

**TOWN OF ONEIDA, TENNESSEE**

**ANNUAL FINANCIAL REPORT**

**June 30, 2011**

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# **INTRODUCTORY SECTION**

**TOWN OF ONEIDA, TENNESSEE**

**ROSTER OF OFFICIALS**

**June 30, 2011**

**Elected Officials**

Mayor

Jack E. Lay

Alderman

Cecil Anderson  
David Lowe  
Sharon Miller

**Appointed Officials**

Water Board

Jack E. Lay  
Terry Roark  
James Smith  
W. O. West  
Jimmy Litton

Water Manager

Johnny Acres

**Management Officials:**

Recorder

Betty Matthews

Chief of Police

Darryl Laxton

# **FINANCIAL SECTION**

# Dennis E. Jeffers CPA, PC

Member of Tennessee Society of Certified Public Accountants

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Avenue  
Oneida, Tennessee 37841  
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## INDEPENDENT AUDITOR'S REPORT

Board of Mayor and Aldermen  
Town of Oneida  
Oneida, TN 37841

To the Mayor and Board of Aldermen:

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Oneida, Tennessee, as of and for the year ended June 30, 2011, which collectively comprises the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Oneida, Tennessee's management. Our responsibility is to express opinions on these basic 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Oneida, Tennessee, as of June 30, 2011, and the respective changes in financial position and budgetary comparison for the General Fund, State Street Aid Fund and Drug Fund and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2011, on our consideration of the Town of Oneida, Tennessee'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Oneida, Tennessee's basic financial statements as a whole. The introductory section and supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of expenditures of federal and state awards is the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The schedule of expenditures of federal and state awards and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Sanitation Fund has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and remaining supplemental sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Dennis E. Jeffers CPA, PC*

Oneida, Tennessee 37841

October 7, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The Town of Oneida, Tennessee, we offer readers of the Town of Oneida's financial statements this narrative overview of the Town's financial activities for the fiscal year ended June 30, 2011.

### Financial Highlights

#### Governmental Funds

The assets of the Town of Oneida, Tennessee governmental funds exceeded its liabilities at June 30, 2011 by \$10,259,512, of this amount; \$653,466 (*Unassigned net assets*) may be used to pay ongoing obligations to citizens and creditors.

The (*Net assets*) decreased by \$314,461, this has decreased from the prior year of \$183,241. The governmental funds also purchased equipment in the amount of \$88,738. This amount was \$307,869 less than depreciation of \$396,607. The Town strives to maintain services while maintaining employee benefits and staffing levels.

#### Business-Type Activities

The (*Net assets*) of the Water and Sewer Fund decreased by \$83,090 during fiscal year ended June 30, 2011, going from \$15,633,038 to \$15,949,948. Of this amount \$441,134 is unassigned and available for ongoing obligations to customers and creditors.

#### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Oneida's basic financial statements. The Town of Oneida's basic financial statements comprise of three components. 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Oneida's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town of Oneida's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Oneida is improving or deteriorating.

The *statement of activities* presents information showing how the town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flow*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e. g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Oneida that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Oneida include general government, police, fire, street, sanitation, codes enforcement, and parks and recreation. The business-type activities of the Town of Oneida include the Water and Sewer department.

The government-wide financial statements can be found on Pages 10 - 12 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Oneida, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Oneida can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Oneida maintains four governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and change in fund balances for each major fund

The Town of Oneida adopts an annual appropriated budget for each major fund. A budgetary comparison statement has been provided for the each major fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 and 15 of this report.

**Proprietary Funds.** The Town of Oneida maintains one proprietary fund. The proprietary fund is used to report the same functions as *business-type activities* in the government-wide financial statements. The Town of Oneida uses enterprise funds to account for its Water and Sewer Department.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Department, which is considered to be the only major fund of the Town of Oneida.

The basic proprietary fund financial statements can be found on pages 17- 20 of this report.

**Notes to Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 - 41 of this report.

#### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Oneida, assets exceed liabilities by \$25,809,460, as of June 30, 2011.

By far the largest portion of the Town of Oneida's net assets (94.41percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Town of Oneida uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Oneida's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Town of Oneida, Tennessee**

**Net Assets**

	<b>Governmental Activities</b>			<b>Business Type Activities</b>		
<b>Primary Government Assets</b>	<b>2010</b>	<b>2011</b>	<b>Change</b>	<b>2010</b>	<b>2011</b>	<b>Change</b>
Current and Other Assets	\$1,978,969	1,778,897	(200,072)	699,699	654,317	(45,382)
Restricted Assets	33,142	86,739	53,597	-	-	-
Capital Assets	13,776,772	13,465,230	(311,542)	18,470,046	18,461,046	(9,000)
<b>Total Assets</b>	<b>15,788,883</b>	<b>15,330,866</b>	<b>(458,017)</b>	<b>19,169,745</b>	<b>19,115,363</b>	<b>(54,382)</b>
<b>Liabilities</b>						
Long-Term Debt	4,138,775	3,963,775	175,000	3,395,479	3,317,257	78,222
Other Liabilities	1,076,135	1,107,578	(31,443)	141,228	243,183	(101,955)
<b>Total Liabilities</b>	<b>5,214,910</b>	<b>5,071,353</b>	<b>(143,557)</b>	<b>3,536,707</b>	<b>3,560,440</b>	<b>(23,733)</b>
<b>Net Assets</b>						
Investment in Capital Assets Less Related Debt	9,637,997	9,501,455	(136,542)	15,074,567	15,143,789	69,222
Restricted	51,843	104,591	52,748	-	-	-
Unassigned	884,133	653,466	(230,667)	558,471	411,134	(147,337)
<b>Total Net Assets</b>	<b>\$10,573,973</b>	<b>\$10,259,512</b>	<b>(314,461)</b>	<b>15,633,038</b>	<b>15,554,923</b>	<b>(78,115)</b>
<b>Total Liabilities and Net Assets</b>	<b>\$15,788,883</b>	<b>\$15,330,865</b>	<b>\$ (458,018)</b>	<b>\$ 19,169,745</b>	<b>\$ 19,115,363</b>	<b>\$ (54,382)</b>

An additional portion of the Town of Oneida's net assets (less than one percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unassigned net assets* \$653,466 may be used to meet the town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Oneida is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The net assets of our business-type activities decreased by less than two percent (\$15,633,038 to \$15,554,923) in 2011. The Town generally can only use these net assets to finance the continuing operations of the water and sewer department.

**Governmental Activities**

The Town's management took three major actions this year to avoid the level of deficit reported last year. Two of these actions increased revenues and the third reduced expenses.

**Town of Oneida, Tennessee**  
**Changes in Net Assets**

	Governmental Activities			Business-type Activities		
	2010	2011	Change	2010	2011	Change
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 162,571	\$ 173,825	\$ 11,254	\$ 2,047,204	\$ 2,030,163	\$ (17,041)
Capital Grants and Contributions	539,961	246,756	(293,205)	255,453	483,659	228,206
<b>General Revenues:</b>						
Property Taxes	814,203	807,830	(6,373)	-	-	-
Other Taxes	1,760,001	1,847,678	87,677	-	-	-
Other	339,965	366,541	26,576	72	540	468
Total Revenues	3,616,701	3,442,630	(174,071)	2,302,729	2,514,362	211,633
<b>Expenses:</b>						
General Government	898,783	746,795	(151,988)	-	-	-
Public Safety	952,691	963,478	10,787	-	-	-
Highways/Streets	1,043,540	1,009,589	(33,951)	-	-	-
Sanitation	141,249	148,492	7,243	-	-	-
Community Development	-	137,666	137,666	-	-	-
Culture and Recreation	235,419	627,698	392,279	-	-	-
Interest on Long-Term Debt	251,324	123,373	(127,951)	-	-	-
Water	-	-	-	1,458,850	1,496,024	37,174
Sewer	-	-	-	1,063,932	1,096,453	32,521
Total Expenses	3,523,006	3,757,091	234,085	2,522,782	2,592,477	69,695
Increase (Decrease) in Net Assets	93,695	(314,461)	(408,156)	(220,052)	(78,115)	141,937
Net Assets -- Beginning	14,527,820	14,621,515	93,695	15,853,090	15,633,038	(220,052)
Net Assets -- Ending	\$ 14,621,515	\$ 14,307,054	\$ (314,461)	\$ 15,633,038	\$ 15,554,923	\$ (78,115)

**Financial Analysis of the Government's Funds**

As noted earlier, the Town of Oneida uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements

**Governmental Funds.** The focus of the Town of Oneida's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Oneida's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Oneida. At the end of the current fiscal year unassigned fund balance of the general fund was \$706,081 while the total fund balance was \$810,672. Unassigned fund balance represents 19.89 percent of total general fund expenditures, while the total fund balance represents 22.84 percent of the same amount.

**Proprietary Fund.** The Town of Oneida's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unassigned net assets of the Water and Sewer Department at the end of the year were \$411,134 this represents 16.30 percent of the departments expenses for 2011.

**General Fund Budgetary Highlights** The differences in the original budget and the final amended budget represents a 13.12% increase of the original budget because the repayment of a grant anticipation loan and other long-term debt repayment.

**Long-Term Debt** at the end of the current fiscal year, the Town of Oneida had total bonded debt outstanding of \$7,281,032. Of this amount, \$3,963,775 comprised debt backed by the full faith and credit of the government and \$3,317,257 is secured solely by the specific revenue sources of the Water and Sewer Department.

### **Economic Factors and Next Year's Budgets and Rates**

Despite the economic downturn the Town of Oneida has maintained an aggressive posture to improve the lives of its citizens. Great strides have been made in the governmental area of the city as well as in the water and sewer fund.

The Town has nearly completed the Bear Creek Recreation, built on an abandoned strip mine area which includes baseball and soccer fields, concession stands, bleachers and adequate parking for all events that might be scheduled. This has been accomplished with the help of federal agencies such as the Office of Surface Mining, Tennessee Valley Authority, U S Department of Agriculture Rural Utilities Service and Soil Conservation Service. The State of Tennessee Parks and Recreation have made grants to aid in the completion of the park and the Tennessee Department of Transportation has aided in entrance roads, etc.

Further in the Governmental area, the Town of Oneida purchased the golf course located within the city. The former private enterprise had let the course fall into poor condition from the fairways to facilities. The town has upgraded the buildings and grounds, and membership in the municipal course has increased and shows positive signs of economic stability within the course operations.

These services and facilities have been implemented without the increase in local property taxes.

### **Request for Information**

This financial report is designed to provide a general overview of the Town of Oneida's finances for all with interest in the town's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the administrative offices of the Town of Oneida at 19922 Alberta Street, Oneida Tennessee 37841, or by telephone at 423-569-4295.

**Town of Oneida, Tennessee**  
**Government-Wide Statement of Net Assets**  
**June 30, 2011**

	<u>Governmental</u> <u>Activities</u>	<u>Primary Government</u> <u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 422,887	\$ 59,164	\$ 482,051
Receivables (Net of Allowance for Uncollectibles)			
Accounts Receivable	51,629	373,910	425,539
Property Taxes	977,592	-	977,592
Due From Other Governments	326,788		326,788
Deposits	-	1,665	1,665
Inventories	-	219,578	219,578
<b>Total Current Assets</b>	<u>1,778,896</u>	<u>654,317</u>	<u>2,433,213</u>
<b>Restricted Assets:</b>			
Cash and Cash Equivalents (Drug Fund)	20,014	-	20,014
Cash and Cash Equivalents (State Street Aid)	66,725	-	66,725
<b>Total Restricted Assets</b>	<u>86,739</u>	<u>-</u>	<u>86,739</u>
	1,865,635		
<b>Capital Assets</b>			
Land	2,502,000	279,938	2,781,938
Buildings and System	4,892,299	26,437,859	31,330,158
Improvements Other Than Buildings	1,287,243	52,184	1,339,427
Machinery and Equipment	2,856,841	1,182,593	4,039,434
Infrastructure	9,254,000	-	9,254,000
Less: Accumulated Depreciation	<u>(7,327,153)</u>	<u>(9,491,528)</u>	<u>(16,818,681)</u>
<b>Total Capital Assets</b>	<u>13,465,230</u>	<u>18,461,046</u>	<u>31,926,276</u>
<b>Total Assets</b>	<u>\$ 15,330,865</u>	<u>\$ 19,115,363</u>	<u>\$ 34,446,228</u>

*The notes to financial statements are an integral part of these financial statement.*

Town of Oneida, Tennessee  
Government-Wide Statement of Net Assets  
June 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Primary Government</u> <u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable and Other			
Current Liabilities	\$ 47,076	\$ 149,363	\$ 196,439
Long Term Debt Due Within One Year	258,000	79,773	337,773
Accrued Interest	-	7,215	7,215
Accrued Wages	18,579	9,879	28,458
Accrued Compensated Absences	7,420	32,196	39,616
Deferred Revenue	981,889	-	981,889
Customer Deposits	-	44,530	44,530
Current Liabilities	<u>1,312,964</u>	<u>322,956</u>	<u>1,635,920</u>
Noncurrent Liabilities:			
Compensated Absences	\$ 52,614	\$ -	\$ 52,614
Due In More Than One Year	<u>3,705,775</u>	<u>3,237,484</u>	<u>6,943,259</u>
Total Liabilities	<u>3,758,389</u>	<u>3,237,484</u>	<u>6,995,873</u>
Total Liabilities	<u>5,071,353</u>	<u>3,560,440</u>	<u>8,631,793</u>
<b>NET ASSETS</b>			
Invested In Capital Assets, Net of Related Debt	9,501,455	15,143,789	24,645,244
Restricted For:			
State Street Aid	84,577	-	84,577
Public Safety	20,014	-	20,014
Unassigned	<u>653,466</u>	<u>411,134</u>	<u>1,064,600</u>
Total Net Assets	<u>\$ 10,259,512</u>	<u>\$ 15,554,923</u>	<u>\$ 25,814,435</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 15,330,865</u></u>	<u><u>\$ 19,115,363</u></u>	<u><u>\$ 34,446,228</u></u>

*The notes to financial statements are an integral part of these financial statement.*

Town of Oriskany, Tennessee  
 Government-Wide Statement of Activities  
 For the Year Ended June 30, 2011

Functions/Programs	Program Revenues			Net(Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
<b>Government Activities:</b>							
General Government	\$ 746,795	\$ -	\$ -	\$ -	\$ (746,795)	\$ -	\$ (746,795)
Public Safety	963,478	57,602	-	-	(905,876)	-	(905,876)
Highways and Streets	1,009,589	-	109,901	-	(899,688)	-	(899,688)
Sanitation	148,492	-	-	-	(148,492)	-	(148,492)
Community Development	137,666	-	-	136,855	(811)	-	(511,475)
Culture and Recreation	627,698	116,223	-	-	(511,475)	-	(123,373)
Interest on Long-Term Debt	123,373	-	-	-	(123,373)	-	(3,335,699)
Total Governmental Activities	3,757,091	173,825	109,901	136,855	(3,336,510)	-	
<b>Business-Type Activities:</b>							
Water	1,496,024	1,299,242	-	-	-	(196,783)	(196,783)
Sewer	1,096,453	730,922	-	483,659	-	118,128	118,128
Total Business-Type Activities	2,592,477	2,030,163	-	483,659	-	(78,655)	(78,655)
Total Primary Government	\$ 6,349,568	\$ 2,203,988	\$ 109,901	\$ 620,514	(3,336,510)	(78,655)	(3,414,354)
<b>General Revenues:</b>							
Property Taxes					\$ 807,830	\$ -	\$ 807,830
State Shared Taxes					289,796	-	289,796
Other Local Revenue					1,557,882	-	1,557,882
Other Revenue					210,056	500	210,556
Host Land Fill Fees					155,852	-	155,852
Unrestricted Investment Earnings					633	40	673
Total General Revenues and Transfers					3,022,049	540	3,022,589
Change in Net Assets					(314,461)	(78,115)	(392,576)
Net Assets - Beginning					10,573,973	15,633,038	26,207,011
Net Assets - Ending					\$ 10,259,512	\$ 15,554,923	\$ 25,814,435

The notes to financial statements are an integral part of these financial statements.

**Town of Oneida, Tennessee**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	<b>Major Governmental Funds</b>			<b>Total</b>
	<b>General</b>	<b>State Street Aid</b>	<b>Drug Fund</b>	<b>Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 422,888	\$ 66,725	\$ 20,014	\$ 509,627
Property Taxes Receivables (Net)	977,592	-	-	977,592
Grant Receivable	17,293	-	-	17,293
Accounts Receivable	51,629	-	-	51,629
Due From Other Governments	291,643	17,852	-	309,495
<b>Total Assets</b>	<b>1,761,045</b>	<b>84,577</b>	<b>20,014</b>	<b>1,865,636</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	47,076	-	-	47,076
Accrued Wages	18,579	-	-	18,579
Compensated Absences	7,420	-	-	7,420
Deferred Revenue	981,889	-	-	981,889
<b>Total Liabilities</b>	<b>1,054,964</b>	<b>-</b>	<b>-</b>	<b>1,054,964</b>
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
State Street Aid	-	84,577	-	84,577
Drug Enforcement	-	-	20,014	20,014
Unassigned	706,081	-	-	706,081
<b>Total Fund Balances</b>	<b>706,081</b>	<b>84,577</b>	<b>20,014</b>	<b>810,672</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,761,045</b>	<b>\$ 84,577</b>	<b>\$ 20,014</b>	<b>\$ 1,865,636</b>

*The notes to financial statements are an integral part of these financial statement.*

**Town of Oneida, Tennessee**  
**Reconciliation of the Balance Sheet for Governmental Funds to**  
**the Statement of Net Assets**  
**June 30, 2011**

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balance - Total Governmental Funds (Page 13)		\$ 810,672
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Add: Land	2,502,000	
Add: Buildings	4,892,299	
Add: Improvements Other Than Buildings	1,287,243	
Add: Equipment	2,856,841	
Add: Infrastructure	9,254,000	
Less: Accumulated Depreciation	<u>(7,327,153)</u>	
		13,465,230
2 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Less: Notes Payable	(3,963,775)	
Less: Compensated Absences	<u>(52,615)</u>	
		<u>(4,016,390)</u>
Net Assets of Governmental Activities (Page 11)		<u><u>\$ 10,259,512</u></u>

*The notes to financial statements are an integral part of these financial statement.*

**Town of Oneida, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

	<u>General</u>	<u>State Street Aid</u>	<u>Drug</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes:				
Property	\$ 807,830	\$ -	\$ -	\$ 807,830
State Taxes	289,796	-	-	289,796
State Street Aid	-	109,901	-	109,901
Local Option Sales Tax	1,200,625	-	-	1,200,625
Sale of Assets	13,000	-	-	13,000
Other Taxes	357,257	-	-	357,257
Park and Recreation Charges	19,338	-	-	19,338
Golf Course Fees	96,885	-	-	96,885
City Court Fines	35,316	-	-	35,316
Investment Earnings	575	58	-	633
Land Field Host Fees	155,852	-	-	155,852
Miscellaneous Revenues	128,802	-	-	128,802
Grants and Entitlements	136,855	-	-	136,855
Other Revenues	62,274	-	-	62,274
Insurance Recoveries	9,642	-	-	9,642
Drug Forfeitures	-	-	22,286	22,286
Total Revenues	<u>3,314,047</u>	<u>109,959</u>	<u>22,286</u>	<u>3,446,292</u>
<b>EXPENDITURES</b>				
Legislative	79,047	-	-	79,047
Administrative	178,972	-	-	178,972
City Attorney	13,500	-	-	13,500
City Hall and Buildings	52,929	-	-	52,929
Other General Government	396,099	-	-	396,099
Police	726,071	-	25,483	751,554
Police Support	181,966	-	-	181,966
Fire Protection and Control	41,994	-	-	41,994
Highways and Streets	758,790	54,014	-	812,804
Special Projects and Grants	137,667	-	-	137,667
Sanitation	139,641	-	-	139,641
Recreation	393,501	-	-	393,501
Recreation Golf Course	125,482	-	-	125,482
Libraries	25,194	-	-	25,194
Debt service:				
Principal	175,000	-	-	175,000
Interest	123,373	-	-	123,373
Total Expenditures	<u>3,549,226</u>	<u>54,014</u>	<u>25,483</u>	<u>3,628,723</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(235,179)	55,945	(3,197)	(182,431)
Fund Balances - Beginning	<u>941,518</u>	<u>28,632</u>	<u>11,427</u>	<u>981,577</u>
Fund Balances - Ending	<u>\$ 706,339</u>	<u>\$ 84,577</u>	<u>\$ 8,230</u>	<u>\$ 799,146</u>

*The notes to financial statements are an integral part of these financial statement.*

**Town of Oneida, Tennessee**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2011**

Amounts reported for governmental activities in the statement of activities (page 15) are different because:

Net Change in Fund Balances--Total Governmental Funds ( page 15) \$ (182,431)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation Expense	(396,607)	
Capitalized Fixed Asset Purchases	<u>88,738</u>	(307,869)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, insurance recoveries and donations) is to increase net assets. (3,662)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Add: principal payments on notes and bonds	175,000	
--	---------	--

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.

Accrued Compensated Absences Beginning	64,526	
Accrued Compensated Abences Ending	<u>(60,025)</u>	4,501

Change In Net Assets of Governmental Activities (page 12) \$ (314,461)

*The notes to financial statements are an integral part of these financial statement.*

**TOWN OF ONEIDA, TENNESSEE**  
**STATEMENT OF NET ASSETS-PROPRIETARY FUNDS**  
**June 30, 2011**

**Business-Type Activities-Enterprise Funds**

**ASSETS**

**Current Assets:**

Cash On Hand and In Banks	\$	59,164
Accounts Receivable		
<i>Net of Allowance for Doubtful Accounts</i>		373,910
Equipment and Utility Deposits		1,665
Inventory		219,578

**Total Current Assets** \$ 654,317

**Capital Assets:**

Land		279,938
Buildings and Systems		26,437,859
Improvements Other Than Buildings		52,184
Equipment		1,182,593
Total Capital Assets		27,952,574
Less: Accumulated Depreciation		(9,491,528)

**Total Capital Assets (Net of Accumulated Depreciation)** 18,461,046

**Total Noncurrent Assets** 18,461,046

**Total Assets** \$ 19,115,363

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF ONEIDA, TENNESSEE**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**June 30, 2011**

<b>Current Liabilities</b>	
Current Maturities of Long-Term Debt	\$ 79,773
Accounts Payable	140,860
TN Sales Payable	8,503
Accrued Salaries	9,879
Accrued Compensated Absences	32,196
Accrued Interest	7,215
Customer Deposits	44,530
<b>Total Current Liabilities</b>	<u>\$ 322,956</u>
<b>Long Term Debt</b>	
Bonds Payable	3,317,257
Less Current Maturities	(79,773)
<b>Total Long-Term Debt</b>	<u>3,237,484</u>
<b>TOTAL LIABILITIES</b>	<b>3,560,440</b>
<b>Net Assets</b>	
Investment in Capital Assets	
Net of Related Debt	15,143,789
Unrestricted Net Assets	411,134
<b>Total Net Assets</b>	<u>15,554,923</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 19,115,363</u></u>

*The accompanying notes are an integral part of these financial statements.*

**TOWN OF ONEIDA, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2011**

**OPERATING REVENUES**

Water Usage Charges	\$ 1,207,779	
Sewer Usage Charges	652,109	
Water Tap Fees	15,050	
Sewer Tap Fees	2,400	
Installation Income	34,471	
Sale of Materials	32,645	
Miscellaneous Income	42,178	
Penalties	43,531	
<b>TOTAL OPERATING INCOME</b>		<b>2,030,163</b>

**OPERATING EXPENSES**

Procurement, Treatment and Supply	\$ 451,102	
Transportation and Distribution	322,899	
Sewer Treatment	279,266	
Sewer Collection	154,272	
Administrative	648,989	
Motor Pool	41,195	
<b>TOTAL OPERATING EXPENSES</b>		<b>1,897,723</b>

**OPERATING INCOME BEFORE DEPRECIATION** \$ 132,440

**DEPRECIATION**

Depreciation expense 542,670

Net Income from operating activities (410,230)

**OTHER INCOME (EXPENSE)**

Interest Income	\$ 40	
Interest Expense	(152,084)	
Gain on Sale of Assets	500	
Capital Grants	483,659	
		<u>332,115</u>

**NET INCOME** (78,115)

Net Assets , July 1, 2010 15,633,038

**Net Assets, June 30, 2011** \$ 15,554,923

**TOWN OF ONEIDA, TENNESSEE**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2011**

<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 2,000,510
Cash Paid to Employees	(631,319)
Cash Paid to Vendors and Suppliers	<u>(1,134,587)</u>
<b>Cash Flows from Operating Activities</b>	<b>234,604</b>
<b>Cash Flows from Non-Capital and Related Financing Activities</b>	
Increase (Decrease) in Customer Deposits	<u>(6,370)</u>
<b>Total Cash Flows from Non-Capital and Related Financing Activities</b>	<b>(6,370)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Capital Grant	483,659
Principal Decrease in Bonds and Notes Payable	(78,221)
Interest Paid	<u>(151,660)</u>
<b>Total Cash Flows from Capital and Related Financing Activities</b>	<b>253,778</b>
<b>Cash Flows from Investing Activities:</b>	
Investment in Fixed Assets	(533,668)
Proceeds from Sale of Fixed Assets	500
Interest Received	<u>40</u>
<b>Total Cash Flows from Investing Activities</b>	<b><u>(533,128)</u></b>
<b>Net Increase (Decrease) in Cash</b>	<b>(51,116)</b>
<b>Cash, June 30, 2010</b>	<u>110,280</u>
<b>Cash, June 30, 2011</b>	<b><u><u>\$ 59,164</u></u></b>

**Reconciliation of Operating Income to Cash Provided by Operating Activities:**

<b>Operating Income</b>	<b>\$ (410,230)</b>
<b>Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:</b>	
Depreciation	542,670
Increase (Decrease) in Accrued Wages and Compensated Absences	1,095
Increase (Decrease) in Accounts Payable	109,606
Increase (Decrease) in Accrued Taxes	(2,805)
(Increase) Decrease in Inventories	24,821
(Increase) Decrease in Utility Deposits	(900)
(Increase) Decrease in Accounts Receivable	<u>(29,653)</u>
 Total Adjustments	 <u>644,834</u>
 <b>Net Cash Provided by Operating Activities</b>	 <b><u><u>\$ 234,604</u></u></b>

*The accompanying notes are an integral part of these financial statements.*

Town of Oneida, Tennessee  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Property Tax	\$ 700,000	\$ 693,000	\$ 692,561	\$ 439
Ad Valorem Tax	89,000	90,000	89,898	102
Property Tax Penalty and Int.	30,000	25,500	25,371	129
State Police Clothing Allowance	-	14,000	13,875	125
Grants and Entitlements	180,000	137,000	136,855	145
State Sales Tax	220,000	254,700	253,602	1,098
State Income Tax	19,000	8,300	8,279	21
State Beer Tax	-	5,900	5,859	41
State Street Aid	92,000	-	-	-
City Streets And Transportation	7,500	8,300	8,181	119
TVA in Lieu of Tax	32,000	43,200	43,125	75
Corporate Excise Tax	32,000	32,000	31,802	198
Local Sales Taxes	1,190,000	1,200,800	1,200,625	175
Beer Tax	149,000	153,500	153,007	493
Wholesale Liquor Tax	2,600	2,700	2,700	-
Business Tax	19,000	127,000	126,623	377
Cable TV Franchise Fee	25,000	24,000	23,750	250
Alcoholic Beverage License	1,500	1,200	1,200	-
Building Permits	13,000	7,000	6,918	82
Lafollette Housing Policing Contract	13,000	22,000	21,946	54
Building Inspection	230	-	-	-
Accident Report Charges	2,100	8,500	8,460	40
Golf Fees	104,000	107,000	96,885	10,115
Parks and Concessions	11,000	19,500	19,338	162
Fines	40,000	35,500	35,316	184
Sale of Fixed Assets	-	13,000	13,000	-
Insurance Recoveries	-	9,700	9,642	58
Investment Earnings	700	600	575	25
Landfill Host Fees	153,000	156,000	155,852	148
Housing Authority In Lieu of Tax	8,500	-	-	-
Miscellaneous Revenue	57,000	136,000	128,544	7,456
Total Revenues	<u>\$ 3,191,130</u>	<u>\$ 3,335,900</u>	<u>\$ 3,313,789</u>	<u>\$ 22,111</u>

The notes to financial statements are an integral part of these financial statement.

**Town of Oneida, Tennessee**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2011**

<b>EXPENDITURES</b>	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Legislative				
Salaries	\$ 64,000	\$ 59,000	\$ 58,351	\$ 649
Social Security and Medicare	4,800	4,550	4,521	29
Hospitalization Insurance	14,000	14,000	13,609	391
Retirement	2,400	2,500	2,466	34
Public Relations	800	100	100	-
Total Legislative	<u>86,000</u>	<u>80,150</u>	<u>79,047</u>	<u>1,103</u>
Finance and Administration				
Salaries	110,000	121,000	120,747	253
Social Security and Medicare	9,000	9,300	9,220	80
Hospitalization Insurance	30,000	41,050	41,011	39
Retirement	5,500	4,500	4,378	122
Office Supplies	2,400	100	35	65
Other Operating Supplies	4,000	3,600	3,581	19
Total Finance and Administration	<u>160,900</u>	<u>179,550</u>	<u>178,972</u>	<u>578</u>
City Attorney				
Legal services	<u>10,500</u>	<u>14,000</u>	<u>13,500</u>	<u>500</u>
Total City Attorney	<u>10,500</u>	<u>14,000</u>	<u>13,500</u>	<u>500</u>
City Hall and Buildings				
Salaries	12,000	15,200	15,198	2
Social Security and Medicare	900	1,200	1,138	62
Electric	24,000	24,500	24,370	130
Gas	3,300	3,000	2,836	164
Repair and Maintenance	200	650	609	41
Janitorial Supplies	2,000	500	410	90
Operating supplies	10,000	8,400	8,368	32
Total City Hall and Buildings	<u>\$ 52,400</u>	<u>\$ 53,450</u>	<u>\$ 52,929</u>	<u>\$ 521</u>

*The notes to financial statements are an integral part of these financial statement.*

Town of Oneida, Tennessee

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>EXPENDITURES</b>				
Other General Government				
Unemployment	\$ 10,000	\$ 16,050	\$ 16,033	\$ 17
Employee Education and Training	-	3,700	3,655	45
Publicity, Publications and Dues	2,000	-	-	-
Public Relations	20,000	15,500	15,492	8
Telephone	7,000	13,400	13,329	71
Utilities	-	16,000	15,509	491
Other Professional Services	67,000	24,000	23,315	685
Repairs & Maintenance	20,000	12,000	11,730	270
Travel	14,000	23,000	22,664	336
Other Operating Supplies	15,000	58,000	57,991	9
Gas. Oil, Diesel, Fuel and Grease	87,000	111,700	111,700	-
Insurance	135,000	105,000	104,681	319
Total Other General Government	377,000	398,350	396,099	2,251
Police				
Salaries	300,000	407,500	407,249	251
Social Security and Medicare	23,000	31,500	31,455	45
Hospitalization Insurance	109,000	153,500	153,338	162
Retirement	15,000	8,200	8,198	2
Electricity	1,400	-	-	-
Telephone	-	-	-	-
Repair and Maintenance	4,000	19,000	18,521	479
Travel	200	1,700	1,666	34
Office Supplies	600	400	335	65
Clothing and Uniforms	1,500	100	46	54
Other Operating Supplies	33,000	30,000	29,538	462
Motor Vehicle Parts	7,000	-	-	-
Equipment	-	75,750	75,725	25
Total Police	494,700	727,650	726,071	1,579
Support Services				
Salaries	118,000	118,500	118,375	125
Social Security and Medicare	9,900	9,300	9,199	101
Hospitalization Insurance	51,000	43,500	43,220	280
Retirement	6,000	4,000	3,880	120
Education and Training	200	-	-	-
Telephone	400	4,700	4,642	58
Travel	3,000	2,700	2,650	50
Total Police Support	\$ 188,500	\$ 182,700	\$ 181,966	\$ 734

*The notes to financial statements are an integral part of these financial statement.*

Town of Oneida, Tennessee  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>EXPENDITURES</b>				
Fire Protection and Control				
Salaries	25,000	22,000	21,642	358
Social Security and Medicare	2,000	1,200	1,090	110
Hospitalization Insurance	4,000	2,500	2,434	66
Telephone	1,000	-	-	-
Uniforms	1,500	-	-	-
Operating Supplies	5,000	17,000	16,828	172
Total Fire Protection and Control	\$ 38,500	\$ 42,700	\$ 41,994	\$ 706
Protective Inspection				
Salaries	\$ -	\$ -	\$ -	\$ -
Social Security and Medicare	-	-	-	-
Health Insurance	-	-	-	-
Retirement	-	-	-	-
Employee Training	-	-	-	-
Total Protective Inspection	-	-	-	-
Highways and Streets				
Salaries	365,000	370,000	369,933	67
Social Security and Medicare	28,000	28,600	28,597	3
Hospitalization Insurance	104,000	143,400	143,397	3
Retirement	18,500	16,650	16,601	49
Electricity	97,000	116,650	115,676	974
Telephone	1,400	500	485	15
Repairs and Maintenance Roads	2,000	3,100	3,090	10
Other Operating Supplies	56,000	66,500	66,231	269
Gas, Oil, Diesel Fuel, Grease	-	14,500	14,431	69
Building Materials	400	350	349	1
Total Highways and Streets	\$ 672,300	\$ 760,250	\$ 758,790	\$ 1,460
Sanitation				
Salaries	85,000	91,800	91,749	51
Social Security and Medicare	7,000	7,000	6,959	41
Hospitalization Insurance	29,000	29,000	28,603	397
Retirement	4,500	4,510	4,504	6
Repairs	-	1,020	1,015	5
Other Operating Supplies	5,000	6,850	6,811	39
Total Sanitation	\$ 130,500	\$ 140,180	\$ 139,641	\$ 539

*The notes to financial statements are an integral part of these financial statement.*

Town of Oneida, Tennessee  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2011

EXPENDITURES	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Recreation</b>				
Salaries	\$ 80,000	\$ 174,000	\$ 173,953	\$ 47
Social Security and Medicare	7,000	13,500	13,435	65
Health Insurance	42,000	48,300	48,279	21
Retirement	4,000	4,700	4,672	28
Electric	37,000	39,200	39,141	59
Gas	4,000	3,500	3,418	82
Supplies	20,000	71,400	71,374	26
Repairs	2,000	21,900	21,810	90
Building Supplies	2,000	2,700	2,616	84
Equipment	2,000	15,000	14,803	197
Total Recreation	<u>200,000</u>	<u>394,200</u>	<u>393,501</u>	<u>699</u>
<b>Golf Course</b>				
Salaries	\$ 54,000	\$ 50,200	\$ 50,156	\$ 44
Social Security and Medicare	4,800	3,800	3,799	1
Health Insurance	-	1,000	984	16
Retirement	1,500	1,700	1,614	86
Publicity Subscriptions etc		4,800	4,738	62
Electric	8,000	5,800	5,766	34
Water	-	900	879	21
Gas	1,000	3,300	3,208	92
Telephone	2,500	-	-	-
Operating Supplies	75,000	55,500	54,338	1,162
Total Golf Course	<u>146,800</u>	<u>127,000</u>	<u>125,482</u>	<u>1,518</u>
<b>Libraries</b>				
Salaries	16,500	16,300	16,291	9
Social Security and Medicare	1,300	1,300	1,251	49
Hospitalization	500	400	374	26
Retirement	700	750	738	12
Electricity	3,600	2,400	2,393	7
Gas	1,500	1,450	1,440	10
Telephone	1,200	1,200	1,154	46
Other Operating Supplies	100	1,600	1,553	47
Total Libraries	<u>25,400</u>	<u>25,400</u>	<u>25,194</u>	<u>206</u>
<b>Special Projects</b>				
Special projects	150,000	137,700	137,667	33
Total Special Projects	<u>150,000</u>	<u>137,700</u>	<u>137,667</u>	<u>33</u>
<b>Debt Service</b>				
Bond Principal	250,000	175,000	175,000	-
Bond Interest	165,150	123,500	123,373	127
Total Debt Service	<u>415,150</u>	<u>298,500</u>	<u>298,373</u>	<u>127</u>
Total Expenditures	<u>\$ 3,148,650</u>	<u>\$ 3,561,780</u>	<u>\$ 3,549,226</u>	<u>\$ 12,554</u>

The notes to financial statements are an integral part of these financial statement.

Town of Oneida, Tennessee  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>OTHER FINANCING SOURCES (USES)</b>				-
Net Change in Fund Balance	42,480	(225,880)	(235,437)	(9,557)
Fund Balances - Beginning	<u>941,518</u>	<u>941,518</u>	<u>941,518</u>	-
Fund Balances - Ending	<u>\$ 983,998</u>	<u>\$ 715,638</u>	<u>\$ 706,081</u>	<u>\$ (9,557)</u>

*The notes to financial statements are an integral part of these financial statement.*

**Town of Oneida, Tennessee**  
**State Street Aid Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State Street Aid	\$ 101,728	\$ 111,000	\$ 109,901	\$ 1,099
Interest Earnings	-	60	58	2
Total Revenues	<u>101,728</u>	<u>111,060</u>	<u>109,959</u>	<u>1,101</u>
<b>EXPENDITURES</b>				
Highways and Streets				
Street Lights	50,000	-	-	-
Other Operating Supplies	4,000	37,500	37,217	283
Building Materials	20,000	17,000	16,797	203
Equipment	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Highways and Streets	<u>99,000</u>	<u>54,500</u>	<u>54,014</u>	<u>486</u>
Net of Revenues Over (Under) Expenditures	<u>2,728</u>	<u>56,560</u>	<u>55,945</u>	<u>1,587</u>
Net Change in Fund Balance	<u>2,728</u>	<u>56,560</u>	<u>55,945</u>	<u>1,587</u>
Fund Balances - Beginning	<u>27,933</u>	<u>27,933</u>	<u>28,632</u>	<u>699</u>
Fund Balances - Ending	<u>\$ 30,661</u>	<u>\$ 84,493</u>	<u>\$ 84,577</u>	<u>\$ 2,286</u>

Town of Oneida, Tennessee  
Drug Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fines and Forfeitures	\$ 25,000	\$ 25,500	\$ 22,286	\$ 3,214
Total Revenues	25,000	25,500	22,286	3,214
<b>EXPENDITURES</b>				
Police	25,000	25,500	25,483	17
Total Expenditures	25,000	25,500	25,483	17
Net of Revenues Over (Under) Expenditures	-	-	(3,197)	(3,197)
Fund Balances - Beginning	23,211	23,211	23,211	-
Fund Balances - Ending	\$ 23,211	\$ 23,211	\$ 20,014	\$ (3,197)

**TOWN OF ONEIDA, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Oneida, Tennessee, are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

**A. Reporting Entity**

The Town of Oneida is a public municipal corporation, governed by an elected board of Mayor and Aldermen (four aldermen and mayor). The Town of Oneida, Tennessee had neither blended nor discretely presented component units as of June 30, 2011.

**Related Organizations** - The Town's officials are responsible for appointing members of the Oneida Industrial Development Board. The Town's accountability for this organization does not extend beyond making the appointments.

**B. Government Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of change in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activities has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type*, activities, which rely on a significant extent of fees and charges for support. Likewise, the primary government is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements are organized into funds, each of which is considered to be a separate legal entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities and fund equity, revenues and expenses/expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Oneida reports a proprietary fund and an enterprise fund. It has no internal service fund to report.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. There are no fiduciary funds to report.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or as soon thereafter to pay liabilities of the current period. For this purpose the Town considers revenues to be available if they are paid within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due.

Property taxes for the period levied, in-lieu-of of tax payments, sales taxes, interest and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines and forfeitures and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the town receives cash.

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Oneida reports the following major governmental funds:

**General Fund** - This is the town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

#### **Special Revenue Funds**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**State Street Aid Fund** -- This fund is used to account for the town's share of motor fuel tax revenues and special state grants that are legally restricted to the maintenance of state highways within the town's boundaries.

**Drug Fund** -- This fund accounts for drug fund fines and proceeds from the sale of seized property. These funds can be used to make drug purchases or to help finance any other law enforcement activities.

The Town of Oneida reports the following major proprietary fund:

The ***Water and Sewer Fund*** accounts for the activities of the department. The department operates the sewage treatment plant, sewage pumping stations and collections systems, and the water collection, treatment and storage and distribution system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance on the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector guidance.

The effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the department are charges to customers for sales and services. The department also recognizes as operating revenue the portion of tap fees intended to recover the cost of connection new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation expense on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expense.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. Assets, Liabilities and Net Assets or Equity**

##### ***1. Deposits and Investments***

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturates of three months or less from the date of acquisition.

##### ***2. Receivable and Payables***

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable are aged and based on historical information; the allowance for uncollectible accounts is determined. The property tax receivable allowance is equal to an estimate of older accounts for personal property taxes that are considered unlikely to be collected.

All trade and property taxes receivables are shown net of an allowance for un-collectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for un-collectibles. The property tax receivable allowance is an estimate of un-collectible personal property taxes receivable which may not be recovered.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 60 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty on December 1.

### **3. Inventories and Prepaid Items**

Inventories are valued at cost using the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when purchased.

### **4. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays: these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental, or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 5,000 (amount not rounded) and an estimated life in excess of two years. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment in the proprietary fund of the government are recorded at cost. Property, plant, and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of business-type activities is included as part of the capitalized value of the asset constructed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Lines and Storage	50
Sewage System	50
Vehicles	5
Office Equipment	10
Computer Equipment	10

### **5. Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. Vacation pay is accrued when incurred in government-wide and proprietary funds and reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as expenditure and a liability of the fund that will pay it. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Vacation benefits are accrued when earned in the enterprise fund.

## ***6. Long-Term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as insurance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issue costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well bond issue costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on bond issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## ***7. Net Assets and Fund Equity***

The government-wide financial statements are the proprietary funds in the fund financial statements, equity is classified as net assets as displayed in three components:

- a. Investment in Capital Assets, Net of Related Debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Assets - Consists of net assets that 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.
- c. Unrestricted Net Assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## ***8. Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### **A. Explanation of certain differences between governmental fund balance sheet and the government-wide statement of net assets.**

Page 14 includes explanations of the nature of individual elements of items required to reconcile fund balances – total governmental funds and net assets -- governmental activities as reported in the government-wide statement of net assets.

### **B. Explanation of certain differences between the governmental fund statements of revenue, expenditures, and changes in fund balances and the government-wide statement of activities.**

Page 16 includes explanations of the nature of individual elements of items required to reconcile net changes in fund balances -- governmental funds and changes in net assets of governmental activities reported in the government-wide statement of activities.

### **III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **Budgetary Information**

The Town is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Mayor and the Board of Aldermen and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: Legislative, Finance and Administration, City Hall and Buildings, Police, etc.) Management may make revisions within major categories, but only the governing body may transfer appropriations between major categories.

The Town's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances is treated as budgeted expenditures. Therefore, actual amounts in the accompanying budgetary statements for the major funds are presented on this budgetary basis.

### **IV. DETAILED NOTES ON ALL FUNDS**

#### **A. Deposits and Investment**

All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure the debt of these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect these accounts that are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for the purpose of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, the state statutes requires that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the entity. The Town of Oneida has an agreement with the banks that any funds above the FDIC limits will be covered at 105 percent of overage by securities held with a third party in the banks' name for the benefit of the City.

The carrying values of the Town's deposits were \$568,791 and the bank balance was \$599,146. All bank balances are insured by FDIC or collateral pledged by bank held by third party in the Town's name.

**B. Receivables**

Receivables as of June 30, 2011 for the government's individual major funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Non-major and Other Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 986,592	\$ -	\$ -	\$ 986,592
Accounts	51,629	383,910	-	435,539
Intergovernmental	326,788	-	-	326,788
Gross Receivables	<u>1,365,009</u>	<u>383,910</u>	<u>-</u>	<u>1,748,919</u>
Less: Allowance for Uncollectibles	<u>(9,000)</u>	<u>(10,000)</u>	<u>-</u>	<u>(19,000)</u>
Net Total Receivables	<u>\$ 1,356,009</u>	<u>\$ 373,910</u>	<u>\$ -</u>	<u>\$ 1,729,919</u>

Revenues for the Water and Sewer Fund are reported net of uncollectible amounts. Total estimated uncollectible amounts related to revenues of the current period are as follows:

Total allowance for uncollectibles of the current fiscal year \$ (19,000)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property Taxes Receivable - Delinquent	\$ 182,424	\$ -
Property Taxes Receivable - Current	804,168	-
Less: Allowance for Uncollectible Personal Property Taxes	<u>(9,000)</u>	<u>-</u>
Total Deferred / Unavailable Revenue for Governmental Funds	<u>\$ 977,592</u>	<u>\$ -</u>

## C. Capital Assets

Capital activity for the year ended June 30, 2011 are as follows:

### Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 2,502,000	\$ -	\$ -	\$ 2,502,000
Total Capital Assets, Not Being Depreciated:	<u>2,502,000</u>	<u>-</u>	<u>-</u>	<u>2,502,000</u>
<b>Capital Assets, Being Depreciated:</b>				
Buildings	4,892,299	-	-	4,892,299
Improvements Other Than Buildings	1,287,243	-	-	1,287,243
Machinery and Equipment	2,786,339	88,738	18,236	2,856,841
Infrastructure	<u>9,254,000</u>	<u>-</u>	<u>-</u>	<u>9,254,000</u>
Total Capital Assets Being Depreciated	<u>18,219,881</u>	<u>88,738</u>	<u>18,236</u>	<u>18,290,383</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	(890,716)	(96,734)	-	(987,450)
Improvements Other Than Buildings	(325,288)	(26,696)	-	(351,984)
Machinery and Equipment	(2,088,973)	(115,277)	14,573	(2,189,677)
Infrastructure	<u>(3,640,142)</u>	<u>(157,900)</u>	<u>-</u>	<u>(3,798,042)</u>
Total Accumulated Depreciation	<u>(6,945,119)</u>	<u>(396,607)</u>	<u>14,573</u>	<u>(7,327,153)</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>13,776,762</u>	<u>(307,869)</u>	<u>32,809</u>	<u>13,465,230</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land	279,938	-	-	279,938
Total Capital Assets, Not Being Depreciated:	<u>279,938</u>	<u>-</u>	<u>-</u>	<u>279,938</u>
<b>Capital Assets, Being Depreciated:</b>				
Buildings and System	25,904,188	525,615	-	26,429,803
Improvements Other Than Buildings	52,184	8,055	-	60,239
Machinery and Equipment	<u>1,182,593</u>	<u>-</u>	<u>-</u>	<u>1,182,593</u>
Total Capital Assets Being Depreciated	<u>27,138,965</u>	<u>533,670</u>	<u>-</u>	<u>27,672,635</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings and System	(8,036,950)	(479,180)	-	(8,516,130)
Improvements Other Than Buildings	(40,542)	(3,097)	-	(43,639)
Machinery and Equipment	<u>(871,366)</u>	<u>(60,393)</u>	<u>-</u>	<u>(931,759)</u>
Total Accumulated Depreciation	<u>(8,948,858)</u>	<u>(542,670)</u>	<u>-</u>	<u>(9,491,528)</u>
Total Capital Assets, Being Depreciated Net	<u>18,190,107</u>	<u>(9,000)</u>	<u>-</u>	<u>18,181,107</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$ 18,470,045</u>	<u>\$ (9,000)</u>	<u>\$ -</u>	<u>\$ 18,461,045</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities

General Government	\$ 30,740
Fire	36,427
Police	25,416
Highways and Streets, including depreciation of general infrastructure assets	196,785
Sanitation	8,852
Culture and Recreation	98,325
Total Depreciation Expense - Governmental Activities	<u>\$ 396,545</u>

Business-Type Activities:

Water	\$ 300,889
Sewer	241,781
Total Depreciation- Business-Type Activities	<u>\$ 542,670</u>

**D. Interfund Receivables, Payables, and Transfers**

Interfund Transfers	Amount		Amount	
	Transfers Out	Transfer In		
	General	\$ 139,641	Sanitation	\$ 139,641
	Total	<u>\$ 139,641</u>	Total	<u>\$ 139,641</u>

This transfer (and similar transfer) are made annually to separate solid waste disposal cost to the sanitation fund in the amount of the actual expenditures of solid waste disposals. The Statement of Revenues, Ependitures, and Changes in Fund Balances - Budget and Actual is presented as Supplemental Information according to the *Tennessee Code Annotated* and reporting for financial statement purposes in the General Fund Expenditures as Solid Waste Expenditures.

## E. Long-Term Debt

### General Obligation Bonds

The government issues general obligation bonds and notes to provide funds for the acquisition for major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities	4.25% fixed	\$ 3,963,775
Business-Type Activities	-	-
		<u>\$ 3,963,775</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year ending June 30,	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2012	258,000	161,368
2013	266,000	150,167
2014	273,000	138,631
2015	301,000	125,736
2016	309,000	113,254
2016-2020	1,587,000	337,241
2021-2026	969,775	91,462
2027-2031	-	-
	<u>\$ 3,963,775</u>	<u>\$ 1,117,859</u>

### Revenue Bonds

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service.

Revenue bonds outstanding are as follows:

Year ending June 30,	Business-type Activities	
	<u>Principal</u>	<u>Interest</u>
2012	79,773	149,737
2013	82,435	146,070
2014	85,220	142,280
2015	88,134	138,361
2016	91,183	134,307
2021-2025	426,646	606,328
2026-2030	495,680	504,400
2031-2035	621,754	378,326
2036-2040	752,210	198,824
2041-2045	490,673	66,102
2046-2050	103,549	3,872
	<u>\$ 3,317,257</u>	<u>\$ 2,468,607</u>

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2011, was as follows

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Notes Payable:					
General Obligation Notes	\$ 2,664,775	\$ -	\$ 125,000	\$ 2,539,775	\$ 125,000
General Obligation Notes	920,000	-	-	920,000	80,000
General Obligation Notes	554,000	-	50,000	504,000	53,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Governmental Activity: Long-Term Liabilities	<u>\$ 4,138,775</u>	<u>\$ -</u>	<u>\$ 175,000</u>	<u>\$ 3,963,775</u>	<u>\$ 258,000</u>
<b>Business-Type Activities:</b>					
Bonds Payable:					
Revenue Bonds	<u>\$ 3,395,479</u>	<u>\$ -</u>	<u>\$ 78,222</u>	<u>\$ 3,317,257</u>	<u>\$ 79,773</u>
Business-Type Activities: Long-Term Liabilities	<u>\$ 3,395,479</u>	<u>\$ -</u>	<u>\$ 78,222</u>	<u>\$ 3,317,257</u>	<u>\$ 79,773</u>

## **V. OTHER INFORMATION**

### **A. Contingent Liabilities**

- 1) The Town is a defendant in several pending lawsuits. Although the ultimate disposition of these lawsuits cannot be predicted with certainty, it is the opinion of management that the outcome of any lawsuit or claim which is pending or threatened, not covered by insurance, will not have a materially adverse effect on the operations or financial condition of the Town.
- 2) The Town has received several federal and state grants for specific purposes which are subject to review by the grantor agencies. Such reviews could lead to a request for reimbursement to the grantor agencies for any expenditure disallowed under the terms of the grants. Management believes that such disallowed costs, if any, would be immaterial.

### **B. Risk Management**

The Town is exposed to various risks of losses related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has obtained commercial insurance to manage these risks. Management does not believe any claims will exceed the insurance amount. Claims have not exceeded insurance coverage in the past 3 years.

### **C. Accounting Standards**

- 1) The Town of Oneida has adopted all applicable pronouncements of the Government Accounting Standards Board, and has elected not to apply the pronouncements of the Financial Accounting Standards Board issued after November 30, 1989.

### **D. Commitments and contingencies**

The Town of Oneida jointly owns the building occupied by the Boys and Girls Club of the Cumberland with Scott County. The organization has agreed to pay all operating costs as well as occupancy costs. These costs may not be paid and revert to the two sponsoring governments of the Town of Oneida, Tennessee and Scott County, Tennessee.

### **E. Retirement Plans**

The Town of Oneida, Tennessee provides a single-employer, defined contribution retirement plan which covers all general government employees, and the water and sewer department provides a deferred compensation plan which covers all water and sewer employees. Independent plan administrators through administrative service agreements administer the plans and plan assets. The Town's fiduciary responsibility is limited to payment of the contributed amounts to the plan administrator.

#### ***General Government Employees Retirement Plan***

All general government employees are eligible to participate in the "Town of Oneida 401(k) Plan," a defined contribution 401(k) retirement plan. Participation in the plan is voluntary. The payroll for general government employees covered by the plan for the fiscal year ended June 30, 2011 was \$ 1,278,440. All participants in the plan have elected to reduce their normal compensation by an elective deferral equal to 5% of their normal compensation. The Town contributes an amount equal to the elective deferral amount and may (but is not required to) make matching contributions in amounts determined at the Town's discretion. The Town's contribution to the plan for the year ended June 30, 2011 was \$ 45,047, which was the elective contribution of general government employees.

The plan permits (but does not require) participating employees to make employee contributions to the plan. Employee contributions are immediately 100% vested and are not subject to forfeiture for any reason. Any contributions by the Town, including the portion funded by the employee elective deferrals, vest as follows:

Years of Service	% Vested
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5 or more	100%

Normal retirement age under the plan is the later of the date a participant attains age 55 or the 5th anniversary of the first day of the plan year in which participant is in the plan. If a participant dies or becomes disabled while still employed by the Town, his entire plan interest becomes 100% vested.

***Water and Sewer Department Deferred Compensation Plan***

All Water and Sewer employees are eligible to participate in the “Water and Wastewater employees’ retirement plan,” a defined contribution 401(k) retirement plan. Participation in the plan is voluntary. The payroll for department employees covered by the plan for the fiscal year ended June 30, 2011 was \$ 540,198. All participants in the plan have elected to reduce their normal compensation by an elective deferral equal to 5% of their normal compensation. The Water and Sewer Department contributes an amount equal to the elective deferral amount and may (but is not required to) make matching contributions in amounts determined at the Town's discretion. The Water and Sewer Department contribution to the plan for the year ended June 30, 2011 was \$ 54,020, which was the elective contribution of general government employees.

The plan permits (but does not require) participating employees to make employee contributions to the plan. Employee contributions are immediately 100% vested and are not subject to forfeiture for any reason. Any contributions by the Water and Sewer Department, including the portion funded by the employee elective deferrals, vest as follows:

Years of Service	% Vested
Less than 1	0%
1	20%
2	40%
3	60%
4	80%
5 or more	100%

Normal retirement age under the plan is the later of the date a participant attains age 55 or the 5th anniversary of the first day of the plan year in which participant is in the plan. If a participant dies or becomes disabled while still employed by the Town, his entire plan interest becomes 100% vested.

## **SUPPLEMENTAL INFORMATION**

**Town of Oneida, Tennessee**  
**Sanitation Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amount</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>EXPENDITURES</b>	<u>Original</u>	<u>Final</u>		
Sanitation				
Salaries	\$ 85,000	\$ 91,800	\$ 91,749	\$ 51
Social Security and Medicare	7,000	7,000	6,959	41
Hospital Insurance	29,000	29,000	28,603	397
Retirement	4,500	4,510	4,504	6
Operating Supplies	5,000	7,870	7,826	44
Total Sanitation	<u>130,500</u>	<u>140,180</u>	<u>139,641</u>	<u>539</u>
Net of Revenues Over (Under) Expenditures	(130,500)	(140,180)	(139,641)	539
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>132,500</u>	<u>132,500</u>	<u>139,641</u>	<u>7,141</u>
Total Other Financing Sources and Uses	<u>132,500</u>	<u>132,500</u>	<u>139,641</u>	<u>7,141</u>
Net Change in Fund Balance	-	-	-	-
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

This schedule is presented to comply with *Tennessee Code Annotated*, Section 68-211-874

**TOWN OF ONEIDA, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2011**

CFDA Number	Grant/Loan Number	Program Name	Grantor Agency/Pass-Through Grantor	Balance June 30, 2010	Receipts	Expenditures	Balance June 30, 2011
<b>Water Sewer Fund</b>							
14.228	GG0612383	Community Dev. Block Grant	Housing and Urban Development CDBG Grant	-	452,575	452,575	-
14.228	GG0612789	Community Dev. Block Grant	CDBG Grant	-	31,083	31,083	-
			<b>Total Federal</b>	<b>-</b>	<b>483,658</b>	<b>483,658</b>	<b>-</b>
			<b>Total Federal</b>	<b>-</b>	<b>483,658</b>	<b>483,658</b>	<b>-</b>

**TOWN OF ONEIDA, TENNESSEE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2011**

**NOTE A- BASIS OF PRESENTATION**

The accompanying schedule of grant activities of the Town of Oneida, Tennessee is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**TOWN OF ONEIDA, TENNESSEE**  
**SCHEDULE OF STATE EXPENDITURES (State of Tennessee)**  
**June 30, 2011**

CFDA Number	Grant/Loan Number	Program Name	Grantor Agency/Pass-Through Grantor	Balance July 1, 2010	Receipts	Expenditures	Balance 6/30/2011
N/A	A07031404	Local Park and Acq. Prog.	Tenn. Dept. of Conservation	\$ 35,299	\$ 39,021	\$ 21,015	\$ 17,293
N/A	DG0924198	Tennessee Housing Dev. Auth.	Tenn. Housing Dev. Auth.	-	47,473	47,473	-
			<b>Total State of Tennessee</b>	<b>\$ 35,299</b>	<b>\$ 86,494</b>	<b>\$ 68,488</b>	<b>\$ 17,293</b>

**TOWN OF ONEIDA, TENNESSEE**  
**RESERVE REQUIREMENTS REQUIRED BY BOND AGREEMENT**  
**June 30, 2011**

	<u>Operation and Maintenance Reserve</u>	<u>Debt Service Reserve</u>
<b>Requirement</b>	\$ 513,175	\$ 34,368
<b>Current Balance</b>	<u>24,796</u>	<u>34,368</u>
<b>Excess</b>	<u>\$ (488,379)</u>	<u>\$ -</u>

The Oneida Water and Sewer Department did not adopt an operating budget for the year ended June 30, 2011, therefore; the Operation and Maintenance Reserve Requirement was calculated using the operating expenses less depreciation.

**TOWN OF ONEIDA, TENNESSEE**  
**Fiscal Statistics**  
**June 30, 2011**

Date of Incorporation	1917
Form of Government	Private Charter Weak Mayor Structure
Number of Employees (excluding police and fire):	
Classified	51
Exempt	5
Area in Square Miles	13
Town of Oneida, Facilities and services	
Miles of Streets	80
Culture and Recreation:	812
Community Centers	2
Parks	2
Park Acreage	86
Swimming Pools	1
Tennis Courts	1
Fire Protection:	
Number of Stations	1
Number of Fire Personnel and Officers	16
Sewage System:	
Number of Treatment Plants	1
Daily Average Treatment in Gallons	950,000
Maximum Daily Capacity of Treatment Plant in Gallons	2,000,000
Water System:	
Number of Hydrants	150
Daily Average Consumption in Gallons	1,300,000
Maximum Daily Capacity of Plant in Gallons	2,000,000

**TOWN OF ONEIDA, TENNESSEE  
WATER AND SEWER DEPARTMENTS  
SCHEDULE OF UTILITY RATES IN FORCE  
June 30, 2011**

**Water and Sewer Rates, Number of Customers, and System Efficiency**

**Water and Sewer Rates in Effect June 30, 2011**

Water Rates	Per 1,000 gallons			
	Inside City Limits		Outside City Limits	
First 2,000 gallons	\$ 8.65	Minimum	\$ 12.70	Minimum
Next 8,000 gallons	3.25		5.06	
Above 10,000 gallons	2.93		4.95	
<b>Sewer Rates</b>				
Per 2,000	12.00	Minimum	12.72	Minimum
	6.00		6.36	

The Water and Sewer Department imposed a \$ 4.50 per account surcharge Beginning January 1, 2011.  
The Water and Sewer Department had 4,347 water customers and 1,823 sewer customers at June 30, 2011.  
The water and sewer customers inside and outside the city limits are shown below.

	Inside City Limits	Outside City Limits	Total Customers
Water Customers	1,644	2,703	4,347
Sewer Customers	1,523	300	1,823

**Town of Oneida, Water and Sewer Department  
Schedule of Unaccounted for Water  
June 30, 2011**

	Amounts in Gallons	
A. Water Treated and Purchased		
B. Water Pumped (portable)	419,724	
C. Water Purchased	0	
D. Total Water Treated and Purchased ( Sum Line B and C)		419,724
E. Accounted for Water:		
F. Water Sold	236,546	
G. Metered for Consumption (in house usage)	48,830	
H. Fire Departments Usage	375	
I. Flushing	0	
J. Tank Cleaning /Filling	1,028	
K. Street Cleaning	0	
L. Bulk Sales	0	
M. Water Bill Adjustments/Plus or (Minus)	1,149	
N. Total Accounted for Water (Sum Lines F thru M)		287,928
O. Unaccounted for Water (Sum Lines D minus N)		131,796
P. Percent Unaccounted for Water ( Lines O divided by Line D times 100 )		31.401%
Q. Other (Explain)		0

Explain Other: None

All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item or if the line item is not applicable, a "0" is shown.

**TOWN OF ONEIDA, TENNESSEE**  
**Net Assets by Components**  
**Last Eight Fiscal Years**  
*(Accrual Basis of Accounting)*

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental Activities</b>								
Invested in Capital Assets, Net of Related Debt	\$ 10,760,457	\$ 9,559,754	\$ 10,585,461	\$ 10,336,540	\$ 10,524,292	\$ 9,053,748	\$ 9,637,997	\$ 9,501,455
Restricted	83,333	55,252	75,656	44,245	91,878	48,081	51,843	104,591
Unrestricted	1,439,400	2,693,560	757,606	874,086	663,868	653,466	884,133	653,466
<b>Total Governmental Activities Net Assets</b>	<u>12,283,190</u>	<u>12,308,566</u>	<u>11,418,723</u>	<u>11,254,871</u>	<u>11,280,038</u>	<u>9,755,295</u>	<u>10,573,973</u>	<u>10,259,512</u>
<b>Business-Type Activities</b>								
Invested in Capital Assets, Net of Related Debt	9,952,306	10,631,681	12,613,524	13,318,956	14,086,228	15,207,608	15,207,608	15,143,789
Restricted	-	-	-	-	-	-	-	-
Unrestricted	745,532	1,056,060	1,312,291	1,254,415	531,295	645,482	645,482	411,134
<b>Total Business-Type Activities Net Assets</b>	<u>10,697,838</u>	<u>11,687,741</u>	<u>13,925,815</u>	<u>14,573,371</u>	<u>14,617,523</u>	<u>15,853,090</u>	<u>15,853,090</u>	<u>15,554,923</u>
<b>Primary Government</b>								
Invested in Capital Assets, Net of Related Debt	20,712,763	20,191,435	23,198,985	23,655,496	24,610,520	24,261,356	24,712,564	24,645,244
Restricted	83,333	55,252	75,656	44,245	91,878	48,081	51,843	104,591
Unrestricted	2,184,932	3,749,620	2,069,897	2,128,501	1,195,163	2,300,867	1,442,604	1,064,600
<b>Total Primary Government Net Assets</b>	<u>\$ 22,981,028</u>	<u>\$ 23,996,307</u>	<u>\$ 25,344,538</u>	<u>\$ 25,828,242</u>	<u>\$ 25,897,561</u>	<u>\$ 26,610,304</u>	<u>\$ 26,207,011</u>	<u>\$ 25,814,435</u>

**TOWN OF ONEIDA, TENNESSEE**  
**Change in Net Assets - Last Seven Fiscal Years**  
**June 30, 2011**

	<u>Fiscal Year</u>							
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Program Expenses</b>								
<u>Governmental Activities</u>								
General Government	\$ 1,366,574	\$ 712,432	\$ 671,877	\$ 747,242	\$ 1,020,368	807,003	746,795	746,795
Public Safety	1,019,194	1,088,041	960,585	1,078,716	1,113,156	1,112,848	952,691	963,478
Highways and Streets	1,300,722	1,064,666	999,285	1,062,741	733,145	1,091,089	1,043,540	1,009,589
Sanitation	139,605	114,234	99,840	133,850	132,984	126,639	141,249	148,492
Culture and Recreation	298,350	313,964	348,487	329,969	515,778	509,210	235,419	627,698
Interest	14,460	17,493	149,687	130,099	159,868	166,885	251,324	123,373
Total Governmental Activities	<u>4,138,905</u>	<u>3,310,830</u>	<u>3,229,761</u>	<u>3,482,617</u>	<u>3,675,299</u>	<u>3,813,674</u>	<u>3,371,018</u>	<u>3,619,425</u>
<u>Business-Type Activities</u>								
Water and Sewer	<u>1,925,883</u>	<u>1,688,474</u>	<u>2,217,387</u>	<u>2,229,005</u>	<u>2,770,458</u>	<u>2,556,082</u>	<u>2,522,781</u>	<u>2,592,477</u>
Total Business-Type Activities	<u>1,925,883</u>	<u>1,688,474</u>	<u>2,217,387</u>	<u>2,229,005</u>	<u>2,770,458</u>	<u>2,556,082</u>	<u>2,522,781</u>	<u>2,592,477</u>
Total Primary Government Expenses	<u>6,064,788</u>	<u>4,999,304</u>	<u>5,447,148</u>	<u>5,711,622</u>	<u>6,445,757</u>	<u>6,369,756</u>	<u>6,369,756</u>	<u>5,893,799</u>
<u>Program Revenues</u>								
Governmental Activities								
Charges for Services								
Public Safety	834,528	-	64,467	14,166	65,451	102,766	55,123	57,602
Capital Grants	-	-	-	-	238,490	195,179	467,208	483,659
Operating Grants	-	-	-	-	-	-	109,997	109,901
Parks and Recreation	13,930	-	74,467	146,353	165,016	165,197	107,448	116,223
Total Governmental Activities	<u>848,458</u>	<u>-</u>	<u>138,934</u>	<u>160,519</u>	<u>468,957</u>	<u>463,142</u>	<u>739,776</u>	<u>767,385</u>
Business-Type Activities								
Capital Grants	49,792	883,808	1,987,595	663,439	559,628	74,740	255,453	136,855
Water and Sewer	<u>1,885,967</u>	<u>2,549,741</u>	<u>2,467,866</u>	<u>2,213,122</u>	<u>2,254,982</u>	<u>2,216,801</u>	<u>2,047,276</u>	<u>2,030,163</u>
Total Business-Type Activities	<u>1,935,759</u>	<u>3,433,549</u>	<u>4,455,461</u>	<u>2,876,561</u>	<u>2,814,610</u>	<u>2,291,541</u>	<u>2,302,729</u>	<u>2,167,018</u>
Net Expenses								
Governmental Activities	(3,290,447)	(3,310,830)	(3,090,827)	(3,322,098)	(3,206,342)	(3,350,532)	(2,631,242)	(2,852,040)
Business-Type Activities	9,876	1,745,075	2,238,074	647,556	44,152	(264,541)	(220,052)	(425,459)
<u>General Revenue</u>								
Taxes								
Property Taxes	565,223	597,341	569,032	618,344	586,260	684,794	814,203	807,830
State Taxes	1,894,022	1,871,707	1,821,365	2,021,191	1,586,553	349,572	333,480	289,796
Other Taxes	63,495	196,942	167,471	278,676	354,058	1,468,666	1,426,521	1,557,882
Investment Earnings	10,625	29,243	23,676	7,800	1,821	1,174	689	633
Miscellaneous Revenues	<u>154,752</u>	<u>653,038</u>	<u>278,266</u>	<u>232,236</u>	<u>577,311</u>	<u>214,821</u>	<u>339,276</u>	<u>365,908</u>
Total Governmental Activities	<u>2,688,117</u>	<u>3,348,271</u>	<u>2,859,810</u>	<u>3,158,247</u>	<u>3,106,003</u>	<u>2,719,027</u>	<u>2,914,169</u>	<u>3,022,049</u>
Change in Net Assets								
Governmental Activities	(602,330)	37,441	(231,017)	(163,851)	,	(631,505)	130,939	(314,461)
Business-Type Activities	<u>9,876</u>	<u>1,745,075</u>	<u>2,238,074</u>	<u>647,556</u>	<u>44,152</u>	<u>(264,541)</u>	<u>(220,052)</u>	<u>(78,115)</u>
Total Primary Government	<u>\$ (592,454)</u>	<u>\$ 1,782,516</u>	<u>\$2,007,057</u>	<u>\$ 483,705</u>	<u>\$ 44,152</u>	<u>\$ (896,046)</u>	<u>\$ (89,113)</u>	<u>\$ (392,576)</u>

Town of Oneida  
Fund Balances-Governmental Funds-  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>General Fund</u>										
Unrestricted	\$ 1,669,642	\$ 1,445,431	\$ 815,947	\$ 2,087,022	\$ 665,703	\$ 907,182	\$ 777,992	\$ 1,760,343	\$ 941,518	\$ 706,081
<u>Other Funds</u>										
Restricted	104,281	108,740	83,333	55,252	75,656	44,244	91,878	48,081	51,843	104,591
Total	<u>\$ 1,773,923</u>	<u>\$ 1,554,171</u>	<u>\$ 899,280</u>	<u>\$ 2,142,274</u>	<u>\$ 741,359</u>	<u>\$ 951,426</u>	<u>\$ 869,870</u>	<u>\$ 1,808,424</u>	<u>\$ 993,361</u>	<u>\$ 810,672</u>

**TOWN OF ONEIDA, TENNESSEE**  
**Property Tax Levies and Collections Last Ten Years**  
**June 30, 2011**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Tax Collection</u>	<u>Total Uncollected Tax</u>	<u>Percentage Collected</u>	<u>Tax Rate</u>
2002	\$ 442,000	\$ 440,376	\$ 1,624	99.63%	0.75
2003	404,000	402,122	1,878	99.54%	0.75
2004	460,495	456,788	3,707	99.19%	0.90
2005	554,495	546,085	8,410	98.48%	0.90
2006	467,606	457,403	10,203	97.82%	0.90
2007	601,005	587,107	13,898	97.69%	0.90
2008	654,000	629,842	24,158	96.31%	0.85
2009	704,626	667,142	37,484	94.68%	1.00
2010	803,131	722,113	81,018	89.91%	1.00
2011	804,012	-	804,012	0.00%	1.00
		-	-		
	<u>\$ 5,895,370</u>	<u>\$ 4,908,978</u>	<u>\$ 986,392</u>	83.27%	

Taxes levied and collected does not included public utility tax.

**Town of Oneida, Tennessee**  
**Change in Property Taxes Receivable**  
**June 30, 2011**

<u>Year</u>	<u>Balance 6/30/2010</u>	<u>Collected Current</u>	<u>Levies</u>	<u>Adjustments</u>	<u>Balance 6/30/2011</u>
2002	\$ 2,822	\$ 1,198	\$ -	\$ -	\$ 1,624
2003	3,355	1,477	-	-	1,878
2004	3,839	132	-	-	3,707
2005	6,217	595	-	2,788	8,410
2006	11,587	1,384	-	-	10,203
2007	15,927	2,029	-	-	13,898
2008	24,387	229	-	-	24,158
2009	57,697	20,213	-	-	37,484
2010	803,131	722,113	-	-	81,018
2011	-	-	804,012	-	804,012
	<u>\$ 928,962</u>	<u>\$ 749,370</u>	<u>\$ 804,012</u>	<u>\$ 2,788</u>	<u>\$ 986,392</u>

Allowance for Doubtful

Accounts (9,000)

(9,000)

Net Taxes Receivable \$ 919,962

\$ 977,392

Town of Oneida, Tennessee  
 Debt Capacity Information - Last Ten Years  
 June 30, 2011

Debt Outstanding	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<u>Governmental Activities</u>										
General Revenue Bonds	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 970,000	\$ 3,035,000	\$ 3,685,000	\$ 3,553,000	\$ 4,807,000	\$ 4,138,775	\$ 3,963,775
<u>Business-Type Activities</u>										
Revenue Bonds	3,731,447	3,499,608	3,291,521	4,578,350	4,251,817	3,924,015	3,543,022	3,470,268	3,395,479	3,317,257
Total Bonds, Notes and Leases	\$ 4,731,447	\$ 4,499,608	\$ 4,291,521	\$ 5,548,350	\$ 7,286,817	\$ 7,609,015	\$ 7,096,022	\$ 8,277,268	\$ 7,534,254	\$ 7,281,032

**TOWN OF ONEIDA, TENNESSEE**  
**SCHEDULE OF FUTURE PRINCIPLE AND INTEREST REQUIREMENT**  
As of June 30, 2011

June 30	General Government						Series 2008			Series 2009			Total General Government Bonds and Notes Payable		
	Note		Series 2007		Series 2008		Series 2009		Series 2009		All Issues		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2012	125,000	105,294	230,294	23,398	53,000	23,398	76,398	80,000	32,676	112,676	258,000	161,368	419,368		
2013	130,000	99,875	229,875	20,728	56,000	20,728	76,728	80,000	29,564	109,564	266,000	150,167	416,167		
2014	135,000	94,244	229,244	17,935	58,000	17,935	75,935	80,000	26,452	106,452	273,000	138,631	411,631		
2015	160,000	87,976	247,976	14,420	61,000	14,420	75,420	80,000	23,340	103,340	301,000	125,736	426,736		
2016	165,000	81,069	246,069	11,957	64,000	11,957	75,957	80,000	20,228	100,228	309,000	113,254	422,254		
2017	170,000	73,950	243,950	8,747	67,000	8,747	75,747	80,000	17,116	97,116	317,000	99,813	416,813		
2018	180,000	58,863	238,863	5,366	71,000	5,366	76,366	80,000	16,990	96,990	331,000	81,219	412,219		
2019	180,000	50,682	230,682	1,813	74,000	1,813	75,813	85,000	12,448	97,448	339,000	64,943	403,943		
2020	205,000	41,757	246,757	-	-	-	-	85,000	9,142	94,142	290,000	50,899	340,899		
2021	215,000	34,532	249,532	-	-	-	-	95,000	5,835	100,835	310,000	40,367	350,367		
2022	125,000	28,901	153,901	-	-	-	-	94,775	1,848	96,623	219,775	30,749	250,524		
2023	140,000	22,844	162,844	-	-	-	-	-	-	-	140,000	22,844	162,844		
2024	145,000	16,575	161,575	-	-	-	-	-	-	-	145,000	16,575	161,575		
2025	150,000	10,094	160,094	-	-	-	-	-	-	-	150,000	10,094	160,094		
2026	155,000	7,800	162,800	-	-	-	-	-	-	-	155,000	7,800	162,800		
2027	160,000	3,400	163,400	-	-	-	-	-	-	-	160,000	3,400	163,400		
2028	-	-	-	-	-	-	-	-	-	-	-	-	-		
2029	-	-	-	-	-	-	-	-	-	-	-	-	-		
2030	-	-	-	-	-	-	-	-	-	-	-	-	-		
2031	-	-	-	-	-	-	-	-	-	-	-	-	-		
2032	-	-	-	-	-	-	-	-	-	-	-	-	-		
2033	-	-	-	-	-	-	-	-	-	-	-	-	-		
2034	-	-	-	-	-	-	-	-	-	-	-	-	-		
2035	-	-	-	-	-	-	-	-	-	-	-	-	-		
2036	-	-	-	-	-	-	-	-	-	-	-	-	-		
2037	-	-	-	-	-	-	-	-	-	-	-	-	-		
2038	-	-	-	-	-	-	-	-	-	-	-	-	-		
2039	-	-	-	-	-	-	-	-	-	-	-	-	-		
2040	-	-	-	-	-	-	-	-	-	-	-	-	-		
2041	-	-	-	-	-	-	-	-	-	-	-	-	-		
2042	-	-	-	-	-	-	-	-	-	-	-	-	-		
2043	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Totals</b>	<b>\$ 2,540,000</b>	<b>\$ 817,856</b>	<b>\$ 3,357,856</b>	<b>\$ 504,000</b>	<b>\$ 104,364</b>	<b>\$ 608,364</b>	<b>\$ 919,775</b>	<b>\$ 195,639</b>	<b>\$ 1,115,414</b>	<b>\$ 3,963,775</b>	<b>\$ 1,117,859</b>	<b>\$ 5,081,634</b>			

TOWN OF ONEIDA, TENNESSEE  
 SCHEDULE OF FUTURE PRINCIPLE AND INTEREST REQUIREMENTS  
 As of June 30, 2011

June 30	Water Works and Sewer Revenue			First National Bank			Water Works and Sewer Revenue			Water Works and Sewer Revenue			Water Works and Sewer Revenue			Total Water Sewer Fund		
	Bond Series			Note			Bond Series			Bond Series			Bond Series			Bonds and Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2012	4,393	9,167	13,560	22,333	7,161	29,494	17,033	51,823	68,856	36,014	81,586	117,600	79,773	149,737	229,510			
2013	4,618	8,942	13,560	22,333	6,156	28,489	17,815	51,041	68,856	37,669	79,931	117,600	82,435	146,070	228,505			
2014	4,854	8,706	13,560	22,333	5,151	27,484	18,634	50,222	68,856	39,399	78,201	117,600	85,220	142,280	227,500			
2015	5,102	8,458	13,560	22,333	4,146	26,479	19,490	49,366	68,856	41,209	76,391	117,600	88,134	138,361	226,495			
2016	5,363	8,197	13,560	22,333	3,141	25,474	20,385	48,471	68,856	43,102	74,498	117,600	91,183	134,307	225,490			
2017	5,638	7,922	13,560	22,333	1,148	23,481	21,322	47,534	68,856	45,082	72,518	117,600	94,375	129,122	223,497			
2018	5,926	7,634	13,560	9,128	285	9,413	22,301	46,555	68,856	47,154	70,446	117,600	84,509	124,920	209,429			
2019	6,229	7,331	13,560	-	-	-	23,326	45,530	68,856	49,320	68,280	117,600	78,875	121,141	200,016			
2020	6,548	7,012	13,560	-	-	-	24,397	44,459	68,856	51,586	66,014	117,600	82,531	117,485	200,016			
2021	6,883	6,677	13,560	-	-	-	25,518	43,338	68,856	53,955	63,645	117,600	86,356	113,660	200,016			
2022	7,235	6,325	13,560	-	-	-	26,690	42,166	68,856	56,434	61,166	117,600	90,359	109,657	200,016			
2023	7,606	5,954	13,560	-	-	-	27,917	40,939	68,856	59,027	58,573	117,600	94,550	105,466	200,016			
2024	7,995	5,565	13,560	-	-	-	29,199	39,657	68,856	61,738	55,862	117,600	98,932	101,084	200,016			
2025	8,404	5,156	13,560	-	-	-	30,541	38,315	68,856	64,575	53,025	117,600	103,520	96,496	200,016			
2026	8,834	4,726	13,560	-	-	-	31,944	36,912	68,856	67,541	50,059	117,600	108,319	91,697	200,016			
2027	9,286	4,274	13,560	-	-	-	33,411	35,445	68,856	70,644	46,956	117,600	113,341	86,675	200,016			
2028	9,761	3,799	13,560	-	-	-	34,946	33,910	68,856	73,889	43,711	117,600	118,596	81,420	200,016			
2029	10,260	3,300	13,560	-	-	-	36,551	32,305	68,856	77,284	40,316	117,600	124,095	75,921	200,016			
2030	10,785	2,775	13,560	-	-	-	38,231	30,625	68,856	80,834	36,766	117,600	129,850	70,166	200,016			
2031	11,337	2,223	13,560	-	-	-	39,987	28,869	68,856	84,548	33,052	117,600	135,872	64,144	200,016			
2032	11,917	1,643	13,560	-	-	-	41,824	27,032	68,856	88,432	29,168	117,600	142,173	57,843	200,016			
2033	12,526	1,034	13,560	-	-	-	43,745	25,511	68,856	92,494	25,106	117,600	148,765	48,651	177,416			
2034	13,167	393	13,560	-	-	-	45,755	23,101	68,856	96,743	20,857	117,600	155,665	44,351	200,016			
2035	671	3	674	-	-	-	47,857	20,999	68,856	101,188	16,412	117,600	149,716	37,414	187,130			
2036	-	-	-	-	-	-	50,055	18,801	68,856	105,836	11,764	117,600	155,891	30,565	186,456			
2037	-	-	-	-	-	-	52,355	16,501	68,856	110,698	6,902	117,600	163,053	23,403	186,456			
2038	-	-	-	-	-	-	54,760	14,096	68,856	93,018	1,877	94,871	147,778	15,973	163,751			
2039	-	-	-	-	-	-	57,276	11,580	68,856	-	-	-	57,276	11,580	68,856			
2040	-	-	-	-	-	-	59,907	8,949	68,856	-	-	-	59,907	8,949	68,856			
2041	-	-	-	-	-	-	62,659	6,197	68,856	-	-	-	62,659	6,197	68,856			
2042	-	-	-	-	-	-	65,538	3,318	68,856	-	-	-	65,538	3,318	68,856			
2043	-	-	-	-	-	-	38,011	554	38,565	-	-	-	38,011	554	38,565			
Totals	\$185,338	\$127,216	\$312,554	\$143,126	\$27,188	\$170,314	\$1,159,380	\$991,121	\$2,173,101	\$1,829,413	\$1,323,082	\$3,152,471	\$3,317,257	\$2,468,607	\$5,785,864			

**INTERNAL CONTROL & COMPLIANCE SECTION**

# Dennis E. Jeffers CPA, PC

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## 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*

To the Mayor and Board of Alderman  
Town of Oneida, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Oneida, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise the Town of Oneida, Tennessee's basic financial statements and have issued our report thereon dated October 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Oneida, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2011-1.

This report is intended solely for the information and use of the mayor and board of aldermen, management, others within the organization, federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

*Dennis E. Jeffers CPA, PC*

Oneida, Tennessee  
October 15, 2011

**TOWN OF ONEIDA, TENNESSEE**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS RESOLVED**  
**June 30, 2011**

**Finding 2010 – 1**

**Criteria-** Sound internal control conditions require that when manual receipts are issued the receipts should be from a bound receipt book, that identifies the customer, date, the name of the person receiving the money, and method of payment such as cash, check (including check number) money order or credit card.

**Condition** – When customers did not produce the bill, employees issued receipts from a blank billing stub inserting their account number, name and the amount paid.

**Cause** – When pre-numbered receipts are not used, the identity of the person writing the receipt is not identified, the possibility of loss of receipts and the amount paid are subject to loss or theft will greatly increase.

**Recommendation** – The Water and Sewer Department should investigate software that would issue a computer generated receipt with all required information. This computer system should also generate a daily checkout sheet.

**Response** – We concur, and are investigating software and hardware options to address this problem.

Software to track users and specific details on each receipt has been purchased and is working as needed. This is no longer considered a finding.

**Finding 2010 – 2**

**Criteria-** Adjustments to customer accounts are necessary, but should only be done after adequate supporting documentation is supplied and after proper approval.

**Condition** – Adjustments were made to customer accounts without documentation or proper approval.

**Cause** – Adjustments to accounts are allowed and are necessary, but should be done under very specific circumstances and reasons and should be approved by management. These adjustments to customer accounts may cause misstatement of financial statements and loss of assets.

**Recommendation** – The Water and Sewer Department should require that all customer account adjustments be proper and be properly documented, showing why the adjustments have been made then approved by the employee and management before being made in the accounting records.

**Response** – We concur, and will have all adjustments approved by the accounting supervisor.

Improvements have been made in this area and this is no longer a finding.

**Finding 2010 – 3**

**Criteria-** Generally accepted accounting practices require that each user of computer system should be identified through the system with each user having a unique user name and password, unknown to the other users.

**Condition** – All employees used the same username and password and all office staff knows the user names and passwords of other employees.

**Cause** – The risk of errors and irregularities is increased when accounting system entries cannot be positively identified to a particular user.

**Recommendation** – Require a system of user names and passwords for each employee, known only by the individual users. This will identify the source of system entries and when restrictions on use are in place prevent unauthorized modification of accounting records.

**Response** – We have implemented the suggested user names and passwords.

This issue has been addressed. Each operator has their own identification and security settings. It is no longer a finding.

TOWN OF ONEIDA, TENNESSEE  
SUMMARY SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
JUNE 30, 2011

Finding 2011-1

**Criteria** - The Town should establish procedures to monitor water and sewer funds to insure that they are profitable.

**Condition** – The Town’s Water and Sewer fund has had a net decrease in net assets for the past three years. The Town has been referred to the Water and Wastewater Financing Board as being financially distressed and been asked to produce a plan to remedy the problem.

**Cause** – The Town’s Mayor and Board of Aldermen are responsible for establishing utility rates or setting policies in the Water and Sewer Fund. The board established a \$ 4.50 surcharge per customer effective January 1, 2011 until a study could be completed to address the financial difficulties.

**Recommendation** – The Mayor and Board of Aldermen should establish policies and procedures to ensure that the Water and Sewer Fund operations are profitable. These would include rate adjustment and cost cutting measures to insure the financial health of the fund.

**Response** – We concur, and will address these issues as quickly as possible.