

<u>Description</u>	<u>Date of Issue</u>	<u>Original Amount</u>	<u>I/R</u>	<u>Date of Final Maturity</u>	<u>Outstandings 12/31/2014</u>
Joint Water Improvement 1	11/23/2004	\$ 1,000,000	4.75%	11/23/2024	\$ 600,000
Joint Water Improvement 2	5/18/2005	1,000,000	4.84%	5/18/2025	645,000
Joint Water Improvement 3	5/17/2006	1,000,000	4.66%	5/17/2026	690,000
Joint Water Improvement 4	10/5/2012	2,600,000	2% - 3%	10/5/2032	2,390,000
Joint Water Improvement 5	6/12/2013	1,500,000	3%-3.25%	6/12/2033	1,465,000
Total Serial Bonds					<u>\$ 5,790,000</u>

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

	<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Serial Bonds	2015	\$ 315,000	\$ 193,271	\$ 508,271
	2016	330,000	182,066	512,066
	2017	345,000	170,545	515,545
	2018	345,000	158,457	503,457
	2019	350,000	146,295	496,295
	2020 - 2033	4,105,000	824,844	4,929,844
Total Serial Bonds		<u>\$ 5,790,000</u>	<u>\$ 1,675,478</u>	<u>\$ 7,465,478</u>

**NOTE 8 – UNRESTRICTED BALANCES**

Of the \$7,410,844 in unrestricted net position, \$1,723,013 has been appropriated by the Town for 2015 expenditures.

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

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

*Funding Policy.* The Town contributes a portion of the retiree’s healthcare premium according to the following schedule:

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

For fiscal year 2014, the Town contributed \$46,703 to the plan.

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

Annual required contribution	\$ 791,191
Interest on net OPEB obligation	79,075
Adjustment to annual required contribution	( 111,107)
Annual OPEB expense	<u>759,159</u>
Contributions made	<u>( 46,703)</u>
Increase in net OPEB obligation	712,456
Net OPEB obligation- beginning of year	<u>2,875,457</u>
Net OPEB obligation- end of year	<u><u>\$ 3,587,913</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year, 2010, 2011, 2012, 2013 and 2014 is as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	\$ 375,221	9.16%	\$ 985,330
12/31/2011	\$ 662,956	7.27%	\$ 1,600,116
12/31/2012	\$ 681,399	7.94%	\$ 2,227,380
12/31/2013	\$ 700,217	7.45%	\$ 2,875,456
12/31/2014	\$ 759,159	6.15%	\$ 3,587,913

*Funded Status and Funding Progress.* As of December 31, 2014, the actuarial accrued liability for benefits was \$7,565,004, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,941,028 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 257.22%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The following simplifying assumptions were made:

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

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

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

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

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

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

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

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

Based on the historical and expected returns of the Town's short-term investment portfolio, a discount rate of 2.75 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014, was twenty five years.

In addition to the plan described above, retiring employees can convert a portion of unused sick and vacation time to offset portions of healthcare premiums that are the retiree's responsibility. The Town tracks the accumulated balances and makes premium payments on behalf of the retirees until the balances are exhausted. The Town estimates its liability based on an analysis of accumulated sick and vacation time for current retirees and employees who have reached retirement age (55). At December 31, 2014 there were two retirees spending down a cumulative balance of \$19,358 and sixteen employees who had reached retirement age with a cumulative balance of \$202,019. The total liability was \$221,377 at December 31, 2014. The Town calculates this liability separately from its OPEB liability under GASB 45.

**NOTE 10 – POLLUTION REMEDIATION CONTINGENT OBLIGATION**

In 2009, a site commonly known as the Ithaca Area Wastewater Treatment Plant (IAWTP), which is jointly owned and operated by the City of Ithaca and the Towns of Ithaca and Dryden, was listed as a site under CERCLA for hydrocarbon contamination (coal-tar). The City of Ithaca was sued by First Energy (parent company of New York State Electric & Gas) for \$750,000 in remediation costs. The Town of Ithaca and Dryden voluntarily joined in defense of this lawsuit. In 2010 an out-of-court settlement was reached in the amount of \$284,249, of which the Town of Ithaca is liable for \$80,000, payable over a ten year period. At December 31, 2014, the remaining liability totaled \$48,000.

**NOTE 11 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through September 29, 2015, which is the date the financial statements were available to be issued. In May 2015, the Town retired 2004 serial bonds with the proceeds of an advance refunding. The 2004 bonds had a balance of \$1,000,000 with interest of 3.88%. The Town made a principal and interest payment of \$102,125 from existing funds and the remaining balance was paid through the proceeds of the advance refunding. The refunding bonds have a principal balance of \$910,000 with interest at 2%, maturing in 2024.

**TOWN OF ITHACA  
SCHEDULE OF FUNDING PROGRESS  
FOR THE RETIREE HEALTH PLAN  
December 31, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Simplified Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
12/31/2014	\$ -	\$ 7,565,004	\$ 7,565,004	0.00%	\$ 2,941,028	257.22%

See independent auditor's report.