtedness – Notes [2]	8,005,594		
Total Exclusions		$ 45,478,355	
Total Net Indebtedness Subject to Debt Limit			$ 86,902,175
Net Debt-Contracting Margin			$ 29,169,258
The percent of debt contracting power exhausted is			74.87%

(1) Sewer Debt is excluded pursuant to Section 124.10 of the Local Finance Law. The City's application for this exclusion was approved and a certificate was issued January 31, 2014. Sewer debt can be excluded upon application to the State Comptroller office and the issuance of a certification for sewer debt exclusion. The debt statement summary does not include Energy Performance Contract obligations, which, while not debt, are reported in debt statements filed with the Office of the State Comptroller.

(2) Water Debt is excluded pursuant to Article VIII, Section 5B of the New York State Constitution.

Notes: Table does not include lease purchase financing. See "Energy Performance Contracts" herein. The issuance of the Notes will increase the net indebtedness of the City by $200,000.

Bonded Debt Service

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

Cash Flow Borrowings

The City has not found it necessary to borrow revenue or tax anticipation notes for cash flow in recent years. The last such borrowing occurred in 2003. The City does not anticipate such borrowing will be necessary in 2017, or in the foreseeable future.

Estimate of Obligations to be Issued

The City has a variety of projects which are continually being reviewed and evaluated. Additional borrowings will depend on which projects the City elects to undertake. The City updates its five year capital plan annually. The annual review occurs during the months of July through October.

The City's current projects are being financed using bond anticipation notes. Pending market conditions, all or a portion of the Bond Anticipation Notes, 2017 Series A and B are planned to be refunded with serial bonds in early 2018. Also pending market conditions, all or a portion of this issuance of Notes may be renewed with bond anticipation notes or retied with serial bonds at maturity in July 2018.

Cayuga Garage Parking Project

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

The term of the $19,305,000 variable rate revenue bonds issued by the Tompkins City Industrial Development Agency in 2003 for the Garage extends until 2030.

The following table shows the annual appropriation for the Financial Assistance Agreement included in the City's budgets for the fiscal years 2006 through 2017:

Fiscal Year	Annual Appropriation	Fiscal Year	Annual Appropriation
2006	$ 1,135,000	2012	$ 840,000
2007	1,700,000	2013	840,000
2008	1,700,000	2014	860,000
2009	1,422,979	2015	1,011,000
2010	1,192,951	2016	1,075,000
2011	870,000	2017	1,050,000

A schedule of the repayment of the principal of the bonds can be found in "APPENDIX – B1" attached hereto. There are currently $12,490,000 bonds outstanding for this project.

Source: City officials.

Energy Performance Contracts

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

$992,313 NYSERDA Assisted at 0.03% with a final maturity date of August 30, 2017
$1,405,941 at 4.03% with a final maturity date of August 30, 2022

The City entered into an additional Energy Performance Contract with Johnson Controls, Inc. during 2009. The contract was for upgrades and replacements of the various water meters in city residences at a cost of $2,348,211. The City originally financed the contract with a lease purchase obligation with an interest rate of 4.91% and a final maturity date of November 20, 2023. The City refinanced the lease on May 18, 2012. The new interest rate is 2.682%.

As of December 31, 2016 total future lease purchase obligations are as follows:

December 31:	Principal	Interest
2017-2022	$ 1,802,074	$ 220,341
2023	189,611	5,085
Totals	$ 1,991,685	$ 225,426

Source: City officials.

Asset Sales

The City is planning to sell a few parcels of vacant City owned land that have been held for many years. There are 90 parcels that the City could sell, but intends to only sell a small portion of them. Since this process of selling vacant land was not a routine process, the City had to develop and establish a policy and procedures for these transactions. The properties that are going through the sale process have a combined assessed value of $1,000,000. The City started this process in 2012 and it continues to evolve. The City budgeted very conservative revenue amounts from the sale of these properties in 2012, 2013, 2014 and 2015. To date, five properties have been sold, one in 2013, three in 2014, and one in 2015. The revenue from property sale was $55,000 in 2013, $274,000 in 2014, and $111,246 in 2015.

The City has now issued Requests for Proposals (“RFP’s) for four parcels. In addition, the City has issued a Request for Expression of Interest (“RFEI”) for the largest parcel for sale, a six acre parcel on Cherry Street. Most of this land is vacant. The City budgeted $400,000 in property sales for 2015. In 2015, the City sold one property for $92,000 and a signed purchase and sale agreement with a Hotel chain for $1,800,000 to be paid $400,000 at closing and $1,375,000 over a period of time. In 2016, the City budgeted $80,000 for the sale of property. The closing on the Hilton Hotel property took place in September 2016. The City collected $362,000 in property sales in 2016. The City budgeted $50,000 in 2017 for the sale of property. In addition, depending on the amount of sales, some ongoing reserves may also be established from the proceeds of the sales. The City has interested buyers for some of these properties with plans for these properties to be developed. This would result in an expanded tax base from the developed properties.

Estimated Overlapping Indebtedness

In addition to the City, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the City. Estimated bonds and bond anticipation notes are listed as of the close of the 2013 fiscal year of the respective municipalities, adjusted to include subsequent bond issues.

Local Government	Status of Debt as of	Gross Indebtedness	Estimated Exclusions	Net Indebtedness	City Share	Applicable Net Indebtedness
County of:						
Tompkins	1/25/2017	$ 56,708,000	$ 3,615,000 (1)	$ 53,093,000	22.20%	$ 11,786,646
School District:						
Ithaca City SD	9/27/2016	75,145,000	46,382,745 (2)	28,762,255	38.60%	11,102,230
					Total:	$ 22,888,876

(1) Outstanding bonds, bond anticipation notes, and appropriations. Pursuant to the Local Finance Law, this indebtedness is excluded from the constitutional debt limit.
(2) Estimated State Building Aid ($39,882,745) and revenue anticipation notes ($6,500,000).

Source: Debt statement summaries included in the most recent official statements of the local government.

Debt Ratios

The following table sets forth certain ratios related to the City's indebtedness as of February 14, 2017:

	Amount	Per Capita [a]	Percentage of Full Value [b]
Gross Indebtedness [c]	$ 132,380,530	$ 4,304.22	7.18%
Net Indebtedness [c]	86,902,175	2,825.54	4.71
Gross Indebtedness Plus Net Overlapping Indebtedness [d]	160,008,190	5,202.50	8.68
Net Indebtedness Plus Net Overlapping Indebtedness [d]	114,529,835	3,723.82	6.21

[a] The City's 2016 estimated population is 30,756. (See "THE CITY - Population Trends" herein.)

[b] The City's full valuation of taxable real estate for the 2017 fiscal year is $1,843,576,510. (See "TAX INFORMATION – Taxable Assessed Valuations" herein.)

[c] See "Debt Statement Summary" for the calculation of gross and net indebtedness, herein.

[d] The City's applicable share of net estimated overlapping indebtedness is $27,627,660. (See "Estimated Overlapping Indebtedness" herein.)

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

General Municipal Law Contract Creditors' Provision. Each Bond when duly issued and paid for will constitute a contract between the City and the holder thereof. Under current law, provision is made for contract creditors of the City 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 City 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 Notes in the event of a default in the payment of the principal of and interest on the Notes.

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 City may not be enforced by levy and execution against property owned by the City.

Authority to File For Municipal Bankruptcy. The Federal Bankruptcy Code allows public bodies, such as the City, 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 Notes should the City 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 City could be adversely affected by the restructuring of the City'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 City (including the Notes) 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 City 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 City.

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 City 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, such as the 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 crisises 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 "THE NOTES - Nature of the Obligation" and "State Debt Moratorium Law" herein.

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

MARKET AND RISK FACTORS

The financial condition of the City as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the City's control. There can be no assurance that adverse events in the State and in other jurisdictions in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction, or any of its agencies or political subdivisions thereby further impairing, the acceptability of obligations issued by borrowers with the State, both the ability of the City to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected. The City is dependent in part on financial assistance from the State. However, if the State should reduce or eliminate State aid to municipalities and school districts in the State, including the City, in any year, the City may be affected. In several recent years, the City has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts. (See also "THE CITY - State Aid" herein.)

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, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from personal income taxes imposed by the State of New York (or any political subdivision thereof, including The City of New York). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in "APPENDIX - E" hereto.

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

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

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York 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 Notes may otherwise affect a 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.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes 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. In recent years, legislative proposals have been made which generally would limit the exclusion from gross income of interest on obligations like the Notes 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 Notes. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion."

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel's opinion will be in substantially the form attached hereto as "APPENDIX - E".

LITIGATION

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

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

CONTINUING DISCLOSURE

Historical Compliance

The City is in compliance, in all material respects, with the Rule to the extent possible. However, under a previous continuing disclosure undertaking, the City was required to file with Electronic Municipal Access Market website ("EMMA") its annual audited financial statements no later than the last business day of each succeeding fiscal year. The City's audited financial statements for the fiscal years ended December 31, 2010, 2011, 2012, 2013, 2014 and 2015 were not filed with EMMA in a timely manner, by approximately 3 months, 4 months, 5 months, 8 months, 4 months, and 1 month respectively. The City's 2010 through 2015 audits were not completed by the end of the respective succeeding fiscal years because for a number of years the City has been operating without full staff in the Controller's office. The City has filed Material Events Notices with EMMA due to the delay in completion of such audits.

Below is a chart listing the dates of the audited financial statements completion and filing dates to EMMA for the fiscal years ending 2010 through 2015:

Audit for Fiscal Year Ending	Audit Completion Date	Audit EMMA Filing Date
December 31, 2010	March 30, 2012	April 19, 2012
December 31, 2011	April 10, 2013	May 8, 2013
December 31, 2012	April 16, 2014	June 17, 2014
December 31, 2013	September 9, 2015	September 14, 2015
December 31, 2014	March 17, 2016	April 7, 2016
December 31, 2015	January 19, 2017	January 20, 2017

The City is currently in the process of finalizing the Annual Financial Update Report Document (unaudited) for the fiscal year ending December 31, 2016 and is anticipated to be completed on or before July 14 2017, and promptly posted to the EMMA Website. A material event notice relating to the failure to provide the AUD within 6 months of the end of the fiscal year was provided to EMMA on June 30, 2017.

The City hired a new Chief of Staff on May 1, 2016, as the previous individual left in September 2015; however, with the hiring of a new Chief of Staff, part-time accountant and improvements to the City's financial computer programs, the City expects that audited statements will become timelier during 2017. Fieldwork for the Audited Financial Statements for the fiscal year ending December 31, 2016 is scheduled to begin on July 17. 2017, and is reasonably expected to be completed and available by December 31, 2017. A material event notice relating to the status of the 2016 audit was provided to EMMA on June 30, 2017. See "THE CITY – Independent Audit" herein for further information regarding the completion of the City's audits.

The City, on occasion, has failed to provide material event notices relating to bond insurance rating changes as required by an existing continuing disclosure undertaking. A material event notice relating to such bond insurance rating changes was provided to EMMA on August 5, 2014.

On January 4, 2017, the City adopted Municipal Finance Disclosure and Continuing Disclosure Policies and Procedures to ensure proper compliance with SEC Rule 15c2-12 and other various securities laws.

Municipalities Continuing Disclosure Cooperation Initiative

The City made a voluntary submission to the Securities and Exchange Commission ("SEC") under its Municipalities Continuing Disclosure Cooperation initiative ("MCDC Initiative"). The City received an Offer of Settlement from the SEC in connection with its participation in the MCDC Initiative which the Common Council then approved on June 29, 2016. As stated in the terms of MCDC Initiative, the City did not incur any fines or penalties as a result of participating. The City is currently in the process of complying with its undertaking consented to under the Offer of Settlement which includes:

a) Within 180 days of the entry of the Order, establish appropriate written policies and procedures and periodic training regarding continuing disclosure obligations to effect compliance with the federal securities laws, including the designation of an individual or officer at Respondent responsible for ensuring compliance by Respondent with such policies and procedures and responsible for implementing and maintaining a record (including attendance) of such training.

b) Within 180 days of the Order, comply with existing continuing disclosure undertakings, including updating past delinquent filings if Respondent is not currently in compliance with its continuing disclosure obligations.

c) For good cause shown, the Commission staff may extend any of the procedural dates relating to these undertakings. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered the last day.

d) Disclosure in a clear and conspicuous fashion the terms of this settlement in any final official statement for an offering by Respondent within five years of the institution of these proceedings.

e) Certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make responsible request for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting material shall be submitted to LeeAnn Ghazil Gaunt, Chief, Municipal Securities and Public Pensions Unit, Securities and Exchange Commission, 33 Arch Street, 23rd Floor, Boston, MA, 02110-1424, with a copy to the Office of Chief Counsel of the Division, no later than the one-year anniversary of the institution of these proceedings.

f) Cooperate with any subsequent investigation by the Division regarding the false statement(s) and/or material omission(s), including the roles of individuals and/or other parties involved.

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 municipal advisor to the City on matters relating to debt management. The Municipal Advisor is a municipal 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 Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the City and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the City or the information set forth in this Official Statement or any other information available to the City 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.

RATING

The Notes are not rated. The purchaser(s) of the Notes may choose to have a rating completed after the sale at the expense of the purchaser(s), including any fees to be incurred by the City, as such rating action will result in a material event notification to be posted to EMMA which is required by the City's Continuing Disclosure Undertakings. (See "APPENDIX - C" attached hereto.)

Moody's Investors Service ("Moody's") has assigned a bond rating of "Aa2" to the City's outstanding bonds. A rating reflects only the view of the rating agency assigning such rating and any desired explanation of the significance of such rating should be obtained from Moody's, 99 Church Street - 9th Floor, New York, New York 10007, Phone: (212) 553-0038, Fax: (212) 553-1390.

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 outstanding bonds may have an adverse effect on the market price of the Notes.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates 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 Notes.

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

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 Notes.

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

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

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

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

The City 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.

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The City's contact information is as follows: Mr. Steven P. Thayer, City Controller, Ithaca City Hall, 108 East Green Street, Ithaca, New York 14850, Phone: (607) 274-6577, Telefax: (607) 272-7348, email: stevet@cityofithaca.org.

This Official Statement has been duly executed and delivered by the City Controller of the City of Ithaca, Tompkins County, New York.

CITY OF ITHACA

Dated: June 30, 2017

STEVEN P. THAYER
City Controller & Chief Fiscal Officer

APPENDIX - A
City of Ithaca

GENERAL FUND

Balance Sheets

Fiscal Year Ending December 31:	2012	2013	2014	2015	2016 Unaudited
ASSETS					
Cash and cash equivalents - Unrestricted	$ 4,588,324	$ 5,649,526	$ 3,782,111	$ 3,426,464	$ 7,743,269
Temporary Investments	-	-	1,706,657	1,709,976	-
Cash and cash equivalents - Restricted	986,404	521,114	487,581	387,165	387,165
Taxes Receivable (Net)	778,459	688,271	927,452	741,149	852,574
Due From Other Funds	972,731	741,084	500,784	629,777	895,147
Due From State and Federal Governments	902,914	917,124	926,763	869,875	61,878
Due From Other Governments	1,150,150	703,139	968,733	942,744	1,036,207
Other Receivables (Net)	368,876	329,456	399,645	491,529	511,600
Prepaid Expenses	1,002,533	1,079,861	1,075,446	1,012,813	1,014,416
Inventories	183,206	196,801	197,290	200,572	211,874
TOTAL ASSETS	$ 10,933,597	$ 10,826,376	$ 10,972,462	$ 10,412,064	$ 12,714,130
LIABILITIES AND FUND EQUITY					
Accounts Payable	$ 259,948	$ 224,406	$ 461,325	$ 290,759	$ 279,317
Notes Payable	-	-	-	-	-
Accrued Liabilities	-	-	-	-	-
Due to Other Funds	213,593	104,515	478,321	97,905	1,483,455
Due to Other Governments	270,616	252,038	474,442	430,903	675,950
Compensated Absences	119,922	119,922	119,922	119,922	-
Other Liabilities	664,160	979,157	486,169	538,991	556,184
Unearned Revenues	209,488	209,919	209,488	209,488	-
Unavailable Revenue	-	688,271	923,527	741,580	1,062,062
TOTAL LIABILITIES	$ 1,737,727	$ 2,578,228	$ 3,153,194	$ 2,429,548	$ 4,056,968
FUND EQUITY					
Nonspendable	$ 1,185,739	$ 1,276,662	$ 1,272,736	$ 1,213,385	$ 1,226,291
Restricted	886,404	521,114	487,581	387,165	387,165
Unreserved:					
Assigned	2,429,742	2,756,196	2,767,667	2,879,714	3,090,097
Unassigned	3,914,894	3,694,176	3,291,284	3,502,252	3,953,609
TOTAL FUND EQUITY	$ 8,416,779	$ 8,248,148	$ 7,819,268	$ 7,982,516	$ 8,657,162
TOTAL LIABILITIES & FUND EQUITY	$ 10,154,506	$ 10,826,376	$ 10,972,462	$ 10,412,064	$ 12,714,130

Sources: 2012-2015 Audited financial reports of the City. 2016 Unaudited figures were provided by City officials. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending December 31:	2010	2011	2012	2013	2014
REVENUES					
Real Property Taxes	$ 18,230,175	$ 18,984,427	$ 19,565,035	$ 20,182,407	$ 20,515,747
Real Property Tax Items	609,475	719,400	723,411	736,563	797,917
Non-Property Tax Items	12,423,311	12,934,983	13,048,893	13,272,700	13,880,274
Departmental Income	3,364,115	3,814,836	3,770,388	3,925,398	4,081,541
Intergovernmental Charges	4,018,620	4,054,241	3,900,921	3,871,446	3,884,948
Use of Money & Property	311,929	275,892	307,154	331,483	304,793
Licenses and Permits	369,486	350,504	967,836	591,047	951,807
Fines and Forfeitures	1,224,768	1,143,641	1,136,988	1,036,963	1,086,057
Sale of Property and				-	-
Compensation for Loss	113,159	234,532	154,304	320,649	497,456
Miscellaneous	1,475,097	1,292,617	1,489,152	1,337,709	1,305,433
Interfund Revenues	288,610	223,401	301,430	284,143	282,294
Revenues from State Sources	3,244,623	3,198,583	3,502,169	3,641,632	3,446,149
Revenues from Federal Sources	281,618	266,570	160,249	215,407	371,022
Total Revenues	$ 45,954,986	$ 47,493,627	$ 49,027,930	$ 49,747,547	$ 51,405,438
EXPENDITURES					
General Government Support	$ 4,391,719	$ 4,263,264	$ 4,648,215	$ 4,402,515	$ 5,412,959
Public Safety	14,895,511	14,893,551	14,372,138	14,309,135	13,410,005
Transportation	4,930,248	4,884,592	4,560,680	4,620,143	5,276,969
Economic Opportunity					
and Development	61,000	61,000	61,000	61,000	61,000
Culture and Recreation	4,837,253	5,332,141	5,345,898	5,273,951	5,415,224
Home and Community Services	732,987	736,690	703,599	755,810	1,707,358
Employee Benefits	10,810,462	12,958,075	13,868,667	14,820,542	15,254,314
Debt Service	6,779,779	6,382,236	6,432,817	6,676,655	6,465,132
Total Expenditures	$ 47,438,959	$ 49,511,549	$ 49,993,014	$ 50,919,751	$ 53,002,961
Other Uses:					
Interfund Transfers In	1,717,721	1,761,968	1,109,162	1,122,109	1,179,643
Interfund Transfers (out)	(274,345)	(156,462)	(80,000)	(118,536)	(11,000)
Total Other Financing Sources	$ 1,443,376	$ 1,605,506	$ 1,029,162	$ 1,003,573	$ 1,168,643
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(40,597)	(412,416)	64,078	(168,631)	(428,880)
FUND BALANCE					
Fund Balance - Beginning of Year	8,805,714	8,765,117	8,352,701	8,416,779	8,248,148
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ 8,765,117	$ 8,352,701	$ 8,416,779	$ 8,248,148	$ 7,819,268

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

APPENDIX - A2
City of Ithaca

GENERAL FUND

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

Fiscal Years Ending December 31:	2015			2016	
	Adopted Budget	Modified Budget	Actual	Adopted Budget	Unaudited
REVENUES					
Real Property Taxes	$ 21,402,237	$ 21,402,237	$ 21,579,845	$ 22,534,438	$ 21,719,900
Real Property Tax Items	780,600	780,600	853,694	-	835,192
Non-Property Tax Items	13,900,000	13,900,000	13,700,049	14,142,534	13,820,223
Departmental Income	4,425,475	4,433,678	4,364,269	8,246,184	4,808,212
Intergovernmental Charges	3,911,379	3,927,729	3,815,220	-	3,820,403
Use of Money & Property	375,000	375,000	285,152	380,000	336,578
Licenses and Permits	783,060	783,060	1,215,542	891,060	1,312,713
Fines and Forfeitures	1,180,000	1,180,000	1,012,575	1,120,000	1,015,826
Sale of Property and Compensation for Loss	530,500	540,188	452,649	253,345	635,575
Miscellaneous	1,346,129	1,443,204	1,480,970	1,346,079	1,519,771
Interfund Revenues	241,153	241,153	241,153	1,520,391	235,892
Revenues from State Sources	3,262,508	3,263,708	3,642,204	3,237,542	3,648,058
Revenues from Federal Sources	81,600	238,925	303,588	134,417	392,399
Total Revenues	$ 52,219,641	$ 52,509,482	$ 52,946,910	$ 53,805,990	$ 54,100,742
EXPENDITURES					
General Government Support	$ 5,442,251	$ 5,455,149	$ 4,974,125	$ 5,364,319	$ 5,101,285
Public Safety	13,713,322	14,048,308	13,899,310	13,780,101	14,095,294
Transportation	4,907,874	5,119,217	5,079,695	5,146,417	5,058,542
Economic Opportunity and Development	61,000	61,000	61,000	61,000	61,000
Culture and Recreation	5,257,389	5,522,964	5,389,853	5,347,123	5,587,114
Home and Community Services	1,533,936	1,639,638	1,590,718	1,644,913	1,668,414
Employee Benefits	16,170,694	16,076,994	16,121,150	16,008,294	16,009,096
Debt Service	6,812,283	6,853,154	6,724,742	6,931,522	6,929,850
Total Expenditures	$ 53,898,749	$ 54,776,424	$ 53,840,593	$ 54,283,689	$ 54,510,595
Other Uses:					
Interfund Transfers In	1,285,931	1,305,931	1,154,931	-	1,084,499
Interfund Transfers (out)	-	-	(98,000)	-	-
Total Other Financing Sources	$ 1,285,931	$ 1,305,931	$ 1,056,931	$ -	$ 1,084,499
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(393,177)	(961,011)	163,248	(477,699)	674,646
FUND BALANCE					
Fund Balance - Beginning of Year	393,177	961,011	7,819,268	477,699	7,982,516
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ 7,982,516	$ -	$ 8,657,162

Source: 2015 Audited Financial Statement of the City. 2016 Unaudited figure were provided by City officials. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget

Fiscal Years Ending December 31:	2013 Adopted Budget	2014 Adopted Budget	2015 Adopted Budget	2016 Adopted Budget	2017 Adopted Budget
REVENUES					
Real Property Taxes	$ 20,799,901	$ 21,257,604	$ 22,182,837	$ 22,534,438	$ 23,056,661
Real Property Tax Items	-	-	-	-	-
Non-Property Tax Items	13,460,806	13,624,000	13,900,000	14,142,534	14,168,000
Departmental Income	3,968,740	8,530,484	8,336,854	8,246,184	8,667,574
Intergovernmental Charges	4,025,477	-	-	-	-
Use of Money & Property	373,500	375,000	375,000	380,000	411,500
Licenses and Permits	900,733	779,050	783,060	891,060	939,360
Fines and Forfeitures	1,191,000	1,170,000	1,180,000	1,120,000	1,020,000
Sale of Property and Compensation for Loss	356,500	375,500	530,500	253,345	239,500
Miscellaneous	1,297,176	1,334,053	1,346,129	1,346,079	1,372,839
Interfund Revenues	284,143	1,644,502	1,527,084	1,520,391	1,439,152
Revenues from State Sources	3,225,733	3,195,259	3,262,508	3,237,542	3,260,120
Revenues from Federal Sources	15,000	15,000	81,600	134,417	417,060
Total Revenues	$ 49,898,709	$ 52,300,452	$ 53,505,572	$ 53,805,990	$ 54,991,766
EXPENDITURES					
General Government Support	$ 4,641,821	$ 4,844,099	$ 5,442,251	$ 5,364,319	$ 5,450,436
Public Safety	14,237,964	13,258,933	13,713,322	13,780,101	14,054,863
Transportation	4,788,699	4,958,658	4,907,874	5,146,417	5,160,676
Economic Opportunity and Development	61,000	61,000	61,000	61,000	61,000
Culture and Recreation	4,979,330	5,267,536	5,257,389	5,347,123	5,476,249
Home and Community Services	874,396	1,840,129	1,533,936	1,644,913	1,579,890
Employee Benefits	15,408,261	16,224,202	16,170,694	16,008,294	16,616,047
Debt Service	6,676,678	6,467,917	6,812,283	6,931,522	7,080,760
Total Expenditures	$ 51,668,149	$ 52,922,474	$ 53,898,749	$ 54,283,689	$ 55,479,921
Other Uses:					
Interfund Transfers in [(1)]	1,522,109	-	-	-	-
Interfund Transfers (out)	(52,301)	-	-	-	-
Total Expenditures and Other Uses	$ 1,469,808	$ -	$ -	$ -	$ -
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(299,632)	(622,022)	(393,177)	(477,699)	(488,155)
FUND BALANCE					
Fund Balance - Beginning of Year	299,632	622,022	393,177	477,699	488,155
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ -	$ -	$ -

[(1)] Represents unneeded proceeds from capital projects.

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

CHANGES IN FUND EQUITY

Fiscal Year Ending December 31:	2012	2013	2014	2015	2016 Unaudited
WATER FUND					
Fund Equity - Beginning of Year	$ 5,266,353	$ 5,258,130	$ 5,425,583	$ 5,538,988	$ 5,748,566
Prior Period Adjustments (net)	-	-	-	-	-
Revenues & Other Sources	4,006,926	4,113,247	4,381,816	4,990,251	5,133,260
Expenditures & Other Uses	4,015,149	3,945,794	4,268,411	4,780,673	5,005,422
Fund Equity - End of Year	$ 5,258,130	$ 5,425,583	$ 5,538,988	$ 5,748,566	$ 5,876,404
SEWER FUND					
Fund Equity - Beginning of Year	$ 3,633,945	$ 3,509,899	$ 3,775,996	$ 3,857,618	$ 4,319,638
Prior Period Adjustments (net)	-	-	-	(421,245)	-
Revenues & Other Sources	5,865,342	6,052,096	5,862,343	6,061,299	6,108,620
Expenditures & Other Uses	5,989,388	5,785,999	5,780,721	5,178,034	5,364,959
Fund Equity - End of Year	$ 3,509,899	$ 3,775,996	$ 3,857,618	$ 4,319,638	$ 5,063,299
SPECIAL GRANT					
Fund Equity - Beginning of Year	$ 1,773,909	$ 1,852,902	$ 1,766,466	$ 2,003,800	N/A
Prior Period Adjustments (net)	-	-	-	-	N/A
Revenues & Other Sources	2,910,362	1,842,383	1,906,528	1,612,551	N/A
Expenditures & Other Uses	2,831,369	1,928,819	1,669,194	1,542,278	N/A
Fund Equity - End of Year	$ 1,852,902	$ 1,766,466	$ 2,003,800	$ 2,074,073	N/A

Sources: 2012-2015 Audited financial reports of the City. 2016 Unaudited figures provided by City officials. This Appendix is not itself audited.

BONDED DEBT SERVICE

Fiscal Year Ending December 31	Principal	Interest	Total
2017	$ 5,262,046	$ 3,064,562.21	$ 8,326,608.21
2018	5,625,000	2,609,343.38	8,234,343.38
2019	4,945,000	2,434,053.66	7,379,053.66
2020	5,140,000	2,261,719.43	7,401,719.43
2021	4,725,000	2,075,718.00	6,800,718.00
2022	4,770,000	1,899,747.95	6,669,747.95
2023	4,965,000	1,722,562.40	6,687,562.40
2024	4,600,000	1,542,842.54	6,142,842.54
2025	4,650,000	1,390,487.65	6,040,487.65
2026	3,490,000	1,260,719.70	4,750,719.70
2027	3,610,000	1,139,554.50	4,749,554.50
2028	2,775,000	1,032,973.24	3,807,973.24
2029	2,865,000	943,367.83	3,808,367.83
2030	2,960,000	849,348.85	3,809,348.85
2031	3,075,000	750,923.75	3,825,923.75
2032	3,185,000	647,931.21	3,832,931.21
2033	2,975,000	540,397.40	3,515,397.40
2034	3,080,000	449,687.78	3,529,687.78
2035	2,620,000	372,671.71	2,992,671.71
2036	2,390,000	310,308.75	2,700,308.75
2037	2,460,000	259,468.75	2,719,468.75
2038	1,530,000	222,681.25	1,752,681.25
2039	1,580,000	200,256.25	1,780,256.25
2040	1,635,000	177,006.25	1,812,006.25
2041	1,690,000	152,421.88	1,842,421.88
2042	1,735,000	126,640.63	1,861,640.63
2043	1,795,000	100,078.13	1,895,078.13
2044	890,000	72,656.25	962,656.25
2045	925,000	44,296.88	969,296.88
2046	955,000	14,921.88	969,921.88
TOTALS	$ 92,902,046	$ 28,669,350.03	$ 121,571,396.03

Note: The totals above are as of December 31, 2016. The totals above do not include $12,490,000 Cayuga Street Parking Garage bonds (See "Cayuga Garage Parking Project" herein.), nor Energy Performance Contracts.

APPENDIX - B1
City of Ithaca

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	2000 Water Bonds Principal	2000 Water Bonds Interest	2000 Water Bonds Total	2001 Stautory Installment Bond Principal	2001 Stautory Installment Bond Interest	2001 Stautory Installment Bond Total
2017	$ 65,000	$ 13,612.50	$ 78,612.50	$ 80,930	$ 3,763.25	$ 84,693.25
2018	70,000	9,900.00	79,900.00	-	-	-
2019	70,000	6,050.00	76,050.00	-	-	-
2020	75,000	2,062.50	77,062.50	-	-	-
TOTALS	$ 280,000	$ 31,625.00	$ 311,625.00	$ 80,930	$ 3,763.25	$ 84,693.25

Fiscal Year Ending Dec 31st	2005 EFC Bonds Principal	2005 EFC Bonds Interest	2005 EFC Bonds Total	2008 Series A * Public Improvements Principal	2008 Series A * Public Improvements Interest	2008 Series A * Public Improvements Total
2017	$ 65,000	$ 62,589.36	$ 127,589.36	$ 395,000	$ 127,568.75	$ 522,568.75
2018	65,000	60,191.50	125,191.50	410,000	111,768.75	521,768.75
2019	65,000	57,761.16	122,761.16	430,000	95,368.75	525,368.75
2020	70,000	55,311.30	125,311.30	445,000	78,168.75	523,168.75
2021	70,000	52,638.00	122,638.00	465,000	59,812.50	524,812.50
2022	70,000	49,936.70	119,936.70	485,000	40,631.25	525,631.25
2023	75,000	47,207.40	122,207.40	500,000	20,625.00	520,625.00
2024	75,000	44,253.16	119,253.16	-	-	-
2025	80,000	41,276.40	121,276.40	-	-	-
2026	80,000	38,077.20	118,077.20	-	-	-
2027	85,000	34,862.00	119,862.00	-	-	-
2028	85,000	31,428.86	116,428.86	-	-	-
2029	90,000	27,987.20	117,987.20	-	-	-
2030	90,000	24,325.10	114,325.10	-	-	-
2031	95,000	20,645.00	115,645.00	-	-	-
2032	95,000	16,722.46	111,722.46	-	-	-
2033	100,000	12,799.90	112,799.90	-	-	-
2034	105,000	8,670.90	113,670.90	-	-	-
2035	105,000	4,335.46	109,335.46	-	-	-
TOTALS	$ 1,565,000	$ 691,019.06	$ 2,256,019.06	$ 3,130,000	$ 533,943.75	$ 3,663,943.75

* These bonds were advanced refunded in 2017. The 2018-2022 maturities are to be called and paid in full on August 1, 2017.

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	2008 Series B * Public Improvements Principal	Interest	Total	2009 ** Public Improvements Principal	Interest	Total
2017	$ 115,000	$ 208,422.51	$ 323,422.51	$ 70,000	$ 38,775.00	$ 108,775.00
2018	120,000	200,803.75	320,803.75	75,000	34,696.88	109,696.88
2019	130,000	192,853.75	322,853.75	80,000	30,337.50	110,337.50
2020	140,000	184,241.25	324,241.25	85,000	25,696.88	110,696.88
2021	150,000	174,966.25	324,966.25	90,000	20,718.75	110,718.75
2022	160,000	165,028.75	325,028.75	95,000	15,281.25	110,281.25
2023	170,000	154,428.75	324,428.75	100,000	9,431.25	109,431.25
2024	180,000	143,166.25	323,166.25	105,000	3,215.63	108,215.63
2025	190,000	131,241.25	321,241.25	-	-	-
2026	205,000	118,653.75	323,653.75	-	-	-
2027	220,000	105,072.50	325,072.50	-	-	-
2028	235,000	90,332.50	325,332.50	-	-	-
2029	250,000	74,587.50	324,587.50	-	-	-
2030	265,000	57,712.50	322,712.50	-	-	-
2031	285,000	39,825.00	324,825.00	-	-	-
2032	305,000	20,587.50	325,587.50	-	-	-
TOTALS	$ 3,120,000	$ 2,061,923.76	$ 5,181,923.76	$ 700,000	$ 178,153.13	$ 878,153.13

* These bonds were advanced refunded in 2017. The 2018-2032 maturities are to be called and paid in full on August 1, 2017.
** These bonds were advanced refunded in 2017. The 2019-2024 maturities are to be called and paid in full on January 15, 2018.

Fiscal Year Ending Dec 31st	2010 Series A * Public Improvements Principal	Interest	Total	2010 Series B ** Public Improvements Principal	Interest	Total
2017	$ 610,000	$ 329,087.50	$ 939,087.50	$ 235,000	$ 392,281.25	$ 627,281.25
2018	635,000	304,187.50	939,187.50	250,000	380,156.25	630,156.25
2019	665,000	278,187.50	943,187.50	260,000	367,406.25	627,406.25
2020	690,000	251,087.50	941,087.50	275,000	352,656.25	627,656.25
2021	720,000	222,887.50	942,887.50	290,000	335,706.25	625,706.25
2022	755,000	193,387.50	948,387.50	300,000	318,006.25	618,006.25
2023	785,000	162,587.50	947,587.50	315,000	299,556.25	614,556.25
2024	820,000	130,487.50	950,487.50	335,000	280,056.25	615,056.25
2025	855,000	96,987.50	951,987.50	350,000	259,506.25	609,506.25
2026	895,000	60,868.75	955,868.75	365,000	238,056.25	603,056.25
2027	930,000	20,925.00	950,925.00	385,000	215,556.25	600,556.25
2028	-	-	-	405,000	191,603.13	596,603.13
2029	-	-	-	425,000	166,184.38	591,184.38
2030	-	-	-	445,000	139,262.50	584,262.50
2031	-	-	-	465,000	110,825.00	575,825.00
2032	-	-	-	485,000	81,137.50	566,137.50
2033	-	-	-	510,000	50,043.75	560,043.75
2034	-	-	-	535,000	17,053.13	552,053.13
TOTALS	$ 8,360,000	$ 2,050,681.25	$ 10,410,681.25	$ 6,630,000	$ 4,195,053.13	$ 10,825,053.13

* These bonds were advanced refunded in 2017. The 2020-2027 maturities are to be called and paid in full on January 15, 2019.
** These bonds were advanced refunded in 2017. The 2020-2034 maturities are to be called and paid in full on January 15, 2019.

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	2010 Series C EFC Bonds Principal	Interest	Total	2012 Series A Refunding of 2001 Principal	Interest	Total
2017	$ 110,000	$ 3,313.20	$ 113,313.20	$ 815,000	$ 49,900.00	$ 864,900.00
2018	-	-	-	840,000	16,800.00	856,800.00
TOTALS	$ 110,000	$ 3,313.20	$ 113,313.20	$ 1,655,000	$ 66,700.00	$ 1,721,700.00

Fiscal Year Ending Dec 31st	2012 Series B Refunding of 2004 Principal	Interest	Total	2013 Series A Public Improvements Principal	Interest	Total
2017	$ 450,000	$ 75,800.00	$ 525,800.00	$ 555,000	$ 465,205.00	$ 1,020,205.00
2018	470,000	57,800.00	527,800.00	570,000	451,330.00	1,021,330.00
2019	475,000	39,000.00	514,000.00	585,000	437,080.00	1,022,080.00
2020	500,000	20,000.00	520,000.00	595,000	419,530.00	1,014,530.00
2021	-	-	-	610,000	401,680.00	1,011,680.00
2022	-	-	-	630,000	383,380.00	1,013,380.00
2023	-	-	-	650,000	364,480.00	1,014,480.00
2024	-	-	-	670,000	344,980.00	1,014,980.00
2025	-	-	-	690,000	324,880.00	1,014,880.00
2026	-	-	-	710,000	304,180.00	1,014,180.00
2027	-	-	-	735,000	282,880.00	1,017,880.00
2028	-	-	-	755,000	260,830.00	1,015,830.00
2029	-	-	-	775,000	238,180.00	1,013,180.00
2030	-	-	-	800,000	214,930.00	1,014,930.00
2031	-	-	-	825,000	190,930.00	1,015,930.00
2032	-	-	-	850,000	166,180.00	1,016,180.00
2033	-	-	-	870,000	140,680.00	1,010,680.00
2034	-	-	-	900,000	114,580.00	1,014,580.00
2035	-	-	-	925,000	87,580.00	1,012,580.00
2036	-	-	-	955,000	59,830.00	1,014,830.00
2037	-	-	-	975,000	30,225.00	1,005,225.00
TOTALS	$ 1,895,000	$ 192,600.00	$ 2,087,600.00	$ 15,630,000	$ 5,683,550.00	$ 21,313,550.00

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	2013 Series B Public Improvements Principal	Interest	Total	2013 Series C Public Improvements Principal	Interest	Total
2017	$ 15,000	$ 3,487.50	$ 18,487.50	$ 105,000	$ 105,990.00	$ 210,990.00
2018	20,000	3,150.00	23,150.00	110,000	102,840.00	212,840.00
2019	20,000	2,700.00	22,700.00	110,000	99,540.00	209,540.00
2020	20,000	2,250.00	22,250.00	115,000	96,240.00	211,240.00
2021	20,000	1,750.00	21,750.00	120,000	92,790.00	212,790.00
2022	20,000	1,200.00	21,200.00	120,000	88,890.00	208,890.00
2023	20,000	600.00	20,600.00	125,000	84,990.00	209,990.00
2024	-	-	-	130,000	80,927.50	210,927.50
2025	-	-	-	135,000	76,377.50	211,377.50
2026	-	-	-	140,000	71,652.50	211,652.50
2027	-	-	-	145,000	66,402.50	211,402.50
2028	-	-	-	150,000	60,747.50	210,747.50
2029	-	-	-	155,000	54,747.50	209,747.50
2030	-	-	-	165,000	48,237.50	213,237.50
2031	-	-	-	170,000	41,142.50	211,142.50
2032	-	-	-	180,000	33,747.50	213,747.50
2033	-	-	-	185,000	25,917.50	210,917.50
2034	-	-	-	195,000	17,777.50	212,777.50
2035	-	-	-	200,000	9,100.00	209,100.00
TOTALS	$ 135,000	$ 15,137.50	$ 150,137.50	$ 2,755,000	$ 1,258,057.50	$ 4,013,057.50

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	2014 Refunding of 2007 Principal	2014 Refunding of 2007 Interest	2014 Refunding of 2007 Total	2016 Public Improvements Principal	2016 Public Improvements Interest	2016 Public Improvements Total
2017	$ 935,000	$ 366,650.00	$ 1,301,650.00	$ 233,221	$ 825,222.64	$ 1,058,443.64
2018	965,000	338,150.00	1,303,150.00	520,000	544,918.75	1,064,918.75
2019	995,000	303,775.00	1,298,775.00	540,000	532,993.75	1,072,993.75
2020	1,045,000	262,975.00	1,307,975.00	555,000	520,675.00	1,075,675.00
2021	1,090,000	214,825.00	1,304,825.00	565,000	507,368.75	1,072,368.75
2022	1,145,000	158,950.00	1,303,950.00	440,000	494,806.25	934,806.25
2023	1,205,000	106,225.00	1,311,225.00	455,000	482,481.25	937,481.25
2024	1,250,000	57,125.00	1,307,125.00	465,000	468,681.25	933,681.25
2025	1,285,000	16,062.50	1,301,062.50	480,000	454,506.25	934,506.25
2026	-	-	-	495,000	439,881.25	934,881.25
2027	-	-	-	505,000	424,881.25	929,881.25
2028	-	-	-	530,000	409,356.25	939,356.25
2029	-	-	-	540,000	393,306.25	933,306.25
2030	-	-	-	555,000	376,881.25	931,881.25
2031	-	-	-	575,000	359,931.25	934,931.25
2032	-	-	-	600,000	342,306.25	942,306.25
2033	-	-	-	620,000	324,006.25	944,006.25
2034	-	-	-	640,000	305,106.25	945,106.25
2035	-	-	-	665,000	285,531.25	950,531.25
2036	-	-	-	685,000	265,281.25	950,281.25
2037	-	-	-	710,000	244,356.25	954,356.25
2038	-	-	-	735,000	222,681.25	957,681.25
2039	-	-	-	760,000	200,256.25	960,256.25
2040	-	-	-	790,000	177,006.25	967,006.25
2041	-	-	-	815,000	152,421.88	967,421.88
2042	-	-	-	835,000	126,640.63	961,640.63
2043	-	-	-	865,000	100,078.13	965,078.13
2044	-	-	-	890,000	72,656.25	962,656.25
2045	-	-	-	925,000	44,296.88	969,296.88
2046	-	-	-	955,000	14,921.88	969,921.88
TOTALS	$ 9,915,000	$ 1,824,737.50	$ 11,739,737.50	$ 18,943,221	$ 10,113,438.26	$ 29,056,659.26

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	2016 Public Improvements			2017 B Refunding of 2008B, 2009 & 2010B		
	Principal	Interest	Total	Principal	Interest	Total
2017	$ 407,895	$ 536,566.40	$ 944,461.40	$ 50,000	$ 108,785.11	$ 158,785.11
2018	505,000	432,175.00	937,175.00	240,000	326,959.32	566,959.32
2019	520,000	421,925.00	941,925.00	325,000	322,520.57	647,520.57
2020	530,000	411,425.00	941,425.00	625,000	313,627.32	938,627.32
2021	535,000	400,775.00	935,775.00	640,000	299,971.22	939,971.22
2022	550,000	389,925.00	939,925.00	650,000	283,852.86	933,852.86
2023	565,000	378,775.00	943,775.00	670,000	265,660.00	935,660.00
2024	570,000	367,425.00	937,425.00	690,000	245,345.20	935,345.20
2025	585,000	355,875.00	940,875.00	605,000	224,909.60	829,909.60
2026	600,000	344,025.00	944,025.00	625,000	204,851.95	829,851.95
2027	605,000	331,975.00	936,975.00	645,000	183,663.35	828,663.35
2028	615,000	319,775.00	934,775.00	660,000	161,074.70	821,074.70
2029	630,000	307,325.00	937,325.00	680,000	136,873.50	816,873.50
2030	640,000	294,625.00	934,625.00	695,000	111,184.75	806,184.75
2031	660,000	281,212.50	941,212.50	715,000	84,135.95	799,135.95
2032	670,000	266,662.50	936,662.50	740,000	55,495.30	795,495.30
2033	690,000	251,362.50	941,362.50	485,000	30,838.55	515,838.55
2034	705,000	233,025.00	938,025.00	500,000	10,465.00	510,465.00
2035	725,000	211,575.00	936,575.00	-	-	-
2036	750,000	189,450.00	939,450.00	-	-	-
2037	775,000	166,575.00	941,575.00	-	-	-
2038	795,000	143,025.00	938,025.00	-	-	-
2039	820,000	118,800.00	938,800.00	-	-	-
2040	845,000	93,825.00	938,825.00	-	-	-
2041	875,000	68,025.00	943,025.00	-	-	-
2042	900,000	41,400.00	941,400.00	-	-	-
2043	930,000	13,950.00	943,950.00	-	-	-
TOTALS	$ 17,997,895	$ 7,371,478.90	$ 25,369,373.90	$ 10,240,000	$ 3,370,214.24	$ 13,610,214.24

Fiscal Year Ending Dec 31st	2017 A Refunding of 2008A & 2010A		
	Principal	Interest	Total
2017	$ 10,000	$ 120,801.53	$ 130,801.53
2018	385,000	359,475.00	744,475.00
2019	400,000	345,700.00	745,700.00
2020	1,075,000	316,200.00	1,391,200.00
2021	1,125,000	272,200.00	1,397,200.00
2022	1,170,000	226,300.00	1,396,300.00
2023	1,205,000	178,800.00	1,383,800.00
2024	755,000	139,600.00	894,600.00
2025	790,000	104,750.00	894,750.00
2026	835,000	64,125.00	899,125.00
2027	865,000	21,625.00	886,625.00
TOTALS	$ 8,615,000	$ 2,149,576.53	$ 10,764,576.53

MATERIAL EVENT NOTICES

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

(a) principal and interest payment delinquencies

(b) non-payment related defaults, if material

(c) unscheduled draws on debt service reserves reflecting financial difficulties

(d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties

(e) substitution of credit or liquidity providers, or their failure to perform

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes

(g) modifications to rights of Note holders, if material

(h) note calls, if material and tender offers

(i) defeasances

(j) release, substitution, or sale of property securing repayment of the Notes

(k) rating changes

(l) bankruptcy, insolvency, receivership or similar event of the City

(m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material

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

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

With respect to event (l) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the City, 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 City.

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

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

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

An "Undertaking to Provide Notice of Material Events" to this effect shall be provided to the purchaser(s) at closing.

See "CONTINUING DISCLOSURE – Historical Compliance" for an overview of the City's past historical compliance, and "Municipal Continuing Disclosure Cooperation Initiative.

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CITY OF ITHACA
TOMPKINS COUNTY, NEW YORK

AUDITED FINANCIAL STATEMENTS
For the Fiscal Year Ending
December 31, 2015

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

CITY OF ITHACA

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FOR THE YEAR ENDED DECEMBER 31, 2015

INDEPENDENT AUDITOR'S REPORT

Common Council
City of Ithaca
Ithaca, New York

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Ithaca (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City'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 opinions.

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Ithaca, as of December 31, 2015, 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.

Emphasis of a Matter

During the year ended December 31, 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment of GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, Schedule of Funding Progress, Schedule of City Contributions - NYSLRS Pension Plans, and Schedule of City's Proportionate Share of the Net Pension Liability and notes to required supplementary information on pages 4-4k and 52-58 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 opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the 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 January 19, 2017 on our consideration of the City 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 the City's internal control over financial reporting and compliance.

Respectfully Submitted,

Insero & Co. CPAs, LLP

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
January 19, 2017

CITY OF ITHACA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Our discussion and analysis of the City of Ithaca's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2015. Please read it in conjunction with the City's financial statements, which begin on page 5.

FINANCIAL HIGHLIGHTS

- During the year ended December 31, 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment of GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." As a result, the City recorded its proportionate share of net pension liability, as well as deferred outflows and deferred inflows related to pensions.

- The liability for other postemployment health benefits at December 31, 2015 is $118,847,438. This liability is expected to grow each year as there is no legal mechanism in New York State to fund it.

- Assets of the City plus deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by $4,702,321 (net position). Unrestricted net position showed a deficit of $(185,360,870) due to the accrual of other postemployment health benefits and implementation of GASB Statement No. 68. Management has designated certain amounts of net position fund balance for particular purposes. See Note 12 for management's designation of unrestricted net position.

- The City's expenses were $10,264,552 greater than the $70,656,401 generated in tax and other revenues for all governmental program activities. Expenses associated with GASB Statement No. 45 for the year ended December 31, 2015 was $16,302,233, without which revenues would have exceeded expenses by $5,608,221.

- The City invested $28,977,772 in capital assets during the year. This investment included $11,910,447 in buildings and improvements, as well as $14,998,801 to infrastructure.

- The General Fund recorded an operating increase of $163,248 in 2015 compared to a decrease of $(428,880) in 2014 and had a fund balance of $7,982,516 at year-end.

CITY OF ITHACA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

USI/G THIS ANNUAL REPORT

This annual report consists of a series of basic financial statements. The Statement of Net Position and Statement of Activities (pages 5-6) provide information about the City as a whole and present a longer-term view of the City's finances. Governmental Fund financial statements start on page 7. These statements, for Governmental Activities, tell how services were financed in the short term, as well as what remains for future spending. Governmental Fund financial statements also report the City's operations in more detail than the Government-wide financial statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government. Following these statements are notes that provide additional information essential to a full understanding of the data provided in the financial statements.

In addition to basic financial statements, the annual report contains other information in the form of budgetary comparison schedules for the General Fund and Budgeted Major Special Revenue Funds, as well as combining statements for funds that are not considered Major Funds and, therefore, are not presented individually in the basic financial statements. Other information consists of the Schedule of Funding Progress related to the City's liability for retiree health which is reported as other post-employment benefits, and Schedules related to the City's proportionate share of retirement systems' liabilities.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 5, with the Government-wide financial statements. The Statement of Net Position and Statement of Activities report information about the City and about its activities in a way that helps answer the question of whether the City, as a whole, is better or worse off as a result of the year's activities. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of current year revenues and expenses are taken into account regardless of when the cash is received or paid.

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

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

Reporting the City's Most Significant Funds

Governmental Fund Financial Statements
Analysis of the City's Major Funds begins on page 7. The Governmental Fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show it is meeting legal responsibilities for using certain taxes and grants.

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

- **The City as Trustee:** The City is the trustee, or fiduciary, for other assets held on behalf of others. All of the City's Fiduciary Activities are reported in a separate Statement of Fiduciary Net Position - Fiduciary Fund on page 11. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring the assets reported in this fund are used for their intended purposes.

- **Component Unit.** The City includes one separate legal entity in its report, the Ithaca Urban Renewal Agency (IURA). Although legally separate, this "component unit" is important because the City is financially accountable for it. Complete financial statements for the IURA can be obtained by contacting the IURA at 108 East Green Street, Ithaca. NY 14850.

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

An additional portion of the City's net position represents resources subject to external restrictions on how they may be used and are reported as restricted. The remaining category of total resources is unrestricted. Included in unrestricted net position is the City's equity interest in two joint ventures of $12,337,006.

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

Figure 1
Net Position

	Governmental Activities and Total Government		Dollar Change
	Restated 2014	2015	2014 - 2015
Current assets	$ 62,479,666	$ 52,653,850	$ (9,825,816)
Noncurrent assets	28,001,329	27,098,321	(903,008)
Capital assets, net	149,866,547	168,935,343	19,068,796
Total Assets	**240,347,542**	**248,687,514**	**8,339,972**
Pensions	3,877,897	4,332,877	454,980
Deferred charge on refunding	919,596	813,504	(106,092)
Total Deferred Outflows of Resources	**4,797,493**	**5,146,381**	**348,888**
Current liabilities	62,915,322	71,412,099	8,496,777
Noncurrent liabilities	167,262,840	177,603,158	10,340,318
Total Liabilities	**230,178,162**	**249,015,257**	**18,837,095**
Pensions	-	116,317	116,317
Total Deferred Inflows of Resources	**-**	**116,317**	**116,317**
Net investment in capital assets	60,391,316	71,375,876	10,984,560
Restricted	19,207,181	18,687,315	(519,866)
Unrestricted	(64,631,624)	(85,360,870)	(20,729,246)
Total Net Position	**$ 14,966,873**	**$ 4,702,321**	**$ (10,264,552)**

Current assets consist of $37,495,009 in unrestricted cash, $653,963 of cash restricted for various purposes, investments of $1,806,203, receivables of $10,711,875, and $1,986,800 in prepaid expenses and inventory. Noncurrent assets consist of cash restricted for future noncurrent expenses of $8,646,087, the long-term portion of loans receivable of $6,115,228 and the City's equity interest in joint ventures of $12,337,006. The decrease in current assets is mostly due to the timing of receivables and payables, and the use of cash for capital projects. Capital assets, net of accumulated depreciation, increased as a result of the City's investment in buildings and infrastructure.

The increase in deferred outflows and inflows of resources is primarily the result of implementation of GASB Statement No. 68.

Included in current liabilities are Bond Anticipation Notes (BANs) payable of $60,815,625, the current portion of long-term liabilities of $4,894,742 and various payables of $5,701,732. Noncurrent liabilities consist of bonds payable of $51,829,585, compensated absences of $2,300,893, other postemployment benefits payable of $118,847,438, pension liabilities of $2,633,555 and lease obligations of $1,991,687. The increase in current liabilities is primarily due to issuing additional BANs to fund capital projects. Noncurrent liabilities increased as a result of the increase in the liability for other postemployment benefits of $16,302,233 offset by the scheduled payment of debt.

The amount of net investment in capital assets increased due to the change in capital assets offset by an increase in the amount of debt incurred to fund capital projects. Restricted net position consists of $3,706,659 for debt service, $8,441,580 for home and community service programs, $6,519,735 for future capital projects, and $19,341 for cultural and recreational programs as of December 31, 2015.

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

Figure 2
Changes in Net Position

Changes in Net Assets	***Governmental Activities and Total Government***		***Dollar Change***
	Restated 2014	***2015***	***2014 - 2015***
REVENUES			
Program Revenues:			
Charges for services	$ 20,678,882	$ 22,676,504	$ 1,997,622
Operating grants	2,817,838	2,868,335	50,497
Capital grants	6,686,974	4,298,590	(2,388,384)
General Revenues:			
Property taxes and tax items	21,313,664	22,523,264	1,209,600
Nonproperty taxes	14,740,925	14,562,774	(178,151)
State sources	3,220,841	3,396,658	175,817
Use of money and property	317,564	298,290	(19,274)
Change in equity interest in joint venture	(1,441,892)	(589,777)	852,115
Other	1,190,016	621,763	(568,253)
Total Revenues	**69,524,812**	**70,656,401**	**1,131,589**
PROGRAM EXPENSES			
General government	9,853,689	9,236,521	(617,168)
Public safety	29,108,980	29,304,500	195,520
Transportation	11,738,493	11,215,338	(523,155)
Economic assistance and opportunity	61,000	61,000	-
Culture and recreation	11,405,983	10,583,291	(822,692)
Home and community services	13,496,066	17,921,397	4,425,331
Interest on long-term debt	3,663,531	2,598,906	(1,064,625)
Total Expenses	**79,327,742**	**80,920,953**	**1,593,211**
(DECREASE) IN NET POSITION	**$ (9,802,930)**	**$ (10,264,552)**	**$ (461,622)**

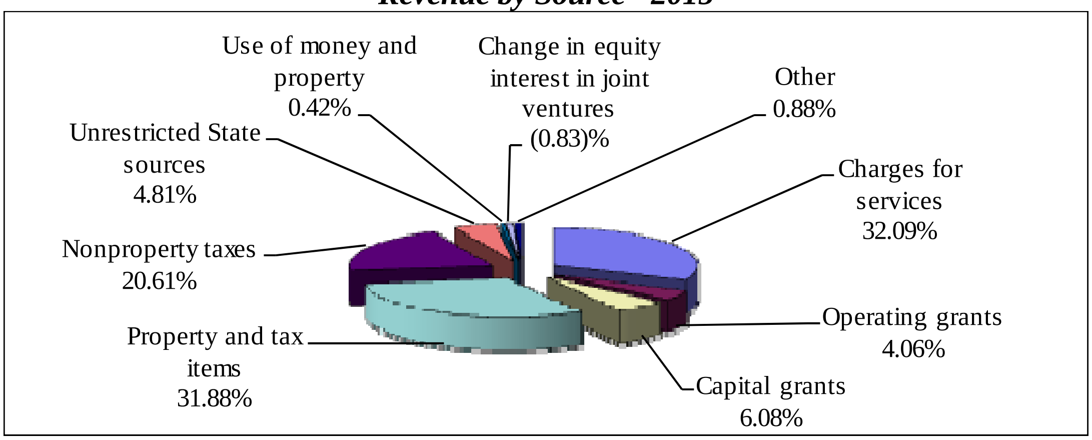
Governmental Activities

Charges for services showed an increase due to increased charges for water and sewer services. Capital grants decreased due to no funding for the Commons project, as it was completed in the current year.

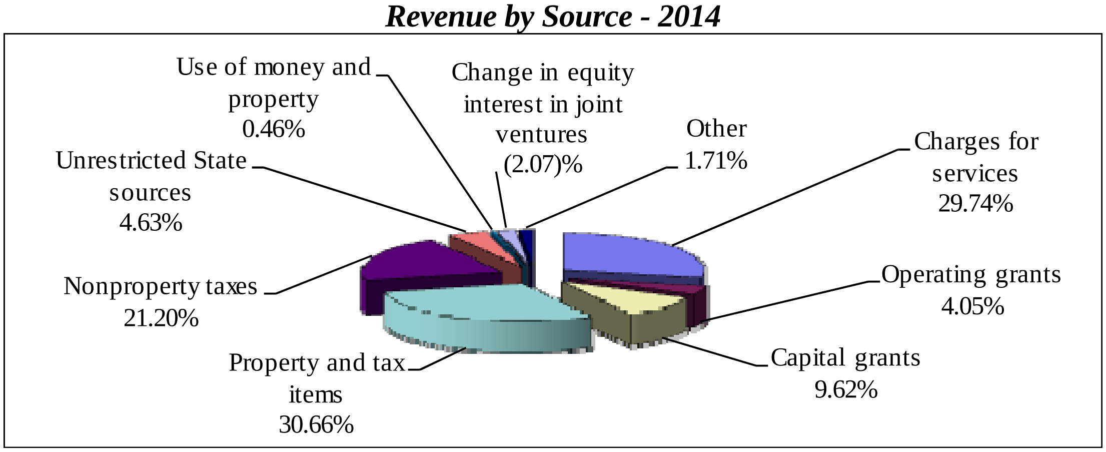
Property tax and tax items increased 6% compared to an increase of 2% in 2014. Nonproperty taxes were down slightly in 2015 compared to 2014, due to a slight decrease in sales tax revenue of $117,810. The change in the City's equity interest in joint ventures is dependent on those entity's yearly operating results. See Note 4 for more information about the City's joint ventures.

Overall expenses were up largely due to increases in costs for the new water treatment plant paid through the Capital Fund. This increase was offset by decreases in general government, transportation, and culture and recreation. General government expenses decreased due to cost containment measures. Transportation and culture and recreation decreased due to the capitalization of expenditures for capital purposes. Interest on debt decreased as a result of the timing of payments and a decrease in the accrual at year-end.

Figure 3
Revenue by Source - 2015



Revenue by Source - 2014

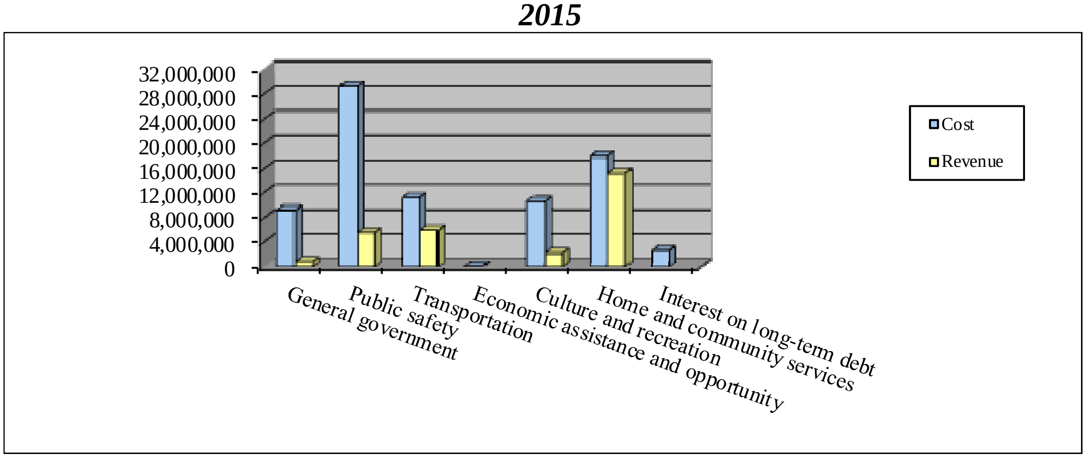


Overall, expenses were due to increased depreciation on the water treatment plant improvements, and the creation of a new Stormwater fund. Those increases were largely recognized in home and community services.

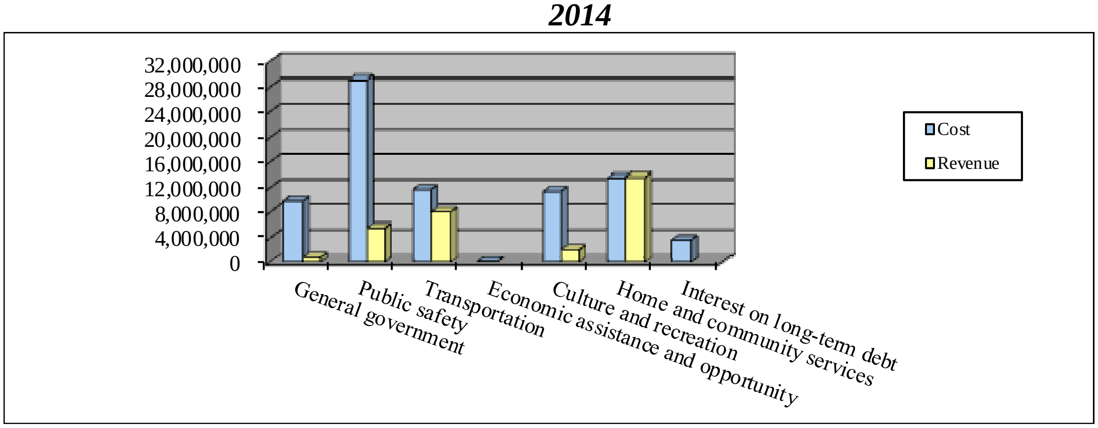
The cost of all Governmental Activities in 2015 in the Statement of Activities was $80,920,953. However, as shown in the Statement of Activities the amount ultimately financed for these activities through City property and payments in lieu of taxes was $51,077,524, because some of the cost was paid by those who directly benefited from the programs $(22,676,504) or by other governments and organizations that subsidized certain programs with grants and contributions $(7,166,925). Overall, City governmental program revenues, including fees for services and grants, were $29,843,429. The City paid for the remaining "public benefit" portion of Governmental Activities with $40,812,972 in taxes and other revenues, such as interest and general entitlements.

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

Figure 4
Program Cost and Revenue Comparison - Governmental Activities
2015



2014



THE CITY'S FUNDS

As the City completed the year, its Governmental Funds, as presented in the balance sheets on pages 6-6a, reported a combined fund balance of $(4,270,307), which is less than last year's total of $13,313,031 primarily as a result of short-term financing in the Capital Fund.

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

Figure 5
Governmental Funds
Fund Balance at Year Ending

Governmental Fund Balances	Restated		*Dollar Change*
	2014	*2015*	*2014 - 2015*
General Fund	$ 7,819,268	$ 7,982,516	$ 163,248
Water Fund	5,538,988	5,748,566	209,578
Sewer Fund	3,436,373	4,319,638	883,265
Special Grant Fund	2,003,800	2,074,073	70,273
Capital Projects Fund	(9,450,069)	(28,449,203)	(18,999,134)
Non-Major Funds:			
Refuse and Garbage Fund	(348,686)	(351,449)	(2,763)
Sidewalk Improvement Fund	503,444	352,788	(150,656)
Stormwater Drainage Fund	-	149,485	149,485
Debt Service Fund	3,612,714	3,706,659	93,945
Misc. Special Revenue Fund	22,921	22,341	(580)
Urban Renewal Fund	125,000	125,000	-
Permanent Fund	49,278	49,279	1
Totals	**$ 13,313,031**	**$ (4,270,307)**	**$ (17,583,338)**

General Fund Budgetary Highlights

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

Revenue available for appropriation greater than the final budgeted amount by $437,428. Transfers in were budgeted for $1,305,931 however, only $1,154,931 was actually transferred. The actual charges to appropriations (expenditures) were below the final budget amounts by $683,220.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2015, the City had $168,935,343, net of accumulated depreciation of $127,972,128, invested in a broad range of capital assets, including buildings, machinery and equipment, roads and bridges. This amount represents a net increase (including additions of $28,977,772, depreciation expense of $9,361,680, and net book value of disposed assets of $547,296 or 12.7% over 2014. Most of the increase is attributable to additions in transportation infrastructure and improvements to the water plant.

Figure 6
Capital Assets, Net of Depreciation

	Governmental Activities and Total Government		Dollar Change
	2014	2015	2014 - 2015
Land	$ 13,739,191	$ 13,298,339	$ (440,852)
Construction in progress	13,319,163	616,027	(12,703,136)
Buildings and improvements	25,719,720	47,340,092	21,620,372
Equipment	7,309,313	7,531,978	222,665
Infrastructure	89,779,160	100,148,907	10,369,747
Totals	**$ 149,866,547**	**$ 168,935,343**	**$ 19,068,796**

Debt Administration

Debt (bonds, BANs, and lease obligations payable), considered a liability of Governmental Activities, increased overall by $5,402,096. Accrued compensated absences decreased by $(155,136), while the liability for other postemployment benefits increased $16,302,233 and pension liabilities decreased $1,031,959, bringing total debt and long-term liabilities to $243,313,525 as of December 31, 2015, as shown in Figure 7. Of the amount of bonds, BANs, and capital leases outstanding, $76,693,080 is subject to the constitutional debt limit and represented 69% of the City's statutory debt limit. The City's bond rating was assigned an Aa2 by Moody's. More detailed information about the City's liabilities is presented in Notes 8 through 11 to the financial statements.

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

	Governmental Activities and Total Government		Dollar Change
	2014	2015	2014 - 2015
BANs	$ 50,275,293	$ 60,815,625	$ 10,540,332
Serial Bonds	61,044,557	56,251,411	(4,793,146)
Compensated absences	2,575,951	2,420,815	(155,136)
Other postemployment benefits payable	102,545,205	118,847,438	16,302,233
Pension liabilities	3,665,514	2,633,555	(1,031,959)
Lease obligation payable	2,689,771	2,344,681	(345,090)
Totals	**$ 222,796,291**	**$ 243,313,525**	**$ 20,517,234**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City considered many factors when developing and adopting the budget for fiscal year ending December 31, 2016. Two of these factors were State and local economies. The unemployment rate in Tompkins County continues to be the lowest in the State. However, the City is expecting a difficult and uncertain economic environment for the next few years. In addition, New York State retirement costs continue to be high, although lower rates are forecast. Higher health care costs, a high debt load and related debt service costs, higher labor costs, uncertain sales tax collections, and level State aid payments are all factors that will strain future budgets. Projects inside the City slated for development continue to be active which is a positive sign for the future. While it will take time to complete these projects, future development and related property taxes in the City look strong.

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

Sales Tax: Commercial development will continue to be active in the City during 2016 and 2017. In 2015, we ended up less than 1% below our $13,425,000 budget. We budgeted a 1.9% increase in sales tax for 2016. We are running slightly below budget in 2016. In 2017, we budgeted $13,700,000. Trying to pinpoint sales tax revenue is difficult due to the uncertain economic climate and changes in the City's development activity. We expect a moderate increase in sales tax.

Taxable Assessments: Based on continued development in the City, we expect to see increasing assessments for the next few years. The 2016 taxable assessments will increase by 1.70%, and the 2017 taxable assessments will increase by 9.18%. Our tax rate for 2016 will remain unchanged at $12.89. The 2017 tax rate will decrease to $12.04.

Building Permits: In 2016, we budgeted $800,000 in building permit revenues, which will exceed the budget. For 2017, the budget was increased to $842,000. As a result of ongoing City development, we expect building permit revenue to be higher in 2016 and 2017.

Cornell University Contribution: The City and Cornell University signed an amended memorandum of understanding in November 2003. The current memorandum with Cornell runs through 2023-2024. Cornell University contributions are now adjusted by the Consumer Price Index (CPI). The total 2016 contribution increased by 0.10% due to a positive CPI. The 2016 contribution was $1,291,920. The CPI is estimated to be 1% for 2017.

Employee Pension Rates: Our 2016 employee retirement pension amount was $4,742,230, which is fully budgeted. This represents a $(165,309) decrease from 2015 contribution levels. New York State pension rates are expected to remain high for the next few years. Overall, the City expects current staffing levels to be maintained with labor costs slowly increasing.

Health Insurance Costs: Health insurance costs continue to increase. The estimated premium cost for health insurance is expected to increase by 5% in 2017, but will be partially offset by employee contributions. Our premium rates increased 3% in 2016. 2016 health insurance claim cost exceeded $11.7 million prior to employee contributions. We continue to participate in a health insurance consortium which will, hopefully, stabilize our premium rates in the near future. We continue to look at various opportunities to make changes to our current health plan in hopes of realizing further cost savings and cost control measures.

Debt Service Costs: The debt load for the City continues to be high. Our outstanding debt, including installment debt, at December 31, 2016 was $130,213,588. Recent large projects include the Water Treatment Plan rebuild, which will be complete in 2017, the Commons Improvement Project and various upgrades to the Wastewater Treatment Plant. We have leveraged large amounts of State and Federal aid for many of these projects, including the Commons, wastewater, various bridge and street projects, to keep the City cost share as low as possible. Many of the City's facilities are in need of upgrades and renovations. A committee is reviewing all City facilities to determine the most cost effective approach to improving our buildings. A concentrated effort to reduce the overall debt load is on-going. However, with many infrastructure improvements necessary in the City and the ongoing need to limit tax rates, reducing debt will be a challenge.

Cayuga Parking Garage: Under a complicated agreement, the City is obligated to pay the deficit of operations related to the Cayuga Parking Garage, at a total cost of $19 million. The 2017 payment for the garage will be $1,050,000. The 2016 payment was $1,075,000. We expect this payment to become constant over time at approximately $1,000,000, annually.

Tax Exempt Property: The City has an exceptionally high tax exempt property rate, primarily related to Cornell University. Since 1991, the tax exempt property rate in the City ranged from 56% and 72%; for 2016 the percentage of tax exempt property inside the City was 59.13%. As a result of the high rate, the remaining tax base must pick up a majority of the overall City operating costs. The City continues to discuss this problem with both Cornell University and New York State to search for some mitigation to the problem. However, this on-going issue leaves our tax rate high.

State Revenue Aid: New York State cut the City's annual state general revenue aid in the early 1990's by over $1 million. Since that time the City has struggled to recover financially. Aid payments to the City remained fairly constant until 2005 when general revenue aid started increasing. Although the State promised increase aid to municipalities for several more years, the current weak economic climate has made it impossible for the State to keep that promise. State aid began decreasing in 2009 and is expected to remain flat or decrease over the next several years. In 2016, State general revenue aid was $2,610,000. This amount is comparable to State aid in 1991. After considering inflation, our payment should be approximately $4.9 million, and we believe the State needs to adjust the aid formula to account for tax exempt property.

The above items were taken into account when adopting the General Fund Budget for fiscal year ending December 31, 2016.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF ITHACA

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities
ASSETS	
Current Assets	
Cash and cash equivalents	$ 37,495,009
Restricted cash and cash equivalents	653,963
Investments	1,806,203
Taxes receivable, net	741,149
Due from state and federal governments	5,010,472
Due from other governments	1,029,695
Other receivables, net	3,730,559
Loans receivable, short-term portion	200,000
Inventories	791,322
Prepaid expenses	1,195,478
Total Current Assets	52,653,850
Noncurrent Assets	
Restricted cash and cash equivalents	8,646,087
Loans receivable, long-term portion	6,115,228
Equity interest in joint ventures	12,337,006
Capital Assets:	
Land and construction in progress	13,914,366
Depreciable capital assets, net	155,020,977
Total Noncurrent Assets	196,033,664
Total Assets	248,687,514
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	813,504
Pensions	4,332,877
Total Deferred Outflows of Resources	5,146,381

See Independent Auditor's Report and Notes to Financial Statements.

CITY OF ITHACA

STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities
LIABILITIES	
Current Liabilities	
Accounts payable	$ 2,229,738
Accrued liabilities	25,393
Due to other governments	727,533
Bond Anticipation Notes payable	60,815,625
Unearned revenue	209,488
Accrued interest payable	1,337,460
Retainage payable	616,027
Other	556,093
Current Portion of Long-term Liabilities	
Bonds payable	4,421,826
Lease obligations payable	352,994
Compensated absences	119,922
Total Current Liabilities	71,412,099
Long-term Liabilities	
Bonds payable	51,829,585
Lease obligations payable	1,991,687
Self-insurance liability	
Other postemployment benefits payable	118,847,438
Net pension liability - proportionate share	2,633,555
Compensated absences	2,300,893
Total Long-term Liabilities	177,603,158
Total Liabilities	249,015,257
DEFERRED INFLOWS OF RESOURCES	
Pensions	116,317
Total Deferred Inflows of Resources	116,317
NET POSITION	
Net investment in capital assets	71,375,876
Restricted, nonexpendable, for home and community services	49,279
Restricted, expendable, for home and community services	8,392,301
Restricted, expendable, for capital	6,519,735
Restricted, expendable, for culture and recreation	19,341
Restricted, expendable, for debt	3,706,659
Unrestricted (deficit)	(85,360,870)
Total Net Position	**$ 4,702,321**

See Independent Auditor's Report and Notes to Financial Statements

CITY OF ITHACA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
FUNCTIONS/PROGRAMS					
Governmental Activities:					
General governmental support	$ 9,236,521	$ 297,288	$ 613,631	$	$ (8,325,602)
Public safety	29,304,500	4,627,867	907,582		(23,769,051)
Transportation	11,215,338	2,466,983		3,508,090	(5,240,265)
Economic assistance and opportunity	61,000				(61,000)
Culture and recreation	10,583,291	1,805,858	398,272		(8,379,161)
Home and community services	17,921,397	13,478,508	948,850	790,500	(2,703,539)
Interest on long-term debt	2,598,906				(2,598,906)
Total Governmental Activities	**$ 80,920,953**	**$ 22,676,504**	**$ 2,868,335**	**$ 4,298,590**	(51,077,524)
GENERAL REVENUES					
Real property taxes					21,666,545
Real property tax items					856,719
Nonproperty tax items					14,562,774
Use of money and property					298,290
Sale of property and compensation for loss					312,403
Miscellaneous local sources					309,360
State sources					3,396,658
Change in equity interest in joint ventures					(589,777)
Total General Revenues and Contributions					40,812,972
Change in Net Position					(10,264,552)
Net Position - Beginning, as restated					14,966,873
Net Position - Ending					**$ 4,702,321**

See Independent Auditor's Report and Notes to Financial Statements.

CITY OF ITHACA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	Major Funds			
		Special Revenue Funds		
	General	**Water Fund**	**Sewer Fund**	**Special Grant Fund**
ASSETS				
Cash and cash equivalents - Unrestricted	$ 3,426,464	$ 850,144	$ 1,069,646	$ 889,987
Temporary investments	1,709,976	53,326	42,901	
Taxes receivable, net	741,149			
Due from other funds	629,777	50,732	1,219	
Due from state and federal governments	869,875			
Due from other governments	942,744		86,951	
Other receivables, net	491,529	985,079	1,626,803	15,923
Inventory	200,572	505,165	85,585	
Prepaid expenses	1,012,813	84,368	74,761	
Cash and cash equivalents - Restricted	387,165	3,680,310	2,452,260	2,074,073
Loans receivable, net				6,315,228
Total Assets	**$ 10,412,064**	**$ 6,209,124**	**$ 5,440,126**	**$ 9,295,211**
LIABILITIES				
Accounts payable	$ 290,759	$ 48,970	$ 28,609	$ 130,517
Accrued liabilities				25,393
Due to other funds	97,905	394,569	641,120	
Due to other governments	430,903		21,216	
Bond Anticipation Notes payable				750,000
Compensated absences	119,922			
Unearned revenue	209,488			
Other liabilities	538,991	17,019	83	
Total Liabilities	1,687,968	460,558	691,028	905,910
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	741,580		429,460	6,315,228
FUND BALANCES				
Nonspendable	1,213,385	589,533	160,346	
Restricted	387,165	3,680,310	2,452,260	2,074,073
Assigned	2,879,714	1,478,723	1,707,032	
Unassigned	3,502,252			
Total Fund Balances (Deficit)	7,982,516	5,748,566	4,319,638	2,074,073
Total Liabilities, Deferred Inflows of Resources and Fund Balances	**$ 10,412,064**	**$ 6,209,124**	**$ 5,440,126**	**$ 9,295,211**

See Independent Auditor's Report and Notes to Financial Statements

Major Funds Capital Projects Fund	Total Non-Major Governmental Funds	Total Governmental Funds
$ 30,801,738	$ 457,030	$ 37,495,009
		1,806,203
		741,149
928,062	3,204,639	4,814,429
4,140,597		5,010,472
		1,029,695
50,000	561,225	3,730,559
		791,322
	23,536	1,195,478
	706,242	9,300,050
		6,315,228
$ 35,920,397	**$ 4,952,672**	**$ 72,229,594**
$ 1,177,202	$ 553,681	$ 2,229,738
		25,393
3,611,361	69,474	4,814,429
	275,414	727,533
59,581,037		60,331,037
		119,922
		209,488
		556,093
64,369,600	898,569	69,013,633
		7,486,268
	72,815	2,036,079
	3,729,000	12,322,808
	609,095	6,674,564
(28,449,203)	(356,807)	(25,303,758)
(28,449,203)	4,054,103	(4,270,307)
$ 35,920,397	**$ 4,952,672**	**$ 72,229,594**

CITY OF ITHACA

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF POSITION
DECEMBER 31, 2015

Total Governmental Fund Balances		$ (4,270,307)
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets	$ 296,907,471	
Accumulated depreciation	(127,972,128)	168,935,343
Equity interests in joint ventures are not reported in the fund financial statements because they do not represent current resources. These are the investments in the City's joint ventures.		12,337,006
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		7,486,268
The City's proportionate share of the collective net pension liability is not reported in the Governmental Funds.		
ERS net pension liability - proportionate share		(2,633,555)
Deferred outflows of resources represent a consumption of net position that applies to future periods and, therefore, is not reported in the Governmental Funds. Deferred inflows of resources represent an acquisition of net position that applies to future periods and, therefore, is not reported in the Governmental Funds.		
ERS deferred outflows - pensions	$ 4,332,877	
ERS deferred inflows - pensions	(116,317)	4,216,560
Certain accrued expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities or deferred outflows in Governmental Funds.		
Accrued interest payable	$ (1,337,460)	
Premium on BANs	(484,588)	
Deferred charge on refunding	813,504	
Other postemployment benefits payable	(118,847,438)	
Retainage payable	(616,027)	
Compensated absences	(2,300,893)	(122,772,902)
Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.		(56,251,411)
Lease obligations payable are not due and payable in the current period and, therefore, are not reported in the funds.		(2,344,681)
Net Position of Governmental Activities		**$ 4,702,321**

See Independent Auditor's Report and Notes to Financial Statements

CITY OF ITHACA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Major Funds			
		Special Revenue Funds		
	General Fund	**Water Fund**	**Sewer Fund**	**Special Grant Fund**
REVENUES				
Real property taxes	$ 21,579,845	$	$	$
Real property tax items	853,694			
Nonproperty tax items	13,700,049			
Departmental income	4,364,269	4,902,232	6,031,663	
Intergovernmental charges	3,815,220		15,286	
Use of money and property	285,152	5,292	3,790	2,445
Licenses and permits	1,215,542			
Fines and forfeitures	1,012,575			
Sale of property and compensation for loss	452,649	16,203	10,560	
Miscellaneous local sources	1,480,970			649,868
Interfund revenues	241,153			
State sources	3,642,204			
Federal sources	303,588			930,238
Total Revenues	52,946,910	4,923,727	6,061,299	1,582,551
EXPENDITURES				
Current:				
General governmental support	4,974,125	103,301	126,570	
Public safety	13,899,310			
Transportation	5,079,695			
Economic assistance and opportunity	61,000			
Culture and recreation	5,389,853			
Home and community services	1,590,718	2,433,314	2,899,343	1,542,278
Employee benefits	16,121,150	878,391	861,196	
Debt Service:				
Principal	4,698,799	636,420	666,092	
Interest	2,025,943	301,367	271,833	
Capital outlay				
Total Expenditures	53,840,593	4,352,793	4,825,034	1,542,278
Excess of (Expenditures) Revenues	(893,683)	570,934	1,236,265	40,273
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	1,154,931	66,524		
Interfund transfers (out)	(98,000)	(427,880)	(353,000)	
Premiums on obligations				
BANs redeemed from appropriations				30,000
Payments to escrow agent				
Total Other Financing Sources (Uses)	1,056,931	(361,356)	(353,000)	30,000
Net Changes in Fund Balances	163,248	209,578	883,265	70,273
Fund Balances, Beginning	7,819,268	5,538,988	3,436,373	2,003,800
Fund Balances, Ending	**$ 7,982,516**	**$ 5,748,566**	**$ 4,319,638**	**$ 2,074,073**

See Independent Auditor's Report and Notes to Financial Statements

Major Funds Capital Projects Fund	Total Non-Major Governmental Funds	Total Governmental Funds
$	$	$ 21,579,845
		853,694
	865,750	14,565,799
	1,311,502	16,609,666
		3,830,506
	1,611	298,290
		1,215,542
		1,012,575
		479,412
108,000		2,238,838
		241,153
1,017,943		4,660,147
3,172,647		4,406,473
4,298,590	2,178,863	71,991,940
		5,203,996
		13,899,310
		5,079,695
		61,000
	598	5,390,451
	1,655,125	10,120,778
	351,302	18,212,039
	23,950	6,025,261
	401,636	3,000,779
23,971,867		23,971,867
23,971,867	2,432,611	90,965,176
(19,673,277)	(253,748)	(18,973,236)
206,000		1,427,455
(407,167)	(141,408)	(1,427,455)
	484,588	484,588
875,310		905,310
674,143	343,180	1,389,898
(18,999,134)	89,432	(17,583,338)
(9,450,069)	3,964,671	13,313,031
$ (28,449,203)	**$ 4,054,103**	**$ (4,270,307)**

CITY OF ITHACA

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2015

Net Change in Fund Balances - Total Governmental Funds		$ (17,583,338)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense and disposals in the current period. In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the sale of capital assets increase financial resources. The net effect is a loss on sale of capital assets on the Government-wide Statement of Activities vs. proceeds from the sale of capital assets on the Governmental Fund financial statements.		
Capital outlay	$ 28,977,772	
Depreciation expense	(9,361,680)	
Net book value of disposed assets	(547,296)	19,068,796
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(1,420,994)
Equity interests in joint ventures are not reported in the fund financial statements because they do not represent current resources. This is the change in the investments in the City's joint ventures.		(589,777)
Changes in the City's proportionate share of net pension liabilities have no effect on current financial resources and therefore are not reported in the Governmental Funds. In addition, changes in the County's deferred outflows and deferred inflows related to pensions do not effect current financial resources and are also not reported in the Governmental Funds.		
Deferred inflows, pensions	$ (116,317)	
Deferred outflows, pensions	454,980	
Net pension liability, proportionate share	1,031,959	1,370,622
Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which the issuance of new debt and BANs redeemed exceeded repayment of debt principal.		
BANs redeemed from appropriations	$ (905,310)	
Premium on debt issued	(484,588)	
Principal payments	6,025,261	4,635,363
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds.		
Change in accrued interest payable	$ (70,077)	
Change in compensated absences	155,136	
Change in other postemployment benefits payable	(16,302,233)	
Amortization of premium and deferred amounts on refunding of serial bonds	80,544	
Amortization of premium on Bond Anticipation Notes	391,406	(15,745,224)
Change in Net Position of Governmental Activities		**$ (10,264,552)**

See Independent Auditor's Report and Notes to Financial Statements

CITY OF ITHACA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2015

	Agency Fund
ASSETS	
Cash and cash equivalents - Unrestricted	$ 965,455
Total Assets	**$ 965,455**
LIABILITIES	
Agency liabilities	$ 965,455
Total Liabilities	**$ 965,455**

See Independent Auditor's Report and Notes to Financial Statements

CITY OF ITHACA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 1 **Summary of Significant Accounting Policies**

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

Financial Reporting Entity

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

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

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

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements Nos. 14 and 34.

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

The decision to include a potential component unit in the City's reporting entity is based on several criteria set forth in GASB Statement No. 14, as amended by GASB Statement Nos. 39, and 61 including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following has been included in the City's reporting entity.

Note 1 **Summary of Significant Accounting Policies - Continued**

Financial Reporting Entity - Blended Component Unit
Based on the foregoing criteria and the significant factors presented below, the Ithaca Urban Renewal Agency (IURA) is included in the reporting entity and is reflected as such as blended component unit in the financial statements, reported as a special revenue fund. The IURA is a public benefit corporation established in 1965 as an urban renewal agency. The Agency has a corporate identity separate from the City and is independently funded, but works in close conjunction with the City to revitalize urban neighborhoods and strengthen the local economy. The Agency is composed of the Mayor and four members appointed by the Mayor with the concurring approval of the Common Council. The Director of Planning and Development for the City of Ithaca serves as the Executive Director of the Agency.

Through a variety of means, including site acquisition and disposition, the Agency works to implement the Urban Renewal Plan that seeks to stabilize neighborhoods and enhance the vitality of the downtown and community. Through the City, the Agency applies for and receives various grants to address community development needs. On an annual basis, the Agency manages the City’s HUD Entitlement Grant award of Community Development Block Grant (CDBG) and Home Investment Partnerships Program (HOME) funds to undertake activities in the areas of housing, community facilities, public services, and economic development that benefit Ithaca’s low and moderate-income neighborhoods and households, or eliminate blighting conditions. In addition, the Agency administers various economic development loan programs, the Cherry Street Industrial Park, and leases to facilitate private/public real estate projects. Separate financial statements for the IURA can be obtained by contacting the IURA at 108 East Green Street, Ithaca. NY 14850.

Financial Reporting Entity - Joint Ventures

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

Note 1 **Summary of Significant Accounting Policies - Continued**

Financial Reporting Entity - Joint Ventures - Continued

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

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

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

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

Note 1 Summary of Significant Accounting Policies - Continued

Basic Financial Statements

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

Basic Financial Statements - Government-wide Financial Statements

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

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

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

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

Note 1 **Summary of Significant Accounting Policies - Continued**

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

The City records its transactions in the funds described below:

Governmental Funds
Governmental Funds are those through which most governmental functions are financed. The acquisition, use, and balances of expendable financial resources, and the related liabilities are accounted for through Governmental Funds. The measurement focus of the Governmental Funds is based upon determination of financial position and changes in financial position under the modified accrual basis of accounting. The following are the City's Governmental Funds:

Major Funds

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

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

Special Revenue Funds

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

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

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

Note 1 Summary of Significant Accounting Policies - Continued

Governmental Funds - Continued

Non-Major Funds

Special Revenue Funds

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

- Sidewalk Improvement District Fund - Accounts for revenues derived from property assessments for sidewalk improvement.

- Stormwater Drainage Fund - Accounts for revenues derived from property assessments for water and sewer drainage.

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

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

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

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

Fiduciary Fund Types

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

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

Note 1 **Summary of Significant Accounting Policies - Continued**

Basis of Accounting/Measurement Focus

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

- Accrual Basis - The Government-wide financial statements and Fiduciary Fund financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows, liabilities, and deferred inflows, including capital assets, as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

- Modified Accrual Basis - Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Material revenues that are accrued include real property taxes, state and federal aid, sales tax, and certain user charges. The City considers property tax receivables collected within 60 days after year end to be available and recognizes them as revenues of the current year. All other revenues deemed collectible within one year after year end are recognized as revenues in the current year. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

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

Unearned Revenues

The City reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the City before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the City has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

Note 1 Summary of Significant Accounting Policies - Continued

Deferred Outflows and Inflows of Resources

In addition to assets, the Statements of Net Position 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 and will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows related to pensions in the Statements of Net Position. The types of deferred outflows related to pensions are described in Note 8. The government also has a deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position and the Balance Sheet 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 so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two types of deferred inflow, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental fund Balance Sheet. The governmental fund reports unavailable revenues from loans receivable, water and sewer rents receivable not collected by year end, and property taxes not received within 60 days after year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City reports deferred inflows related to pensions which are further described in Note 8.

Inventory

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

Property Taxes

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

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

Note 1 **Summary of Significant Accounting Policies - Continued**

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

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

Capital Assets
All capital assets are valued at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets. Governmental capital assets purchased or acquired with an original cost of over $5,000 for buildings and infrastructure assets and $2,500 for machinery and equipment, and having a useful life of greater than one year are capitalized. The estimated useful lives for governmental capital assets are as follows:

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

No interest on construction in progress has been capitalized.

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

Note 1 Summary of Significant Accounting Policies - Continued

Vacation and Sick Leave and Compensatory Absences

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

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

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

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

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

Other Postretirement Benefits

In addition to providing pension benefits, the City provides health insurance coverage and survivor benefits for retired employees and their survivors in accordance with employment contracts. Substantially all of the City's employees may become eligible for these benefits if they reach normal retirement age while working for the City. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The City recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. The actual contribution (versus expected contribution) paid on behalf of 250 retirees for the year was $4,630,307 and recorded as an expenditure in the General Fund. For additional information, see Note 11.

Note 1 Summary of Significant Accounting Policies - Continued

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

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

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

Equity Classifications - Government-wide Financial Statements

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

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

- Restricted - Consists of resources 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 - Consists of all other resources that do not meet the definition of "restricted" or "net investment in capital assets."

Note 1 Summary of Significant Accounting Policies - Continued

Equity Classifications - Governmental Fund Financial Statements
Governmental Fund equity is classified as fund balance. Proprietary Fund equity is classified the same as in the Government-wide financial statements. Any capital gains or interest earned on reserve fund resources becomes part of the respective reserve fund. While a separate bank account is not necessary for each reserve fund, a separate identity for each reserve fund must be maintained.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable - Consists of assets 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 endowments principal.

- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the City's legally adopted reserves are reported here.

- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.

- Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

- Unassigned - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

Note 1 **Summary of Significant Accounting Policies - Continued**

Equity Classifications - Governmental Fund Financial Statements - Continued

The City has not adopted any resolutions to commit fund balance. Currently, fund balance is assigned by the City Controller for encumbrances and designations and the Common Council, by resolution, approves fund balance appropriations for next year's budget. The City has not formally adopted a policy defining the order in which to apply expenditures against fund balances. However, the City's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

Interfund Activity
Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Note 2 **Stewardship, Compliance, Accountability**

Deficit Fund Balances
The Refuse and Garbage Fund had a deficit fund balance of $(351,449) due to the current and previous years' excess of expenditures over revenue. The City continues to review the trash tag fee structure, yard waste expense, and route changes to find increasing revenue sources and cost efficiencies to balance the Solid Waste Fund. The General Fund will continue to provide funds necessary to balance the budget in the future. The current deficit reflects an increase of $2,763.

The Capital Fund had a deficit fund balance of $(28,449,203) due to the issuance of short term debt to fund capital improvements. This deficit will be eliminated when short-term debt is converted to long-term debt.

Note 3 **Cash and Investments**
The City's investment policies are governed by state statutes. In addition, the City has its own written investment policy. City monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. The Controller is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Note 3 **Cash and Investments - Continued**

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

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

Deposits and investments are valued at cost or cost plus interest. Total financial institution (bank) balances at December 31, 2015, per the banks, were $48,806,281, which were insured, and collateral, where required, was held by the City's agent in the City's name.

Cash restricted for General, Water, and Sewer Fund reserves are $387,165, $3,680,310, and $2,452,260, respectively. Other restricted cash consists of $2,074,073 in the Special Grant Fund for community development projects, $49,279 in the Permanent Fund, $653,963 in the Debt Service Fund, and $3,000 in the Miscellaneous Fund.

Investments consisted of a one year certificate of deposit with a cost and fair value of $1,806,203 at December 31, 2015.

Note 4 **Other Receivables**

Other receivables at December 31, 2015 are as follows:

Major Funds:	
General Fund:	
Accounts receivable	$ 487,719
Accrued interest receivable	3,810
Total General Fund	491,529
Special Revenue Funds:	
Water Fund:	
Water rents receivable	816,627
Accounts receivable	168,333
Accrued interest receivable	119
Total Water Fund	985,079

CITY OF ITHACA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 4 **Other Receivables - Continued**

Sewer Fund:	
Sewer rents receivable	$ 1,570,099
Accounts receivable - Special assessments	56,610
Accrued interest receivable	94
Total Sewer Fund	1,626,803
Special Grant Fund:	
Accounts receivable - Reimbursements	15,923
Capital Fund:	
Accounts receivable	50,000
Non-Major Funds:	
Special Revenue Funds:	
Urban Renewal Agency Fund - Due from developer	398,079
Refuse and Garbage Fund - Fees	15,000
Stormwater Drainage Fund	148,146
Total Other Receivables - Government Activities	**$ 3,730,559**

Note 5 **Property Taxes**

At December 31, 2015, total real property tax assets of $741,149 are offset by deferred tax revenue of $741,580 in the General Fund. In the Statement of Net Position, these assets are not deferred.

Note 6 **Sales Taxes and Collection**

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

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

Note 6 **Sales Taxes and Collection - Continued**

Net collections, meaning monies collected after deducting expenses of administration and collections and amounts refunded or to be refunded, but inclusive of any applicable penalties and interest, are paid by the State to the City and the County, respectively. In 2015, direct payments from this source aggregated $13,315,151, and were credited to the General Fund. These funds were used to finance general City expenses.

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

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

Note 7 **Property and Equipment**

A summary of changes in capital assets at December 31, 2015 follows:

Governmental Activities	**Balance at 12/31/14**	**Additions**	**Deletions**	**Balance at 12/31/15**
Non-depreciable Capital Assets:				
Land	$ 13,739,191	$ 86,700	$ (527,552)	$ 13,298,339
Construction in progress	13,319,163	616,027	(13,319,163)	616,027
Total Non-depreciable Capital Assets	27,058,354	702,727	(13,846,715)	13,914,366
Depreciable Capital Assets:				
Buildings and improvements	64,987,608	25,229,610		90,217,218
Machinery and equipment	22,042,672	1,365,797	(347,443)	23,061,026
Infrastructure	154,716,060	14,998,801		169,714,861
Total Depreciable Capital Assets	241,746,340	41,594,208	(347,443)	282,993,105
Total Historical Cost	268,804,694	42,296,935	(14,194,158)	296,907,471
Less Accumulated Depreciation:				
Buildings and improvements	(39,267,888)	(3,609,238)		(42,877,126)
Machinery and equipment	(14,733,359)	(1,123,388)	327,699	(15,529,048)
Infrastructure	(64,936,900)	(4,629,054)		(69,565,954)
Total Accumulated Depreciation	(118,938,147)	(9,361,680)	327,699	(127,972,128)
Total	**$ 149,866,547**	**$ 32,935,255**	**$ (13,866,459)**	**$ 168,935,343**

Note 7 Property and Equipment - Continued

Depreciation expense was charged to functions as follows:

Governmental Activities	
General governmental support	$ 122,177
Public safety	791,267
Transportation	5,629,846
Culture and recreation	920,980
Home and community services	1,897,410
Total	**$ 9,361,680**

Note 8 Pension Obligations

For the fiscal year ended December 31, 2015, the City implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." The implementation of the Statements requires the City to report as a liability its portion of the collective net pension liability in the New York State Employees' Retirement System. The implementation of the Statements also requires the City to report a deferred outflow and/or inflow of resources for the effect of the net change in the City's proportion of the collective net pension liability and difference during the measurement period between the City's contributions and its proportionate share of total contributions to the pension system not included in pension expense. Also included as a deferred outflow is the City's contributions to the pension system subsequent to the measurement date.

Plan Descriptions and Benefits Provided

The City participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS), which are collectively referred to as the New York State and Local Retirement System (the System). Net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all assets and record changes in fiduciary net position allocated to the System. Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller.

Note 8 Pension Obligations - Continued

Plan Descriptions and Benefits Provided - Continued

The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Generally, members of the System are employees of the State and its municipalities, other than New York City.

ERS and PFRS are cost-sharing, multiple-employer defined benefit pension plans. The System is Included in the State's financial report as a pension trust fund. The Public Employees' Group Life Insurance Plan (GLIP) provides death benefits in the form of life insurance. In these statements, GLIP amounts are apportioned to and included in ERS and PFRS.

Separately issued financial statements for the System can be accessed on the Comptroller's website at http://www.osc.state.ny.us/pension/cafr.htm or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

Members who joined the System prior to January 1, 2010 need five years of service to be 100% vested. Members who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) require ten years of service credit to be 100% vested.

Generally, Tier 1 and 2 members are not required to contribute to the System, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Note 8 **Pension Obligations - Continued**

Summary of Significant Accounting Policies - Continued
The System's financial statements from which the System's fiduciary net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions.

Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the System's annual report.

Contributions
Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller. The City's contributions for the current year and two preceding Plan years were equal to 100% of the contributions required, and were as follows:

	2015	2014	2013
ERS	$ 2,593,977	$ 2,389,257	$ 2,352,331
PFRS	2,627,479	2,986,315	2,959,440

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At December 31, 2015, the City reported the following liability for its proportionate share of the net pension liability for the System. Net pension liability was measured as of March 31, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the System relative to the projected contributions of all participating members, actuarially determined. This information was derived from a report provided to the City by the System.

	ERS	**PFRS**
Actuarial valuation date	04/01/2014	04/01/2014
Net pension liability	$ 3,378,245,000	28,474,417,000
City's proportionate share of the Plan's total net pension liability	1,816,705	816,850

Note 8 **Pension Obligations - Continued**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

For the year ended December 31, 2015, the City recognized pension expense of $91,749 for ERS in the financial statements. At December 31, 2015 the City's reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	ERS	PFRS
Deferred Outflows of Resources:		
Differences between expected and actual experience	$ 58,155	$ 98,507
Net differences between projected and actual earnings on pension plan investments	315,539	274,244
Changes in proportion and differences between the City's contributions and proportionate share of contributions		
City's contributions subsequent to the measurement date	1,754,370	1,832,062
Total Deferred Outflows of Resources	**$ 2,128,064**	**$ 2,202,813**
Deferred Inflows of Resources:		
Changes in proportion and differences between the City's contributions and proportionate share of contributions	$ 48,714	$ 67,603
Total Deferred Inflows of Resources	**$ 48,714**	**$ 67,603**

City contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	ERS	PFRS
2016	$ 81,245	$ 74,742
2017	81,245	74,742
2018	81,245	74,742
2019	81,245	74,742
2020		6,180
Thereafter		

Note 8 **Pension Obligations - Continued**

Actuarial Assumptions
The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Significant actuarial assumptions used in the valuations were as follows:

	ERS	**PFRS**
Measurement date	March 31, 2015	March 31, 2015
Actuarial valuation date	April 1, 2014	April 1, 2014
Interest rate	7.5%	7.5%
Salary scale	4.9%	6.0%
Decrement tables	April 1, 2005 - March 31, 2010 System's Experience	April 1, 2005 - March 31, 2010 System's Experience
Inflation rate	2.7%	2.7%

For ERS and PFRS, annuitant mortality rates are based on April 1, 2005 - March 31, 2011 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 - March 31, 2010.

The 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 the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

Note 8 Pension Obligations - Continued

Actuarial Assumptions - Continued

	NYSLRS
Measurement date	March 31, 2015
Asset Type:	
Domestic equities	7.3%
International equities	8.5%
Real estate	8.3%
Private equity/Alternative investments	11.0%
Absolute return strategies	6.8%
Opportunistic portfolio	8.6%
Real assets	8.7%
Cash	2.3%
Inflation-indexed bonds	4.0%
Mortgages and bonds	4.0%

Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions form plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially. Based on 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 presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower than the current rate:

ERS	**1% Decrease (6.5%)**	**Current Assumption (7.5%)**	**1% Increase (8.5%)**
City's proportionate share of the net pension liability	$ 12,109,125	$ 1,816,705	$ (6,872,649)

CITY OF ITHACA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 8 **Pension Obligations - Continued**

Sensitivity of the Proportionate Share of the Net Pension (Asset) Liability to the Discount Rate Assumption - Continued

PFRS		1% Decrease (6.5%)	Current Assumption (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	$	10,875,935	$ 816,850	$ (7,613,270)

Pension Plan Fiduciary Net Position
The components of the current-year net pension liability of the employers as of the respective valuation dates were as follows:

		Dollars in Thousands ERS	Dollars in Thousands PFRS
Valuation date		April 1, 2014	April 1, 2014
Employers' total pension liability	$	164,591,504	28,474,417
Plan net position		(161,213,259)	(28,199,157)
Employers' Net Pension Liability	**$**	**3,378,245**	**275,260**
Ratio of Plan Net Position to the Employers' Total Pension Liability		97.9%	99.0%

Note 8 **Pension Obligations - Continued**

Effect on Net Position

Changes in the net pension liability and deferred outflows and inflows of resources for the year ended December 31, 2015 resulted in the following effect on net position:

ERS	Beginning Balance	Change	Ending Balance
Net pension liability	$ (2,430,089)	$ 613,384	$ (1,816,705)
Deferred outflows of resources	1,925,021	203,043	2,128,064
Deferred inflows of resources	-	(48,714)	(48,714)
Total	**$ (505,068)**	**767,713**	**262,645**

PFRS	Beginning Balance	Change	Ending Balance
Net pension liability	$ (1,235,425)	$ 418,575	$ (816,850)
Deferred outflows of resources	1,952,876	251,937	2,204,813
Deferred inflows of resources	-	(67,603)	(67,603)
Total	**$ 717,451**	**$ 602,909**	**$ 1,320,360**

Restatement of Net Position

For the fiscal year ended December 31, 2015, the City implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." The implementation of these new accounting standards resulted in the reporting of deferred outflows of resources, a liability, and deferred inflows of resources related to the City's participation in the New York State Employees' retirement system. The City's net position has been restated as follows:

Net Position Beginning of Year, as Previously Stated	$ 14,768,352
GASB Statement No. 68 implementation:	
Beginning system liability - ERS	(2,430,089)
Beginning system liability - PFRS	(1,235,425)
Beginning deferred outflow of resources for contributions subsequent to the measurement date - ERS	1,925,021
Beginning deferred outflow of resources for contributions subsequent to the measurement date - PFRS	1,952,876
Effect of GASB 68 implementation on Ithaca Area Wastewater Treatment Plant	(13,862)
Net Position Beginning of Year, as Restated	**$ 14,966,873**

Note 9 **Short-term Debt**

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

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

Summary of Bond Anticipation Notes

As of December 31, 2015, the Bond Anticipation Notes, including issue and maturity dates and interest rates, consisted of the following:

Description of Issue	Date of Issue	Final Maturity	Interest Rate	Payable to Maturity
Public Improvement	2015	2016	1.50%	$ 28,244,398
Public Improvement	2015	2016	1.00%	30,426,639
Public Improvement	2015	2016	1.50%	910,000
IURA	2015	2016	1.88%	750,000
Subtotal Bond Anticipation Notes				60,331,037
Add unamortized premium				484,588
Total Bond Anticipation Notes				**$ 60,815,625**
IAWWTP				
Waste Water Improvement	2015	2016	1.00%	$ 6,693,908
Waste Water Improvement	2015	2016	.75%	4,961,589
Total IAWWTP Bond Anticipation Notes				**$ 11,655,497**

Note 9 Short-term Debt - Continued

Housing and Urban Development Debt - BAN
The Ithaca Urban Renewal Agency renewed a Neighborhood Housing Initiative Program BAN in the amount of $750,000 on April 17, 2015 at an interest rate of 1.88% per annum, with a maturity date of April 15, 2016.

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

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

Revenue Anticipation Notes (RANs) are typically issued to provide working capital. There were no RANs issued or redeemed during 2015.

Interest on short-term debt for the year ended December 31, 2015 is as follows:

Interest paid	$ 515,278
Less: Interest accrued in the prior year	(257,348)
Plus: Interest accrued in the current year	329,156
Less: Amortization of BAN premium	(391,406)
Total	**$ 195,680**

Note 10 Long-term Debt

At December 31, 2015, the total outstanding indebtedness of the City, including the debt of the IAWWTP aggregated $117,478,685. Of this amount, $76,693,080 was subject to the constitutional debt limit and represented approximately 69% of its debt limit.

Note 10 **Long-term Debt - Continued**

Serial Bonds

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

On June 5, 2012 the City issued $8,530,000 of general obligation bonds, with interest rates ranging between 2.00% and 4.00%, pursuant to a Refunding Bond Resolution duly adopted by the Council on October 5, 2011. The City issued the bonds to advance refund $8,720,000 of the $9,845,000 outstanding balance of the 2001 and 2004 serial bonds with interest rates of 3.25% to 4.50%. The City used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the $8,720,000 in bonds is considered defeased and the liability has been removed from the City's financial statements. The present value of the total debt service savings to the City was $497,299 at the date of issuance. The outstanding principal of the defeased bonds was $4,755,000 at December 31, 2015.

On September 3, 2014, the City issued $9,945,000 of general obligation bonds, with interest rates ranging between 2.00% and 4.00%, pursuant to a Refunding Bond Resolution duly adopted by the Council on July 2, 2014. The City issued the bonds to advance refund $10,360,000 of the $12,175,000 outstanding balance of the 2007 serial bonds with interest rates of 4.00% to 4.25%. The City used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the $10,360,000 in bonds is considered defeased and the liability has been removed from the City's financial statements. The present value of the total debt service savings to the City was $728,360 at the date of issuance. The outstanding principal of the defeased bonds was $9,920,000 at December 31, 2015.

Note 10 **Long-term Debt - Continued**

Other Long-term Debt and Liabilities
In addition to the above long-term debt, the City had the following non-current liabilities:

- Compensated Absences - Represents the unfunded value of the liability for compensated absences and is liquidated in the General, Water, Sewer, and Refuse and Garbage Funds.

- Other Postemployment Benefits Payable - Represents the liability for future health insurance benefits. See Note 3.B.4 for more information.

- Lease Obligations Payable - Represents the amount outstanding on a capital lease for energy improvements. The gross amount of assets in the Statement of Net Position recorded under capital leases is $4,746,465, which is recorded under buildings and the associated accumulated amortization, which is reported in depreciation expense, of these assets, is $1,169,037.

- Pension Liabilities - Represents the City's proportionate share of the ERS and PFRS retirement systems. See Note 8 for information concerning deferred outflows and inflows of resources associated with this liability.

Changes in Indebtedness and Other Long-term Liabilities
The following is a summary of changes in the City's indebtedness and long-term liabilities for the period ended December 31, 2015:

Description	Balance 12/31/14	New Issues/ Additions	Maturities/ Payments	Balance 12/31/15	Due Within One Year
General obligation and statutory installment bonds	$ 59,409,477	$	$ (4,606,510)	$ 54,802,967	$ 4,235,190
Add premium	1,635,080		(186,636)	1,448,444	186,636
Total Bonds	61,044,557	-	(4,793,146)	56,251,411	4,421,826
BANs	49,883,887	60,456,347	(50,009,197)	60,331,037	60,331,037
Add unamortized premium	391,406	484,588	(391,406)	484,588	484,588
Total BANs	50,275,293	60,940,935	(50,400,603)	60,815,625	60,815,625
Lease obligations payable	2,689,771		(345,090)	2,344,681	352,994
Liability for other postemployment benefits	102,545,205	19,638,677	(3,336,444)	118,847,438	
Pension liabilities	3,665,514		(1,031,959)	2,633,555	
Compensated absences	2,575,951		(155,136)	2,420,815	119,922
Total	**$ 222,796,291**	**$ 80,579,612**	**$ (60,062,378)**	**$ 243,313,525**	**$ 65,710,367**

CITY OF ITHACA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 10 **Long-term Debt - Continued**

Summary of Serial Bonds

As of December 31, 2015, the Serial Bonds, including issue and maturity dates and interest rates, consisted of the following:

Description of Issue	Date of Issue	Final Maturity	Interest Rate		Payable to Maturity
1998 EFC Bonds	1998	2017	5.05%	$	175,000
1998 EFC Bonds	1998	2017	5.05%		40,000
2000 Water Treatment Improvement	2000	2020	5.50%		340,000
2001 Statutory Installment Bond	2001	2017	4.64%		158,260
2008 Public Improvement	2008	2023	4.00%		3,510,000
2008 Parking Garage	2008	2032	6.63%		3,230,000
2009 Parking Garage	2009	2024	5.63%		765,000
2010 Public Improvement	2010	2034	5.00%		6,855,000
2010 Public Improvement	2010	2027	4.00%		7,923,700
2012 Refunding Bonds	2012	2015	2.00%		4,755,000
2013 Public Improvement	2013	2037	3.00%		13,318,900
2013 Public Improvement	2013	2023	2.00%		150,000
2013 Public Improvement	2013	2035	3.00%		2,737,107
2014 Refunding Bonds	2007	2025	4.13%		10,845,000
Subtotal Bonds					54,802,967
Add unamortized premium					1,448,444
Total Bonds				**$**	**56,251,411**
IAWWTP					
Phosphorous Removal Improvements	2005	2035	3.349%	$	1,625,000
Plant Improvements	2010	2027	3.00%		1,021,300
Energy Upgrades	2013	2037	3.00%		2,856,100
Plant Improvements	2013	2035	3.00%		117,893
IAWWTP Total Bonds				**$**	**5,620,293**

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

Note 10 **Long-term Debt - Continued**

Debt Maturity Schedule

The following table summarizes the City's future debt service requirements as of December 31, 2015:

Year Ending	Bonds		onds and BANs	
December 31,	Principal	Interest	Principal	Interest
2016	$ 4,235,190	$ 2,226,158	$ 64,566,227	$ 2,868,018
2017	4,383,904	2,062,114	4,383,904	2,062,114
2018	4,352,313	1,892,917	4,352,313	1,892,917
2019	3,641,230	1,739,252	3,641,230	1,739,252
2020	3,796,390	1,658,295	3,796,390	1,658,295
2021-2025	17,080,900	5,607,002	17,080,900	5,607,002
2026-2030	8,648,910	2,830,072	8,648,910	2,830,072
2031-2035	7,074,940	1,018,252	7,074,940	1,018,252
2036-2037	1,589,190	74,154	1,589,190	74,154
Total	**$ 54,802,967**	**$ 19,108,216**	**$ 115,134,004**	**$ 19,750,076**

The following is a statement of installment purchase debt with corresponding maturity schedules.

Description of Issue	Date of Issue	Final Maturity	Interest Rate	Payable to Maturity
2007 Energy Improvements	2007	2017	0.03%	$ 198,700
2007 Energy Improvements	2007	2022	4.03%	760,737
Water Meter Replacement	2009	2023	2.68%	1,385,244
Total				**$ 2,344,681**

Note 10 **Long-term Debt - Continued**

The following table summarizes the City's future lease obligation requirements as of December 31, 2015:

Year Ending December 31,	Capital Lease Principal	Capital Lease Interest
2016	$ 352,994	$ 66,899
2017	361,161	58,732
2018	270,205	50,299
2019	278,897	41,608
2020	287,881	32,624
2021-2025	793,543	42,163
Total	**$ 2,344,681**	**$ 292,326**

The following table summarizes the future debt service requirements of the Wastewater Treatment Plant joint venture, less interest subsidies, as of December 31, 2015:

Year Ending December 31,	Bonds Principal	Bonds Interest
2016	$ 227,140	$ 166,636
2017	237,026	160,119
2018	242,687	153,350
2019	248,770	146,363
2020	258,610	138,578
2021-2025	1,419,100	565,997
2026-2030	1,336,090	339,558
2031-2035	1,310,060	179,464
2036-2037	340,810	10,566
Total	**$ 5,620,293**	**$ 1,860,631**

Interest on long-term debt for the year ended December 31, 2015 is as follows:

Interest paid	$ 2,485,501
Less: Interest accrued in the prior year	(1,010,035)
Plus: Interest accrued in the current year	1,008,304
Plus: Amortization of deferred amounts	106,092
Less: Amortization of premium	(186,636)
Total	**$ 2,403,226**

Note 11 **Postemployment Benefits Other Than Pensions**

An actuarial valuation of the Plan was performed as of January 1, 2014 using the projected unit cost method.

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

The contribution requirements of Plan members and the City are established and may be amended by the City Council. The City Council has negotiated several collective bargaining agreements, which include obligations of Plan members and the City. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended December 31, 2015, the City had expected employer contributions of $3,336,444 to the Plan for current premiums. Plan members receiving benefits may be required to contribute to the Plan depending on their collective bargaining unit.

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and accumulate sufficient total accruals for all postretirement benefits when due.

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

Annual required contribution	$	22,173,620
Interest on net OPEB obligation		4,101,808
Adjustment to annual required contribution		(6,636,751)
Total Annual OBEB Cost (expense)		19,638,677
Contributions made (expected)		(3,336,444)
Increase in Net OPEB Obligation		16,302,233
Net OPEB Obligation - January 1, 2015		102,545,205
Net OPEB Obligation - December 31, 2015	**$**	**118,847,438**

Note 11 Postemployment Benefits Other Than Pensions - Continued

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2015, 2014, and 2013 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	$ 19,638,677	17.0%	$ 118,847,438
12/31/2014	18,646,100	16.8%	102,545,205
12/31/2013	18,317,041	15.7%	87,025,062

Funded Status and Funding Progress - As of December 31, 2015, the Plan was not funded. Actuarial accrued liability for benefits was $197,854,620; there are no assets legally segregated for the Plan. The covered payroll (annual payroll of active employees covered by the Plan) was $26,658,151 and the ratio of the Unfunded Actuarial Accrued Liability (UAAL) to the covered payroll was 742.2%.

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

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

In the January 1, 2014, Actuarial Valuation Report, the projected unit credit method was used. The actuarial value of assets was determined as the accumulation of prior accruals, less benefits paid. Actuarial assumptions included an annual discount rate of 4%. Additional actuarial assumptions included an annual medical cost trend rate of 6.5%, decreased by decrements to a trend rate of 4.2% in 2084, using the SOA Long-Run Medical Cost Trend Model.

Note 11 Postemployment Benefits Other Than Pensions - Continued

Interfund Receivables and Payables

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

Interfund receivables and payables at December 31, 2015 were as follows:

	Interfund Receivables	Interfund Payables	Interfund Revenue	Interfund Expense
General Fund	$ 629,777	$ 97,905	$ 1,154,931	$ 98,000
Water Fund	50,732	394,569	66,524	427,880
Sewer Fund	1,219	641,120	-	353,000
Capital Projects Fund	928,062	3,611,361	206,000	407,167
Non-Major Funds	3,204,639	69,474		141,408
Total	**$ 4,814,429**	**$ 4,814,429**	**$ 1,427,455**	**$ 1,427,455**

CITY OF ITHACA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 12 Fund Equity

Fund Balances - Fund Balance Detail

At December 31, 2015, fund balance in the governmental funds was comprised of the following:

	General Fund	Water Fund	Sewer Fund	Special Grant Fund	Capital Fund	Non-Major Funds
Nonspendable						
Prepaid expenses	$ 1,012,813	$ 84,368	$ 74,761	$	$	$ 23,536
Inventory	200,572	505,165	85,585			
Permanent Fund balance						49,279
Total Nonspendable Fund Balance	**$ 1,213,385**	**$ 589,533**	**$ 160,346**	**$ -**	**$ -**	**$ 72,815**
Restricted						
Capital reserves	$ 387,165	$ 3,680,310	$ 2,452,260	$	$	$
Unspent grant funds				2,074,073		
Miscellaneous						22,341
Debt						3,706,659
Total Restricted Fund Balance	**$ 387,165**	**$ 3,680,310**	**$ 2,452,260**	**$ 2,074,073**	**$ -**	**$ 3,729,000**
Assigned						
Appropriated for next year's budget	$ 477,699	$	$	$	$	$
Encumbered for:						
General government	274,029					
Public safety	148,998					
Transportation	38,663					
Culture and recreation	81,429					
Home and community services	48,920					
Assigned for insurance	1,709,976	53,326	42,901			
Assigned for workers' compensation	100,000					
Remaining fund balance:						
Transportation						
Home and community services		1,425,397	1,664,131			609,095
Total Assigned Fund Balance	**$ 2,879,714**	**$ 1,478,723**	**$ 1,707,032**	**$ -**	**$ -**	**$ 609,095**

Note 12 **Fund Equity - Continued**

Reconciliation between Restricted Fund Balance and Restricted Net Position
Restricted fund balances and restricted net position differ because loans receivable in the Special Grant Fund are deferred in the fund financial statements, and reported as restricted in the Statement of Net Assets. Additionally, fund balance in the Permanent Fund is reported as restricted, nonexpendable in the Statement of Net Position and nonspendable in the fund financial statements.

Restricted fund balance in the fund financial statements	$	12,322,808
Add loans receivable in the Special Grant Fund		6,315,228
Add Permanent Fund balance		49,279
Restricted net position in the government-wide financial statements	**$**	**18,687,315**

Miscellaneous Fund Equity
Fund equity for the Miscellaneous Fund includes funds established for the following purposes:

Purpose:		
Cemetery maintenance	$	3,000
Stewart Park landscaping		17,796
Stewart Park carousel		942
Rick Gray memorial		585
Moore		18
Total	**$**	**22,341**

Note 13 **Joint Ventures**
The following is the activity undertaken jointly with another municipality. Except for their equity interest in the joint venture, this activity is excluded from the financial statements of the participating municipalities. Separate financial statements are issued for this joint venture and may be obtained from their administrative office.

Note 13 **Joint Ventures - Continued**

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

1. TCAT is governed by a Board of Directors consisting of nine voting members with three members being appointed by each participant in the venture. The General Manager of TCAT is a non-voting ex-officio member of the Board. In addition, the nine voting members of the Board select five additional non-voting, ex-officio members.

2. Interest of each party in surpluses, losses, property, and in debt acquired by TCAT shall be shared equally.

3. Each party makes an annual contribution of equal amounts to the venture. The City's contribution for 2015 was $829,432. For 2016, the contribution will be $837,432.

4. The financial statements of TCAT are audited annually and may be obtained from their administrative office. The following is an audited summary of financial information included in financial statements for the joint venture as of December 31, 2015:

	Year Ending 12/31/15
Total assets	$ 14,941,196
Total liabilities	2,664,242
Joint venture equity	12,276,954
Total revenues	15,549,412
Total expenses	14,527,244

Ithaca Area Wastewater Treatment Plant
The following is an activity undertaken jointly with other municipalities. The financial statements of the Ithaca Area Wastewater Treatment Plant may be obtained from their administrative office.

Note 13 **Joint Ventures - Continued**

The City and Towns of Ithaca and Dryden jointly own the Ithaca Area Wastewater Treatment Plant. The venture operates under the terms of an agreement dated 1981. The agreement is for a period of 25 years. An updated agreement was signed in 2003 and remains in effect until 2035, the year debt associated with phosphorous removal is paid off. Significant provisions of the agreement are as follows:

1. The Boards of each municipality jointly act as the governing body for the joint venture.

2. Debt for capital cost is issued by each participant in the following ratios:

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

   Debt issued by the City for the joint venture is shown in Notes 9 and 10.

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

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

	Year Ending 12/31/15
Total assets	$ 35,050,927
Total liabilities	20,736,292
Joint venture equity	14,428,926
Total revenues	3,646,606
Total expenditures	5,277,678

Note 14 **Public Entity Risk Pool**

Risk Financing

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

Note 14 **Public Entity Risk Pool - Continued**

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

During the year ended December 31, 2015, the City incurred premiums or contribution expenditures totaling $1,317,195.

General Information

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

Judgments and Claims

The City and/or its agencies are named in several lawsuits, some of which are for substantial amounts. Most of these claims are either adequately covered by insurance or, in the opinion of City officials, will not result in material judgments against the City or will not be pursued and, therefore, are not expected to have a material effect on the basic financial statements. There is one claim outstanding that could result in a material judgment against the City. However, the amount and probability of the claim cannot be determined at this time; therefore, no amount has been accrued in the financial statements.

State and Federally Assisted Programs

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

Other Contingencies

As described in Note 4, the City is a partner in TCAT, a joint venture, and shares equally in surpluses or losses. The City may, in the future, be required to provide additional resources to finance its share of any operating deficits of TCAT. However, that amount, if any, for the year ended December 31, 2015 is undeterminable as of this report date.

Note 15 **Letter of Credit**

Under its third party agreement for workers' compensation, the City is required to maintain a $525,000 letter of credit as collateral for payment of workers' compensation obligations. At December 31, 2015, the City had not utilized this letter of credit.

Note 16 **Restatement of Sewer Fund Balance**

During the year, the City changed its revenue recognition policy for recognizing water and sewer rents. The effect of this change in accounting policy is to restate beginning fund balance in the Sewer Fund by $3,857,618, from $4,278,863 to $3,436,373.

Note 17 **Subsequent Events**

On February 19, 2016, the City issued $18,943,221 of serial bonds with various years of maturity; February 15, 2017-2046. The proceeds of the Bonds, along with $718,009 in available funds, will redeem a $19,662,130 portion of the $35,388,288 BAN's outstanding which mature on February 19, 2016.

On February 19, 2016, the City issued $20,306,900 of BAN's due February 17, 2016. The proceeds of the notes, along with $187,275 in available monies, will redeem $207,241 of the $910,000 BAN's maturing February 19, 2016 and redeem $15,550,377 of the $35,388,288 BAN's outstanding which mature on February 19, 2016 and provide $4,553,940 in new monies for various public improvement projects.

On February 19, 2016, the City issued $700,000 of federally taxable BAN's, due February 17, 2017. The proceeds of the notes, along with $2,759 in available funds, will redeem in full $702,759 BANs outstanding which mature on February 19, 2016 for various public improvement projects.

On July 28, 2016, the City issued $17,997,895 of serial bonds with various years of maturity; April 15, 2017-2043. The proceeds of the Bonds along with $265,030 in available funds, will redeem $18,262,925 BAN's outstanding which mature on July 29, 2016.

On July 28, 2016, the City issued $13,592,957 of BAN's due July 28, 2017. The proceeds of the notes, along with $343,088 in available funds, will redeem $13,670,045 BAN's which mature on July 29, 2016 and provide $266,000 in new monies for various public improvement projects.

CITY OF ITHACA

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - NON-GAAP BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Original Budget	Final Budget	Actual	Encumbrances	Variance Fav./(Unfav.)
REVENUES					
Real property taxes	$ 21,402,237	$ 21,402,237	$ 21,579,845	$	$ 177,608
Real property tax items	780,600	780,600	853,694		73,094
Nonproperty tax items	13,900,000	13,900,000	13,700,049		(199,951)
Departmental income	4,425,475	4,433,678	4,364,269		(69,409)
Intergovernmental charges	3,911,379	3,927,729	3,815,220		(112,509)
Use of money and property	375,000	375,000	285,152		(89,848)
Licenses and permits	783,060	783,060	1,215,542		432,482
Fines and forfeitures	1,180,000	1,180,000	1,012,575		(167,425)
Sale of property and compensation for loss	530,500	540,188	452,649		(87,539)
Miscellaneous local sources	1,346,129	1,443,204	1,480,970		37,766
Interfund revenues	241,153	241,153	241,153		-
State sources	3,262,508	3,263,708	3,642,204		378,496
Federal sources	81,600	238,925	303,588		64,663
Total Revenues	52,219,641	52,509,482	52,946,910	-	437,428
EXPENDITURES					
Current:					
General governmental support	5,442,251	5,455,149	4,974,125	274,029	206,995
Public safety	13,713,322	14,048,308	13,899,310	148,998	-
Transportation	4,907,874	5,119,217	5,079,695	38,663	859
Economic assistance and opportunity	61,000	61,000	61,000		-
Culture and recreation	5,257,389	5,522,964	5,389,853	81,429	51,682
Home and community services	1,533,936	1,639,638	1,590,718	48,920	-
Employee benefits	16,170,694	16,076,994	16,121,150		(44,156)
Debt Service:					
Principal and Interest	6,812,283	6,853,154	6,724,742		128,412
Total Expenditures	53,898,749	54,776,424	53,840,593	592,039	343,792
Excess of (Expenditures)	(1,679,108)	(2,266,942)	(893,683)	(592,039)	781,220
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	1,285,931	1,305,931	1,154,931		(151,000)
Interfund transfers (out)			(98,000)		(98,000)
Total Other Financing Sources	1,285,931	1,305,931	1,056,931	-	(249,000)
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	(393,177)	(961,011)	163,248	**$ (592,039)**	**$ 532,220**
Appropriated Fund Balances	393,177	961,011			
Net Change in Fund Balance	**$ -**	**$ -**	163,248		
Fund Balance, Beginning			7,819,268		
Fund Balance, Ending			**$ 7,982,516**		

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

CITY OF ITHACA

BUDGETARY COMPARISON SCHEDULE
BUDGETED MAJOR SPECIAL REVENUE FUNDS - NON-GAAP BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Water Fund				
	Original Budget	**Final Budget**	**Actual**	**Encumbrances**	**Variance Fav./(Unfav.)**
REVENUES					
Departmental income	$ 4,442,448	$ 4,440,948	$ 4,902,232	$	$ 461,284
Intergovernmental charges		1,500			(1,500)
Use of money and property	1,500	1,500	5,292		3,792
Sale of property and compensation for loss	7,000	7,000	16,203		9,203
State sources					
Total Revenues	4,450,948	4,450,948	4,923,727	-	472,779
EXPENDITURES					
Current:					
General governmental support	211,632	211,632	103,301		108,331
Home and community services	2,812,800	2,479,627	2,433,314	2,158	44,155
Employee benefits	989,707	898,203	878,391		19,812
Debt Service:					
Principal and interest	939,190	938,145	937,787		358
Total Expenditures	4,953,329	4,527,607	4,352,793	2,158	172,656
Excess of (Expenditures) Revenues	(502,381)	(76,659)	570,934	(2,158)	645,435
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	502,381	502,381	66,524		(435,857)
Interfund transfers (out)		(427,880)	(427,880)		-
Total Other Financing Sources (Uses)	502,381	74,501	(361,356)	-	(435,857)
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	-	(2,158)	209,578	**$ (2,158)**	**$ 209,578**
Appropriated Fund Balances	-	2,158			
Net Change in Fund Balance	**$ -**	**$ -**	209,578		
Fund Balance, Beginning			5,538,988		
Fund Balance, Ending			**$ 5,748,566**		

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

CITY OF ITHACA

BUDGETARY COMPARISON SCHEDULE
BUDGETED MAJOR SPECIAL REVENUE FUNDS - NON-GAAP BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Sewer Fund				
	Original Budget	**Final Budget**	**Actual**	**Encumbrances**	**Variance Fav./(Unfav.)**
REVENUES					
Departmental income	$ 5,760,623	$ 5,739,273	$ 6,031,663	$	$ 292,390
Intergovernmental charges		21,350	15,286		(6,064)
Use of money and property	1,000	1,000	3,790		2,790
Sale of property and compensation for loss	3,000	3,000	10,560		7,560
Total Revenues	5,764,623	5,764,623	6,061,299	-	296,676
EXPENDITURES					
Current:					
General governmental support	248,128	248,128	126,570		121,558
Home and community services	3,249,356	3,259,209	2,899,343		359,866
Employee benefits	1,002,284	995,561	861,196		134,365
Debt Service:					
Principal and interest	841,855	938,725	937,925		800
Total Expenditures	5,441,623	5,441,623	4,825,034	-	616,589
Excess of Revenues (Expenditures)	323,000	323,000	1,236,265	-	913,265
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	30,000	30,000	-		(30,000)
Interfund transfers (out)	(353,000)	(353,000)	(353,000)		-0-
Total Other Financing Sources (Uses)	(323,000)	(323,000)	(353,000)	-	(30,000)
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	-	-	883,265	**$ -**	**$ 883,265**
Appropriated Fund Balances	-	-			
Net Change in Fund Balance	**$ -**	**$ -**	883,265		
Fund Balance, Beginning			3,436,373		
Fund Balance, Ending			**$ 4,319,638**		

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

CITY OF ITHACA

SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2015

Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2015	1/1/2014	$ -	$ 197,854,620	$ 197,854,620	0.0%	$ 26,658,151	742.2%
12/31/2014	1/1/2014	-	185,062,873	185,062,873	0.0%	25,343,216	730.2%
12/31/2013	1/1/2012	-	183,260,021	183,260,021	0.0%	24,627,256	744.1%
12/31/2012	1/1/2012	-	171,191,232	171,191,232	0.0%	24,806,755	690.1%
12/31/2011	1/1/2010	-	169,138,833	169,138,833	0.0%	24,731,799	683.9%
12/31/2010	1/1/2010	-	157,341,377	157,341,377	0.0%	23,644,783	665.4%
12/31/2009	1/1/2008	-	156,222,425	156,222,425	0.0%	23,343,418	669.2%

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

CITY OF ITHACA

SCHEDULE OF CITY CONTRIBUTIONS
NYSLRS PENSION PLANS
FOR THE LAST 2 FISCAL YEARS

Employees' Retirement System:	**2015**	2014
Contractually required contribution	**$ 2,593,577**	$ 2,389,257
Contributions in relation to the contractually required contribution	**(2,593,577)**	(2,389,257)
Contribution deficiency (excess)	**-**	-
City's covered - employee payroll	**13,850,754**	13,608,400
Contributions as a percentage of covered - employee payroll	**19.7%**	18.5%
Police and Fire Retirement System:		
Contractually required contribution	**2,627,479**	2,986,315
Contributions in relation to the contractually required contribution	**(2,627,479)**	(2,986,315)
Contribution deficiency (excess)	**-**	-
City's covered - employee payroll	**10,259,960**	10,368,980
Contributions as a percentage of covered - employee payroll	**25.6%**	28.8%

CITY OF ITHACA

SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY NYSLRS PENSION PLANS FOR THE YEAR ENDED AUGUST 31,

		2015
Employees' Retirement System:		
City's proportion of the net pension (asset) liability		0.0537748%
City's proportionate share of the net pension (asset) liability	$	1,816,705
City's covered-employee payroll during the measurement period		13,080,969
City's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll		13.89%
Plan fiduciary net position as a percentage of the total pension (asset) liability		97.9%
Police and Fire Retirement System:		
City's proportion of the net pension (asset) liability		0.2967564%
City's proportionate share of the net pension (asset) liability		816,850
City's covered-employee payroll during the measurement period		10,263,186
City's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll		7.96%
Plan fiduciary net position as a percentage of the total pension (asset) liability		99.0%

CITY OF ITHACA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 1 **Budgeting Policies**

The budget policies are as follows:

1. No later than September 1, the budget officer submits a tentative budget to the Common Council for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.

2. After public hearings are conducted to obtain taxpayer comments, no later than December 31, the governing board adopts the budget.

3. All modifications of the budget must be approved by the governing board. (However, the Controller is authorized to transfer certain budgeted amounts within departments.)

Note 2 **Budget Basis of Accounting**

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

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

Note 3 **Overexpenditure**

Employee benefits were overexpended in the General Fund by $44,156 due to an audit adjustment.

Note 4 **Reconciliation of the General Fund Budget Basis to GAAP**

No adjustment is necessary to convert the General Fund's excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis. Encumbrances, if present, are presented in a separate column and are not included in the actual results at December 31, 2015.

Note 5 **Schedule of Funding Progress**

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

CITY OF ITHACA

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	Special Revenue Funds				
	Refuse and Garbage Fund	**Urban Renewal Agency Fund**	**Miscellaneous Fund**	**Sidewalk Improvement District Fund**	**Stormwater Drainage Fund**
ASSETS					
Assets:					
Cash and cash equivalents - Unrestricted	$ 11,634	$	$ 19,341	$ 426,055	$
Due from other funds	23,900			26,975	101,068
Other receivables, net	15,000	398,079			148,146
Prepaid expenses	5,358			3,941	14,237
Cash and cash equivalents - Restricted			3,000		
Total Assets	**$ 55,892**	**$ 398,079**	**$ 22,341**	**$ 456,971**	**$ 263,451**
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 378,046	$	$	$ 102,078	$ 73,557
Due to other funds	26,960			2,105	40,409
Due to other governments	2,335	273,079			
Total Liabilities	407,341	273,079	-	104,183	113,966
Fund Balances:					
Nonspendable	5,358			3,941	14,237
Restricted			22,341		
Assigned		125,000		348,847	135,248
Unassigned	(356,807)				
Total Fund Balances (Deficit)	(351,449)	125,000	22,341	352,788	149,485
Total Liabilities and Fund Balances	**$ 55,892**	**$ 398,079**	**$ 22,341**	**$ 456,971**	**$ 263,451**

See Independent Auditor's Report.

Debt Service Fund	Permanent Fund	Total Non-Major Governmental Funds
$	$	$ 457,030
3,052,696		3,204,639
		561,225
		23,536
653,963	49,279	706,242
$ 3,706,659	**$ 49,279**	**$ 4,952,672**
$	$	$ 553,681
		69,474
		275,414
-	-	898,569
	49,279	72,815
3,706,659		3,729,000
		609,095
		(356,807)
3,706,659	49,279	4,054,103
$ 3,706,659	**$ 49,279**	**$ 4,952,672**

CITY OF ITHACA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Revenue Funds				
	Refuse and Garbage Fund	Urban Renewal Agency Fund	Miscellaneous Fund	Sidewalk Improvement District Fund	Stormwater Drainage Fund
REVENUES					
Nonproperty tax items	$	$	$	$ 862,725	$ 3,025
Departmental income	484,824				826,678
Use of money and property	17		18	745	
Total Revenues	484,841	-	18	863,470	829,703
EXPENDITURES					
Current:					
General governmental support					
Culture and recreation			598		
Home and community services	382,960			948,689	323,408
Employee benefits	92,414			65,437	193,451
Debt Service:					
Principal	8,830				15,120
Interest	3,400				6,831
Total Expenditures	487,604	-	598	1,014,126	538,810
Excess of Revenues (Expenditures)	(2,763)	-	(580)	(150,656)	290,893
OTHER FINANCING SOURCES (USES)					
Interfund transfers (out)					(141,408)
Premiums on obligations					
Total Other Financing Sources		-	-	-	(141,408)
Excess of (Expenditures) and Other (Uses) Over Revenues and Other Financing Sources	(2,763)	-	(580)	(150,656)	149,485
Fund Balances, (Deficit) Beginning	(348,686)	125,000	22,921	503,444	
Fund Balances, (Deficit) Ending	**$ (351,449)**	**$ 125,000**	**$ 22,341**	**$ 352,788**	**$ 149,485**

See Independent Auditor's Report.

Debt Service Fund	Permanent Fund	Total Non-Major Governmental Funds
$	$	$ 865,750
		1,311,502
762	69	1,611
762	69	2,178,863
		-
		598
	68	1,655,125
		351,302
		23,950
391,405		401,636
391,405	68	2,432,611
(390,643)	1	(253,748)
		(141,408)
484,588		484,588
484,588	-	343,180
93,945	1	89,432
3,612,714	49,278	3,964,671
$ 3,706,659	**$ 49,279**	**$ 4,054,103**

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*

Common Council
City of Ithaca
Ithaca, New York

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ithaca (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 19, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 10-001 to be a material weakness. 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as item 03-001.

City of Ithaca's Response to Findings

The City's responses to the findings identified in our audit are described in the Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

Insero & Co. CPAs, LLP

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
January 19, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Common Council
City of Ithaca
Ithaca, New York

Compliance

Report on Compliance for Each Major Federal Program

We have audited the City of Ithaca's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program
In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

Insero & Co. CPAs, LLP

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
January 19, 2017

CITY OF ITHACA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor/Pass - Through Grantor Program Title	Federal Catalog No.	Pass-Through Grantor No.	Pass-Through to subrecipients	Expenditures
U.S. Department of Housing and Urban Development				
Community Development Block Grant:				
Entitlement Grant	14.218	N/A	$ 285,193	$ 761,230
Home Investment Partnerships Program:				
Entitlement Grant	14.239	N/A	193,515	277,827
Total U.S. Department of Housing and Urban Development			478,708	1,039,057
U.S. Department of Justice				
Equitable Sharing Funds (Drug Seizure)	16.922	N/A		17,183
U.S. Department of Transportation				
Passed Through NYS Department of Transportation:				
Highway Planning and Construction	20.205	D034940		15,205
Highway Planning and Construction	20.205	D033345		54,238
Highway Planning and Construction	20.205	D033968		201,834
Highway Planning and Construction	20.205	D034845		41,256
Highway Planning and Construction	20.205	D033368		235,275
Highway Planning and Construction	20.205	D030243		1,426,326
Highway Planning and Construction	20.205	D034609		128,334
Highway Planning and Construction	20.205	D034643		7,150
Total Highway Planning and Construction Cluster				2,109,618
Environmental Protection Agency				
Passed Through NYS Department of Environmental Conservation:				
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	(1)		200,000
U.S. Department of Homeland Security				
Passed Through NYS Division of Homeland Services and Emergency Services:				
Homeland Security Grant Program	97.067	(1)		40,425
Total U.S. Department of Homeland Security				40,425
U.S. Department of Health & Human Services				
Passed Through Tompkins County:				
Temporary Assistance to Needy Families	93.558	(1)		151,558
Total Expenditures of Federal Awards			**$ 478,708**	**$ 3,557,841**

(1) Unable to obtain

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

CITY OF ITHACA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 1 **Basis of Presentation**

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

Note 2 **Basis of Accounting**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the basic financial statements.

Note 3 **Major Program Determination**

The City has determined that all federal programs with expenditures of $750,000 or more are type A programs. For the year ended December 31, 2015, the City has two type A programs, which are deemed major programs for the purpose of the Schedule of Expenditures of Federal Awards.

Note 4 **Indirect Cost Rate**

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented. The City has not elected to use the 10% de minimus cost rate allowed under Uniform Guidance.

Note 5 **Matching Costs**

Matching costs, i.e., the City's share of certain program costs, are not included in the reported expenditures.

CITY OF ITHACA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	__X__ yes ____ no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes __X__ none reported
Noncompliance material to financial statements noted?	__X__ yes ____ no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	____ yes __X__ no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	____ yes __X__ none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Z CFR.200 516(a)	_____ yes __X__ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grant Entitlement
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs	$750,000
Auditee qualified as low-risk auditee:	_____ yes __X__ no

Section II **Financial Statement Findings:**

03-001 Noncompliance with OMB Circular A-133/Uniform Guidance

Late Filing of Single Audit Reporting Package

Condition/Criteria:
Under the Single Audit Act of 1996 and OMB Circular A-133/Uniform Guidance, the City was required to file the Single Audit reporting package by the end of the 9th month following the end of the fiscal year. This deadline was not met on a timely basis for the years ended December 31, 2003 through 2015.

Cause:
The City experienced difficulties in obtaining the information necessary to implement GASB Statement No. 34, for the years ending December 31, 2003 and 2004, resulting in late completion of financial statements for those years. In subsequent years, the City has endeavored to reestablish a current time line for financial reporting.

Recommendation:
We recommend the requirements of Uniform Guidance be adhered to by striving to have all information required for the audit available on a timely basis. This will help to insure timely audit report issuance and compliance with the filing deadline.

Corrective Action Plan:
The completion of the reporting package for the year ending December 31, 2015 is scheduled to be completed in accordance with filing deadlines prescribed by Uniform Guidance.

Questioned Costs: Undeterminable

CITY OF ITHACA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

10-001 Capital Project Accounting

Condition/Criteria:
Currently, City personnel account for the Capital Fund in spreadsheets and do not enter information in the City's financial software system. This creates opportunities for errors to occur and not be detected by management in a timely manner. During a prior year audit, we noted discrepancies which resulted in a restatement to the beginning fund balance in the Capital Fund and beginning net position in the government-wide financial statements.

Cause:
The City's financial software system does not have the capability to account for the numerous capital projects in process.

Recommendation:
We recommend City personnel convert the current accounting process to incorporate the Capital Fund as a whole into its financial software system and continue to account for each project in spreadsheets, while pursuing a system that will provide the functionality desired to appropriately track Capital Fund activity.

Corrective Action Plan:
The City has authorized the installation of the capital project accounting module of MUNIS, which will be completed during the 2017 fiscal year.

Questioned Costs: Undeterminable

Section III **Federal Award Findings and Questioned Costs:**

None

APPENDIX – E

FORM OF BOND COUNSEL'S OPINION
July 27, 2017

City of Ithaca
County of Tompkins
State of New York

Re: City of Ithaca, County of Tompkins New York
$13,189,240 Bond Anticipation Notes, 2017 Series C

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of $13,189,240 Bond Anticipation Notes, 2017 Series C (the "Obligations"), of the City of Ithaca, County of Tompkins, State of New York (the "Obligor"), dated July 27, 2017, in the denomination of $_________, bearing interest at the rate of ____.________________% per annum, payable at maturity, and maturing July 27, 2018.

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 Obligation, including the form of the Obligation. 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 of 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 individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the 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