

TOWN OF ONEIDA, TENNESSEE

ANNUAL FINANCIAL REPORT

June 30, 2012.

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INTRODUCTORY SECTION

TOWN OF ONEIDA, TENNESSEE

ROSTER OF OFFICIALS

June 30, 2012

Elected Officials

Mayor Jack E. Lay

Alderman Cecil Anderson
David Lowe
Sharon Miller
Linda Lay

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

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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, 2012, 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, 2012, 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, 2012, 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 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133. *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The 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 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, 2012

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, 2012.

Financial Highlights

Governmental Funds

The assets of the Town of Oneida, Tennessee governmental funds exceeded its liabilities at June 30, 2012 by \$9,943,373, of this amount; \$514,330 (*Unassigned net assets*) may be used to pay ongoing obligations to citizens and creditors.

The (*Net assets*) decreased by \$316,139, this has increased from the prior year of \$314,461. The governmental funds also purchased equipment in the amount of \$86,750. This amount was \$287,743 less than depreciation of \$374,493. 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 \$200,182 during fiscal year ended June 30, 2012, going from \$15,554,923 to \$15,354,741. Of this amount \$609,150 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 three 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 \$25,298,114, as of June 30, 2012.

By far the largest portion of the Town of Oneida's net assets (95.41percent) 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**

Primary Government Assets	Governmental Activities			Business Type Activities		
	2011	2012	Change	2011	2012	Change
Current and Other Assets	\$ 1,778,896	\$ 1,570,162	\$ (208,734)	\$ 654,317	\$ 828,213	\$ 173,896
Restricted Assets	86,739	11,209	(75,530)	-	-	-
Capital Assets	13,465,230	13,177,486	(287,744)	18,461,046	17,983,084	(477,962)
Total Assets	\$ 15,330,865	\$ 14,758,857	\$ (572,008)	\$ 19,115,363	\$ 18,811,297	\$ (304,066)
Liabilities						
Long-Term Debt	\$ 3,963,775	\$ 3,785,775	\$ 178,000	\$ 3,317,257	\$ 3,237,493	\$ 79,764
Other Liabilities	1,107,578	1,029,709	77,869	243,183	219,063	24,120
Total Liabilities	5,071,353	4,815,484	(255,869)	3,560,440	3,456,556	103,884
Net Assets						
Investment in Capital Assets Less Related Debt	\$ 9,501,455	\$ 9,391,711	\$ (109,744)	\$ 15,143,789	\$ 14,745,591	\$ (398,198)
Restricted	104,591	37,332	(67,259)	-	-	-
Unassigned	653,466	514,330	(139,136)	411,134	609,150	198,016
Total Net Assets	10,259,512	9,943,373	(316,139)	15,554,923	15,354,741	(200,182)
Total Liabilities and Net Assets	\$ 15,330,865	\$ 14,758,857	\$ (572,008)	\$ 19,115,363	\$ 18,811,297	\$ (304,066)

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		
	2011	2012	Change	2011	2012	Change
Revenues:						
Program Revenues:						
Charges for Services	\$ 173,825	\$ 189,852	\$ 16,027	\$ 2,030,163	\$ 2,357,551	\$ 327,388
Capital Grants and Contributions	246,756	258,026	11,270	483,659	-	(483,659)
General Revenues:						
Property Taxes	807,830	849,694	41,864	-	-	-
Other Taxes	1,847,678	1,855,355	7,677	-	-	-
Other	366,541	190,128	(176,413)	540	49	(491)
Total Revenues	3,442,630	3,343,055	(99,575)	2,514,362	2,357,600	(156,762)
Expenses:						
General Government	746,795	734,192	(12,603)	-	-	-
Public Safety	963,478	946,945	(16,533)	-	-	-
Highways/Streets	1,009,589	1,004,685	(4,904)	-	-	-
Sanitation	148,492	147,644	(848)	-	-	-
Community Development	137,666	128,766	(8,900)	-	-	-
Culture and Recreation	627,698	582,963	(44,735)	-	-	-
Interest on Long-Term Debt	123,373	113,999	(9,374)	-	-	-
Water	-	-	-	1,496,024	1,528,588	32,564
Sewer	-	-	-	1,096,453	1,029,194	(67,260)
Total Expenses	3,757,091	3,659,194	(97,897)	2,592,477	2,557,782	(34,695)
Increase (Decrease) in Net Assets	(314,461)	(316,139)	(1,678)	(78,114)	(200,182)	(122,068)
Net Assets -- Beginning	14,621,515	14,307,054	(314,461)	15,853,037	15,774,923	(78,114)
Net Assets -- Ending	\$ 14,307,054	\$ 13,990,915	\$ (316,139)	\$ 15,774,923	\$ 15,574,741	\$ (200,182)

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 \$576,418 while the total fund balance was \$613,750. 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 \$609,150 this represents 22.82 percent of the departments expenses for 2012.

General Fund Budgetary Highlights The differences in the original budget and the final amended budget represents a 16.48% increase of the original budget primarily because of the change in the office of the Chief of Police and completion of the Bear Creek park complex.

Long-Term Debt at the end of the current fiscal year, the Town of Oneida had total bonded debt outstanding of \$7,023,268. Of this amount, \$3,783,775 comprised debt backed by the full faith and credit of the government and \$3,237,493 is secured by the specific revenue sources of the Water and Sewer Department and the full faith and credit of the government.

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, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Primary Government</u> <u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 238,480	\$ 147,334	\$ 385,814
Receivables (Net of Allowance for Uncollectibles)			
Accounts Receivable	42,826	443,333	486,159
Property Taxes	914,424	-	914,424
Due From Other Governments	374,432		374,432
Deposits	-	1,665	1,665
Inventories	-	235,881	235,881
Total Current Assets	<u>1,570,162</u>	<u>828,213</u>	<u>2,398,375</u>
Restricted Assets:			
Cash and Cash Equivalents (Drug Fund)	8,320	-	8,320
Cash and Cash Equivalents (State Street Aid)	2,889	-	2,889
Total Restricted Assets	<u>11,209</u>	<u>-</u>	<u>11,209</u>
	1,581,371		
Capital Assets			
Land	2,502,000	279,938	2,781,938
Buildings and System	4,892,299	26,511,195	31,403,494
Improvements Other Than Buildings	1,294,443	60,238	1,354,681
Machinery and Equipment	2,869,391	1,188,210	4,057,601
Infrastructure	9,254,000	-	9,254,000
Less: Accumulated Depreciation	<u>(7,634,647)</u>	<u>(10,056,497)</u>	<u>(17,691,144)</u>
Total Capital Assets	<u>13,177,486</u>	<u>17,983,084</u>	<u>31,160,570</u>
Total Assets	<u>\$ 14,758,857</u>	<u>\$ 18,811,297</u>	<u>\$ 33,570,154</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, 2012**

	Governmental Activities	Primary Government Business-type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts Payable and Other			
Current Liabilities	\$ 21,396	\$ 143,168	\$ 164,564
Long Term Debt Due Within One Year	266,000	85,220	351,220
Accrued Interest	-	5,954	5,954
Accrued Wages	25,967	11,282	37,249
Accrued Compensated Absences	8,888	32,799	41,687
Deferred Revenue	911,369	-	911,369
Customer Deposits	-	25,860	25,860
Current Liabilities	<u>1,233,620</u>	<u>304,283</u>	<u>1,537,903</u>
Noncurrent Liabilities:			
Compensated Absences	\$ 62,089	\$ -	\$ 62,089
Due In More Than One Year	<u>3,519,775</u>	<u>3,152,273</u>	<u>6,672,048</u>
Total Liabilities	<u>3,581,864</u>	<u>3,152,273</u>	<u>6,734,137</u>
Total Liabilities	4,815,484	3,456,556	8,272,040
NET ASSETS			
Invested In Capital Assets, Net of Related Debt	9,391,711	14,745,591	24,137,302
Restricted For:			
State Street Aid	29,012	-	29,012
Public Safety	8,320	-	8,320
Unrestricted	<u>514,330</u>	<u>609,150</u>	<u>1,123,480</u>
Total Net Assets	\$ 9,943,373	\$ 15,354,741	\$ 25,298,114
Total Liabilities and Net Assets	<u>\$ 14,758,857</u>	<u>\$ 18,811,297</u>	<u>\$ 33,570,154</u>

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

Town of Oneida, Tennessee
 Government-Wide Statement of Activities
 For the Year Ended June 30, 2012

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
Primary Government:							
Government Activities:							
General Government	\$ 734,192	\$ -	\$ -	\$ -	\$ (734,192)	\$ -	\$ (734,192)
Public Safety	946,945	45,111	-	5,000	(896,834)	-	(896,834)
Highways and Streets	1,004,685	-	97,641	-	(907,044)	-	(907,044)
Sanitation	147,644	-	-	-	(147,644)	-	(147,644)
Community Development	128,766	-	-	155,385	26,619	-	(438,222)
Culture and Recreation	582,963	144,741	-	-	(438,222)	-	(113,999)
Interest on Long-Term Debt	113,999	-	-	-	(113,999)	-	(113,999)
Total Governmental Activities	3,659,194	189,852	97,641	160,385	(3,211,316)	-	(3,237,935)
Business-Type Activities:							
Water	1,528,588	1,510,760	-	-	-	(17,828)	(17,828)
Sewer	1,029,194	846,791	-	-	-	(182,403)	(182,403)
Total Business-Type Activities	2,557,782	2,357,551	-	-	-	(200,231)	(200,231)
Total Primary Government	\$ 6,216,976	\$ 2,547,403	\$ 97,641	\$ 160,385	(3,211,316)	(200,231)	(3,438,166)
General Revenues:							
Property Taxes					\$ 849,694	\$ -	\$ 849,694
State Shared Taxes					296,036	-	296,036
Other Local Revenue					1,559,319	-	1,559,319
Other Revenue					94,899	-	94,899
Host Land Fill Fees					94,945	-	94,945
Unrestricted Investment Earnings					284	49	333
Total General Revenues and Transfers					2,895,177	49	2,895,226
Change in Net Assets					(316,139)	(200,182)	(516,321)
Net Assets - Beginning					10,259,512	15,554,923	25,814,435
Net Assets - Ending					\$ 9,943,373	\$ 15,354,741	\$ 25,298,114

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

Town of Oneida, Tennessee
Balance Sheet
Governmental Funds
June 30, 2012

	Major Governmental Funds			Total
	General	State Street Aid	Drug Fund	Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 238,480	\$ 2,889	\$ 8,320	\$ 249,689
Property Taxes Receivables (Net)	914,424	-	-	914,424
Grant Receivable	-	-	-	-
Accounts Receivable	42,826	-	-	42,826
Due From other funds	-	8,864	-	8,864
Due From Other Governments	357,173	17,259	-	374,432
Total Assets	<u>1,552,903</u>	<u>29,012</u>	<u>8,320</u>	<u>1,590,235</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	21,397	-	-	21,397
Due To other funds	8,864	-	-	8,864
Accrued Wages	25,967	-	-	25,967
Compensated Absences	8,888	-	-	8,888
Deferred Revenue	911,369	-	-	911,369
Total Liabilities	<u>976,485</u>	<u>-</u>	<u>-</u>	<u>976,485</u>
Fund Balances:				
Restricted for:				
State Street Aid	-	29,012	-	29,012
Drug Enforcement	-	-	8,320	8,320
Unassigned	576,418	-	-	576,418
Total Fund Balances	<u>576,418</u>	<u>29,012</u>	<u>8,320</u>	<u>613,750</u>
Total Liabilities and Fund Balances	<u>\$ 1,552,903</u>	<u>\$ 29,012</u>	<u>\$ 8,320</u>	<u>\$ 1,590,235</u>

The 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, 2012

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

Total Fund Balance - Total Governmental Funds (Page 13)		\$ 613,750
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	1,294,443	
Add: Equipment	2,869,391	
Add: Infrastructure	9,254,000	
Less: Accumulated Depreciation	<u>(7,634,647)</u>	
		13,177,486
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	(3,785,775)	
Less: Compensated Absences	<u>(62,088)</u>	
		<u>(3,847,863)</u>
Net Assets of Governmental Activities (Page 11)		<u>\$ 9,943,373</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, 2012

	<u>General</u>	<u>State Street Aid</u>	<u>Drug</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes:				
Property	\$ 849,694	\$ -	\$ -	\$ 849,694
State Taxes	296,036	-	-	296,036
State Street Aid	-	97,641	-	97,641
Local Option Sales Tax	1,236,553	-	-	1,236,553
Other Taxes	322,766	-	-	322,766
Park and Recreation Charges	21,820	-	-	21,820
Golf Course Fees	122,921	-	-	122,921
City Court Fines	33,340	-	-	33,340
Investment Earnings	240	44	-	284
Land Field Host Fees	94,945	-	-	94,945
Miscellaneous Revenues	33,034	-	-	33,034
Grants and Entitlements	160,385	-	-	160,385
Other Revenues	61,865	-	-	61,865
Drug Forfeitures	-	-	11,771	11,771
Total Revenues	<u>3,233,599</u>	<u>97,685</u>	<u>11,771</u>	<u>3,343,055</u>
EXPENDITURES				
Legislative	81,916	-	-	81,916
Administrative	206,729	-	-	206,729
City Attorney	18,000	-	-	18,000
City Hall and Buildings	58,158	-	-	58,158
Other General Government	335,806	-	-	335,806
Police	649,825	-	23,465	673,290
Police Support	181,008	-	-	181,008
Fire Protection and Control	29,013	-	-	29,013
Highways and Streets	742,737	153,250	-	895,987
Special Projects and Grants	128,766	-	-	128,766
Sanitation	138,583	-	-	138,583
Recreation	282,238	-	-	282,238
Recreation Golf Course	192,125	-	-	192,125
Libraries	26,359	-	-	26,359
Debt service:				
Principal	178,000	-	-	178,000
Interest	113,999	-	-	113,999
Total Expenditures	<u>3,363,262</u>	<u>153,250</u>	<u>23,465</u>	<u>3,539,977</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(129,663)	(55,565)	(11,694)	(196,922)
Fund Balances - Beginning	<u>706,081</u>	<u>84,577</u>	<u>20,014</u>	<u>810,672</u>
Fund Balances - Ending	<u>\$ 576,418</u>	<u>\$ 29,012</u>	<u>\$ 8,320</u>	<u>\$ 613,750</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, 2012

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)	\$ (196,922)
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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	(374,493)	
Capitalized Fixed Asset Purchases	<u>86,750</u>	(287,743)

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	178,000
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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	52,614	
Accrued Compensated Abences Ending	<u>(62,088)</u>	(9,474)

Change In Net Assets of Governmental Activities (page 12)	<u><u>\$ (316,139)</u></u>
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The notes to financial statements are an integral part of these financial statement.

**TOWN OF ONEIDA, TENNESSEE
WATER AND SEWER DEPARTMENT
STATEMENT OF NET ASSETS
June 30, 2012**

Business-Type Activities-Enterprise Funds

ASSETS

Current Assets:

Cash On Hand and In Banks	\$ 147,334	
Accounts Receivable		
<i>Net of Allowance for Doubtful Accounts</i>	443,333	
Equipment and Utility Deposits	1,665	
Inventory	235,881	
Total Current Assets		<u>\$ 828,213</u>

Capital Assets:

Land	279,938	
Construction in Progress	81,392	
Buildings and Systems	26,429,803	
Improvements Other Than Buildings	60,238	
Equipment	1,188,210	
Total Capital Assets	28,039,581	
Less: Accumulated Depreciation	(10,056,497)	
Total Capital Assets (Net of Accumulated Depreciation)		<u>17,983,084</u>

Total Noncurrent Assets		<u>17,983,084</u>
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Total Assets		<u><u>\$ 18,811,297</u></u>
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The accompanying notes are an integral part of these financial statements.

**TOWN OF ONEIDA, TENNESSEE
WATER AND SEWER DEPARTMENT
STATEMENT OF NET ASSETS
June 30, 2012**

Current Liabilities	
Current Maturities of Long-Term Debt	\$ 85,220
Accounts Payable	129,685
TN Sales Payable	13,483
Accrued Salaries	11,282
Accrued Compensated Absences	32,799
Accrued Interest	5,954
Customer Deposits	25,860
Total Current Liabilities	<u>\$ 304,283</u>
Long Term Debt	
Bonds Payable	3,237,493
Less Current Maturities	<u>(85,220)</u>
Total Long-Term Debt	<u>3,152,273</u>
TOTAL LIABILITIES	3,456,556
Net Assets	
Investment in Capital Assets	
Net of Related Debt	14,745,591
Unrestricted Net Assets	<u>609,150</u>
Total Net Assets	<u>15,354,741</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 18,811,297</u></u>

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

WATER AND SEWER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2012

OPERATING REVENUES

Water usage charges	\$ 1,437,055	
Sewer usage charges	780,786	
Water tap fees	10,300	
Sewer tap fees	2,600	
Installation charges	32,774	
Sale of materials and supplies	5,482	
Miscellaneous income	43,663	
Penalties	44,891	
TOTAL OPERATING REVENUES		\$ 2,357,551

OPERATING EXPENSES

Procurement, Treatment and Supply

Chemicals	\$ 97,249	
Power	142,768	
Labor	118,569	
Repairs	2,239	
Equipment maintenance and repair	11,469	
State maintenance	2,835	
Materials and Supplies	21,771	
Water samples and testing	5,563	
Schools	95	
Utilities	4,679	
Miscellaneous	2,340	
Total Procurement, Treatment and Supply		\$ 409,577

Transmission and distribution

Power	\$ 24,415	
Materials and supplies	36,174	
Labor	232,329	
Repairs	7,542	
Miscellaneous	655	
School	355	
State Maintenance Fees	2,835	
Total Transmission and distribution		\$ 304,305

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

**TOWN OF ONEIDA, TENNESSEE
WATER AND SEWER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2012**

Sewer Treatment

Chemicals	\$ 29,186	
Materials and Supplies	8,785	
Labor	116,248	
Repairs and Maintenance	17,910	
Equipment	1,419	
State maintenance fees	3,960	
Sludge Disposal	5,071	
Lab testing	9,337	
Other	2,725	
Travel	270	
School	110	
Utilities	85,109	
Total Sewer Treatment		\$ 280,130

Sewer Collection

Power	\$ 31,659	
Materials and Supplies	12,169	
Labor	58,475	
Repairs and Maintenance	67,356	
State Maintenance Fee	3,460	
Total Sewer Collections		\$ 173,119

Administrative and general

Salary	\$ 93,830	
Telephone	11,786	
Insurance Casualty, theft, liability	68,611	
Insurance Life and Employee	265,517	
Office Supplies	6,175	
Postage	18,302	
Meter Reading	19,270	
Repairs and Maintenance	4,915	
Dues and subscriptions	3,822	
Payroll tax	53,371	
Bank Charges	1,809	
Retirement	57,599	
Administrative expense	2,932	
Travel	2,059	
Other	3,425	
Audit	10,200	
Employee relations	6,517	
Total Administrative and General		\$ 630,140

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

**TOWN OF ONEIDA, TENNESSEE
WATER AND SEWER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2012**

Motor pool		
Gas, oil and diesel	\$ 36,608	
Repairs & Maintenance	10,445	
Total Motor Pool	<u> </u>	<u>\$ 47,053</u>
TOTAL OPERATING EXPENSE		<u>1,844,324</u>
Operating income before depreciation		<u>513,227</u>
DEPRECIATION		
Depreciation expense		<u>564,969</u>
Net Income from operating activities		(51,742)
OTHER INCOME (EXPENSE)		
Interest Income	\$ 48	
Interest expense	(148,488)	
Total Other Income (Expense)	<u> </u>	<u>(148,440)</u>
NET INCOME		(200,182)
Net Assets , July 1, 2011		<u>15,554,923</u>
Net Assets, June 30, 2012		<u><u>\$ 15,354,741</u></u>

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

**TOWN OF ONEIDA, TENNESSEE
WATER AND SEWER DEPARTMENT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012**

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 2,288,128
Cash Paid to Employees	(638,721)
Cash Paid to Suppliers and Vendors	(1,226,094)
Cash Flows from Operating Activities	<u>423,313</u>
Cash Flows from Non-Capital and Related Financing Activities	
Increase (Decrease) in Customer Deposits	(18,670)
Total Cash Flows from Non-Capital and Related Financing Activities	<u>(18,670)</u>
Cash Flows from Capital and Related Financing Activities	
Principal decrease in bonds and Notes Payable	(79,764)
Interest Paid	(149,748)
Total Cash Flows from Capital and Related Financing Activities	<u>(229,512)</u>
Cash Flows from investing activities:	
Investment in Fixed Assets	(87,008)
Interest Received	48
Total Cash Flows from investing activities	<u>(86,960)</u>
Net Increase (Decrease) in Cash	88,171
Cash, June 30, 2011	<u>59,163</u>
Cash, June 30, 2012	<u><u>\$ 147,334</u></u>
Reconciliation of Operating Income to Cash provided by Operating Activities:	
Operating Income	\$ (51,742)
Adjustments to Reconcile Net Operating Income to Net Cash provided by Operating Activities:	
Depreciation	564,969
Increase (Decrease) in Accrued wages and compensated absences	2,007
Increase (Decrease) in Accounts Payable	(14,410)
Increase (Decrease) in Payroll Liabilities	8,215
(Increase) Decrease in Inventories	(16,303)
(Increase) Decrease in Accounts Receivable	(69,423)
Total Adjustments	<u>475,055</u>
Net Cash provided by Operating Activities	<u><u>\$ 423,313</u></u>

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, 2012

	<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>
REVENUES				
Property Tax	\$ 700,000	\$ 726,000	\$ 718,934	\$ 7,066
Ad Valorum Tax	89,000	91,000	91,067	(67)
Property Tax Penalty and Int.	30,000	33,000	39,693	(6,693)
State Police Clothing Allowance	-	14,000	-	14,000
Grants and Entitlements	224,550	139,050	160,385	(21,335)
State Sales Tax	220,000	254,000	254,517	(517)
State Income Tax	9,700	8,200	11,936	(3,736)
State Beer Tax	6,000	2,000	1,842	158
State Street Aid	111,000	100,000	12,813	87,187
City Streets And Transportation	8,300	7,000	14,928	(7,928)
TVA in Lieu of Tax	32,000	43,200	21,677	21,523
Corporate Excise Tax	32,000	22,000	22,095	(95)
Local Sales Taxes	1,190,000	1,300,000	1,236,553	63,447
Beer Tax	149,000	165,000	170,214	(5,214)
Wholesale Liquor Tax	2,600	2,300	1,935	365
Business Tax	19,000	90,000	106,845	(16,845)
Cable TV Franchise Fee	25,000	24,000	24,835	(835)
Alcoholic Beverage License	1,500	1,500	1,700	(200)
Building Permits	7,000	12,000	10,394	1,606
Lafollette Housing Policing Contract	12,000	12,000	20,376	(8,376)
Building Inspection	-	-	-	-
Other Public Safety Charges	-	-	4,560	(4,560)
Golf Fees	86,000	108,000	122,921	(14,921)
Parks and Concessions	9,500	19,000	21,820	(2,820)
Fines	31,000	31,000	33,340	(2,340)
Sale of Fixed Assets	-	-	-	-
Insurance Recoveries	-	-	-	-
Investment Earnings	700	250	240	10
Landfill Host Fees	163,000	120,000	94,945	25,055
Housing Authority In Lieu of Tax	13,500	13,500	-	13,500
Miscellaneous Revenue	25,500	67,500	33,034	34,466
Total Revenues	\$ 3,197,850	\$ 3,405,500	\$ 3,233,599	\$ 171,901

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, 2012

EXPENDITURES	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Legislative				
Salaries	\$ 60,000	\$ 64,000	\$ 59,845	\$ 4,155
Social Security and Medicare	4,100	5,200	4,578	622
Hospitalization Insurance	14,000	16,500	14,587	1,913
Retirement	2,500	2,700	2,419	281
Telephone	350	350	487	(137)
Total Legislative	<u>80,950</u>	<u>88,750</u>	<u>81,916</u>	<u>6,834</u>
Finance and Administration				
Salaries	121,000	135,000	128,358	6,642
Social Security and Medicare	10,000	10,500	9,819	681
Hospitalization Insurance	39,000	54,000	48,525	5,475
Retirement	4,500	4,800	4,474	326
Office Supplies	100	100	50	50
Other Operating Supplies	4,500	19,000	15,503	3,497
Total Finance and Administration	<u>179,100</u>	<u>223,400</u>	<u>206,729</u>	<u>16,671</u>
City Attorney				
Legal services	<u>15,000</u>	<u>18,000</u>	<u>18,000</u>	<u>-</u>
Total City Attorney	15,000	18,000	18,000	-
City Hall and Buildings				
Salaries	13,500	23,000	21,011	1,989
Social Security and Medicare	1,200	1,800	1,607	193
Electric	26,000	25,000	23,906	1,094
Gas	3,000	3,300	2,736	564
Repair and Maintenance	1,000	1,400	1,140	260
Janitorial Supplies	1,200	-	-	-
Operating supplies	6,000	9,600	7,758	1,842
Total City Hall and Buildings	<u>\$ 51,900</u>	<u>\$ 64,100</u>	<u>\$ 58,158</u>	<u>\$ 5,942</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, 2012

	<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>
EXPENDITURES				
Other General Government				
Unemployment	\$ 6,000	\$ 10,600	\$ 6,545	\$ 4,055
Employee Education and Training	4,200	1,400	1,096	304
Publicity, Publications and Dues	3,000	4,000	2,689	1,311
Public Relations	12,000	12,750	11,600	1,150
Telephone	12,000	20,000	17,819	2,181
Utilities	-	12,100	11,681	419
Election	9,000	11,500	11,191	309
Other Professional Services	50,000	50,000	24,305	25,695
Repairs & Maintenance	13,000	8,500	8,494	6
Travel	14,000	18,000	19,174	(1,174)
Other Operating Supplies	55,000	73,000	27,897	45,103
Gas. Oil, Diesel, Fuel and Grease	91,000	116,000	88,849	27,151
Insurance	105,000	105,000	104,466	534
Total Other General Government	<u>374,200</u>	<u>442,850</u>	<u>335,806</u>	<u>107,044</u>
Police				
Salaries	326,000	378,000	359,185	18,815
Social Security and Medicare	25,000	30,000	27,543	2,457
Hospitalization Insurance	120,000	210,000	191,292	18,708
Retirement	16,300	10,000	12,723	(2,723)
Electricity	1,500	700	497	203
Telephone	3,500	600	828	(228)
Repair and Maintenance	19,000	17,000	16,782	218
Travel	3,000	3,000	-	3,000
Office Supplies	1,000	500	46	454
Clothing and Uniforms	100	300	-	300
Other Operating Supplies	15,000	40,000	40,929	(929)
Motor Vehicle Parts	1,000	-	-	-
Equipment	2,000	-	-	-
Total Police	<u>533,400</u>	<u>690,100</u>	<u>649,825</u>	<u>40,275</u>
Support Services				
Salaries	121,000	118,000	113,501	4,499
Social Security and Medicare	9,000	9,000	8,683	317
Hospitalization Insurance	45,000	61,000	56,511	4,489
Retirement	5,000	2,200	2,313	(113)
Education and Training	500	-	-	-
Telephone	800	-	-	-
Travel	5,000	-	-	-
Total Police Support	<u>\$ 186,300</u>	<u>\$ 190,200</u>	<u>\$ 181,008</u>	<u>\$ 9,192</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, 2012

	<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>
EXPENDITURES				
Fire Protection and Control				
Salaries	22,000	20,000	19,656	344
Social Security and Medicare	2,000	1,800	1,504	296
Hospitalization Insurance	3,000	2,500	2,366	134
Repairs and Maintenance	1,500	1,500	-	1,500
Uniforms	1,000	-	-	-
Operating Supplies	8,500	10,000	5,487	4,513
Total Fire Protection and Control	\$ 38,000	\$ 35,800	\$ 29,013	\$ 6,787
Highways and Streets				
Salaries	350,000	370,000	345,953	24,047
Social Security and Medicare	26,000	28,000	26,465	1,535
Hospitalization Insurance	86,000	144,000	130,733	13,267
Retirement	17,500	15,000	16,479	(1,479)
Electricity	97,000	92,000	106,750	(14,750)
Telephone	2,500	50	200	(150)
Repairs and Maintenance Roads	500	29,000	29,229	(229)
Other Operating Supplies	50,000	50,000	6,025	43,975
Gas, Oil, Diesel Fuel, Grease	-	-	12,053	(12,053)
Building Materials	400	70,000	68,850	1,150
Total Highways and Streets	\$ 629,900	\$ 798,050	\$ 742,737	\$ 55,313
Sanitation				
Salaries	90,000	94,000	88,386	5,614
Social Security and Medicare	7,000	8,000	6,762	1,238
Hospitalization Insurance	29,000	35,000	32,309	2,691
Retirement	4,500	4,500	4,419	81
Repairs	-	-	-	-
Other Operating Supplies	6,000	8,000	6,707	1,293
Total Sanitation	\$ 136,500	\$ 149,500	\$ 138,583	\$ 10,917

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, 2012

	<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>
EXPENDITURES				
Recreation				
Salaries	\$ 130,000	\$ 158,000	\$ 150,960	\$ 7,040
Social Security and Medicare	9,000	12,000	11,549	451
Health Insurance	46,000	57,000	52,717	4,283
Retirement	5,000	5,000	5,400	(400)
Electric	43,000	35,000	32,643	2,357
Gas	4,000	3,400	3,368	32
Supplies	46,000	75,000	63,920	11,080
Repairs	25,000	-	-	-
Building Supplies	4,000	500	-	500
Equipment	-	7,200	7,200	-
Total Recreation	312,000	353,100	327,757	25,343
Golf Course				
Salaries	\$ 45,000	\$ 78,000	\$ 78,622	\$ (622)
Social Security and Medicare	4,000	6,500	6,015	485
Retirement	3,200	2,000	1,583	417
Electric	9,000	2,100	701	1,399
Gas	1,000	-	355	(355)
Telephone	2,700	-	1,758	(1,758)
Operating Supplies	30,000	73,000	62,572	10,428
Total Golf Course	94,900	161,600	151,606	9,994
Libraries				
Salaries	16,500	17,500	16,997	503
Social Security and Medicare	1,300	2,000	1,300	700
Hospitalization	500	500	374	126
Retirement	800	800	724	76
Electricity	3,000	3,100	3,455	(355)
Gas	1,500	1,300	1,225	75
Telephone	1,500	200	118	82
Other Operating Supplies	1,300	2,000	2,166	(166)
Total Libraries	26,400	27,400	26,359	1,041
Special Projects				
Special projects	100,000	123,800	123,766	34
Total Special Projects	100,000	123,800	123,766	34
Debt Service				
Bond Principal	258,000	178,000	178,000	-
Bond Interest	160,000	160,000	113,999	46,001
Total Debt Service	418,000	338,000	291,999	46,001
Total Expenditures	\$ 3,176,550	\$ 3,704,650	\$ 3,363,262	\$ 341,388

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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Net Change in Fund Balance	21,300	(299,150)	(129,663)	169,487
Fund Balances - Beginning	<u>706,081</u>	<u>706,081</u>	<u>706,081</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 727,381</u>	<u>\$ 406,931</u>	<u>\$ 576,418</u>	<u>\$ 169,487</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, 2012

	<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>
REVENUES				
State Street Aid	\$ 130,000	\$ 111,000	\$ 97,641	\$ 13,359
Interest Earnings	-	60	44	16
Total Revenues	<u>130,000</u>	<u>111,060</u>	<u>97,685</u>	<u>13,375</u>
EXPENDITURES				
Highways and Streets				
Street Lights	50,000	-	-	-
Other Operating Supplies	40,000	154,000	153,250	750
Building Materials	30,000	-	-	-
Equipment	10,000	-	-	-
Total Highways and Streets	<u>130,000</u>	<u>154,000</u>	<u>153,250</u>	<u>750</u>
Net of Revenues Over (Under) Expenditures	<u>-</u>	<u>(42,940)</u>	<u>(55,565)</u>	<u>14,125</u>
Net Change in Fund Balance	-	(42,940)	(55,565)	14,125
Fund Balances - Beginning	<u>84,577</u>	<u>84,577</u>	<u>84,577</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 84,577</u>	<u>\$ 41,637</u>	<u>\$ 29,012</u>	<u>\$ 14,125</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and Forfeitures	\$ 25,000	\$ 25,500	\$ 11,771	\$ 13,729
Total Revenues	25,000	25,500	11,771	13,729
EXPENDITURES				
Police	25,000	25,500	23,465	2,035
Total Expenditures	25,000	25,500	23,465	2,035
Net of Revenues Over (Under) Expenditures	-	-	(11,694)	(11,694)
Fund Balances - Beginning	20,014	20,014	20,014	-
Fund Balances - Ending	\$ 20,014	\$ 20,014	\$ 8,320	\$ (11,694)

TOWN OF ONEIDA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012.

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 are aged and analyzed to determine 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 as 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

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting reporting purposes into the following three net asset groups.

- 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.

Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* establishes standards for fund balance classifications for state and local governments and requires that resources be classified for accounting reporting purposes into the following fund balances:

Nonspendable Fund Balances

Fund balances reported as nonspendable in the accompanying financial statements represents amounts for prepaid expenses or inventory.

Restricted Fund Balance

Fund balances reported as restricted in the accompanying financial statements represent amounts restricted to specific purposes by externally imposed restrictions or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance

Fund balances reported as committed in the accompanying financial statements represent amounts that can be used only for specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Board of Mayor and Aldermen commits resources for specific purposes by passing ordinances.

Assigned Fund Balance

Fund balances reported as assigned in the accompanying financial statements represent amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by the Board of Mayor and Aldermen through the budgetary process.

Unassigned Fund Balance

In accordance with generally accepted accounting principles, the general fund is the only fund of the Town that reports amounts for unassigned fund balance. This classification represents fund balance that is not nonspendable and has not been committed to specific purposes within the general fund.

The town would typically use restricted resources first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

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 statute 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 \$397,023 and the bank balance was \$425,843. 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, 2012 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	\$ 923,424	\$ -	\$ -	\$ 923,424
Accounts	42,826	453,333	-	496,159
Intergovernmental	374,432	-	-	374,432
Gross Receivables	<u>1,340,682</u>	<u>453,333</u>	<u>-</u>	<u>1,794,015</u>
Less: Allowance for Uncollectibles	<u>(9,000)</u>	<u>(10,000)</u>	<u>-</u>	<u>(19,000)</u>
Net Total Receivables	<u>\$ 1,331,682</u>	<u>\$ 443,333</u>	<u>\$ -</u>	<u>\$ 1,775,015</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	\$ 133,250	\$ -
Property Taxes Receivable - Current	790,174	-
Less: Allowance for Uncollectable Personal Property Taxes	<u>(9,000)</u>	<u>-</u>
Total Deferred / Unavailable Revenue for Governmental Funds	<u>\$ 914,424</u>	<u>\$ -</u>

C. Capital Assets

Capital activity for the year ended June 30, 2012 are as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated				
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>
Capital Assets, Being Depreciated:				
Buildings	4,892,299	-	-	4,892,299
Improvements Other Than Buildings	1,287,243	7,200	-	1,294,443
Machinery and Equipment	2,856,841	79,550	67,000	2,869,391
Infrastructure	9,254,000	-	-	9,254,000
Total Capital Assets Being Depreciated	<u>18,290,383</u>	<u>86,750</u>	<u>67,000</u>	<u>18,310,133</u>
Less Accumulated Depreciation for:				
Buildings	(987,450)	(96,734)	-	(1,084,184)
Improvements Other Than Buildings	(351,984)	(26,754)	-	(378,738)
Machinery and Equipment	(2,189,678)	(115,605)	67,000	(2,238,283)
Infrastructure	(3,798,042)	(135,400)	-	(3,933,442)
Total Accumulated Depreciation	<u>(7,327,154)</u>	<u>(374,493)</u>	<u>67,000</u>	<u>(7,634,647)</u>
Governmental Activities Capital Assets, Net	<u>13,465,229</u>	<u>(287,743)</u>	<u>134,000</u>	<u>13,177,486</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	279,938	-	-	279,938
Construction in Progress	-	81,392	-	81,392
Total Capital Assets, Not Being Depreciated:	<u>279,938</u>	<u>81,392</u>	<u>-</u>	<u>361,330</u>
Capital Assets, Being Depreciated:				
Buildings and System	26,429,803	-	-	26,429,803
Improvements Other Than Buildings	60,238	-	-	60,238
Machinery and Equipment	1,182,593	5,617	-	1,188,210
Total Capital Assets Being Depreciated	<u>27,672,634</u>	<u>5,617</u>	<u>-</u>	<u>27,678,251</u>
Less Accumulated Depreciation for:				
Buildings and System	(8,516,130)	(499,868)	-	(9,015,998)
Improvements Other Than Buildings	(43,639)	(4,708)	-	(48,347)
Machinery and Equipment	(931,759)	(60,393)	-	(992,152)
Total Accumulated Depreciation	<u>(9,491,528)</u>	<u>(564,969)</u>	<u>-</u>	<u>(10,056,497)</u>
Total Capital Assets, Being Depreciated Net	<u>18,181,106</u>	<u>(559,352)</u>	<u>-</u>	<u>17,621,754</u>
Business-Type Activities Capital Assets, Net	<u>\$ 18,461,044</u>	<u>\$ (472,343)</u>	<u>\$ -</u>	<u>\$ 17,983,084</u>

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

Governmental Activities

General Government	\$ 30,740
Fire	36,427
Police	24,364
Highways and Streets, including depreciation	175,553
Sanitation	8,114
Culture and Recreation	99,295
Total Depreciation Expense - Governmental	<u>\$ 374,493</u>

Business-Type Activities:

Water	\$ 327,621
Sewer	237,348
Total Depreciation- Business-Type Activities	<u>\$ 564,969</u>

D. 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	\$ 3,785,775
Business-Type Activities	-	-
		<u>\$ 3,785,775</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>
2013	266,000	153,279
2014	273,000	141,743
2015	301,000	128,848
2016	309,000	116,366
2017	317,000	102,925
2018-2022	1,475,000	283,445
2023-2027	844,775	62,561
	<u>\$ 3,785,775</u>	<u>\$ 989,167</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>
2013	82,435	146,070
2014	85,220	142,280
2015	88,134	138,361
2016	91,183	134,307
2017	94,375	129,122
2018-2022	422,630	586,863
2023-2027	518,662	481,418
2028-2032	650,586	349,494
2033-2037	773,090	164,384
2038-2042	393,158	46,017
2043-2047	38,029	554
	<u>\$ 3,237,502</u>	<u>\$ 2,318,870</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Notes Payable:					
General Obligation Notes	\$ 2,539,775	\$ -	\$ 125,000	\$ 2,414,775	\$ 130,000
General Obligation Notes	920,000	-	-	920,000	80,000
General Obligation Notes	504,000	-	53,000	451,000	56,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Governmental Activity: Long-Term Liabilities	<u>\$ 3,963,775</u>	<u>\$ -</u>	<u>\$ 178,000</u>	<u>\$ 3,785,775</u>	<u>\$ 266,000</u>
Business-Type Activities:					
Bonds Payable:					
Revenue Bonds	<u>\$ 3,317,257</u>	<u>\$ -</u>	<u>\$ 79,764</u>	<u>\$ 3,237,493</u>	<u>\$ 82,435</u>
Business-Type Activities: Long-Term Liabilities	<u>\$ 3,317,257</u>	<u>\$ -</u>	<u>\$ 79,764</u>	<u>\$ 3,237,493</u>	<u>\$ 82,435</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. The Officers' and Employees' Bonds of the Town.

The Town maintains a general liability insurance policy including the Mayor and Board of Aldermen and all employees required to be bonded, with a policy limit of \$500,000.

F. 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, 2012 was \$ 1,011,040. 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, 2012 was \$ 50,552, 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. Payroll for department employees covered by the plan for the fiscal year ended June 30, 2012 was \$ 575,992. The Water and Sewer Department contributes an amount equal to 10% of normal compensation. For the year ended June 30, 2012 the department paid \$ 57,599 into the plan for department employees.

The plan does not permit participating employees to make employee contributions to the plan. Any contributions by the Water and Sewer Department, vest as follows:

Years of Service	% Vested
Less than 1	0%
1	0%
2	0%
3 or more	100%

Normal retirement age under the plan is the later of the date a participant attains age 65 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
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012

CFDA Number	Grant/Loan Number	Program Name	Grantor Agency/Pass-Through Grantor	Balance June 30, 2011	Receipts	Expenditures	Balance June 30, 2012
20.607 14.228	Z12GHS230 GG0612789	High Visibility Law Enf. Community Dev. Block Grant	Government Highway Safety Office CDBG Grant Total Federal	\$ - - -	\$ 5,000 95,016 100,016	\$ 5,000 95,016 100,016	\$ - - -
		Total Federal		\$ -	\$ 100,016	\$ 100,016	\$ -

TOWN OF ONEIDA, TENNESSEE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012

NOTE A- BASIS OF PRESENTATION

The accompanying schedule 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, 2012

CFDA Number	Grant/Loan Number	Program Name	Grantor Agency/Pass-Through Grantor	Balance July 1, 2011	Receipts	Expenditures	Balance June 30, 2012
N/A N/A	A07031404 DG0924198	Local Park and Acq. Prog. Tennessee Housing Dev. Auth.	Tenn. Dept. of Conservation Tenn. Housing Dev. Auth.	\$ 17,293 -	\$ 24,750 -	\$ 7,457 -	\$ - -
		Total State of Tennessee		\$ 17,293	\$ 24,750	\$ 7,457	\$ -

TOWN OF ONEIDA, TENNESSEE
RESERVE REQUIREMENTS REQUIRED BY BOND AGREEMENT
June 30, 2012

	<u>Operation and Maintenance Reserve</u>	<u>Debt Service Reserve</u>
Requirement	\$ 628,377	\$ 147,252
Current Balance	<u>112,966</u>	<u>34,368</u>
Excess	<u>\$ (515,411)</u>	<u>\$ (112,884)</u>

	<u>1997 Issue</u>	<u>2000 Issue</u>	<u>2004 Issue</u>	<u>Total</u>
Total Debt Service Reserve Required	\$ 13,560	\$ 92,376	\$ 41,316	\$ 147,252

The Oneida Water and Sewer Department did not adopt an operating budget for the year ended June 30, 2012, therefore; the Operation and Maintenance Reserve Requirement was calculated using the operating expenses less depreciation.

TOWN OF ONEIDA, TENNESSEE
Fiscal Statistics
June 30, 2012

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, 2012**

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

Water and Sewer Rates in Effect June 30, 2012

Water Rates	Per 1,000 gallons				
	Inside City Limits			Outside City Limits	
First 2,000 gallons	\$	12.11	Minimum	\$	17.78 Minimum
Above 2,000		4.55			7.00
Sewer Rates					
Per 2,000		16.80	Minimum		17.81 Minimum
		8.40			8.90

The mayor and board of aldermen discontinued the \$ 4.50 per account surcharge Beginning December 1 2011 adopted the above rate schedule with provisions to increase rates 2% on July 1 of future years. The Water and Sewer Department had 4,366 water customers and 1,712 sewer customers at June 30, 2012. 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)	389,536	
C. Water Purchased	0	
D. Total Water Treated and Purchased (Sum Line B and C)		389,536
E. Accounted for Water:		
F. Water Sold	223,693	
G. Metered for Consumption (in house usage)	43,123	
H. Fire Departments Usage	3,444	
I. Flushing	0	
J. Tank Cleaning /Filling	0	
K. Street Cleaning	0	
L. Bulk Sales	0	
M. Water Bill Adjustments/Plus or (Minus)	1,631	
N. Total Accounted for Water (Sum Lines F thru M)		271,891
O. Unaccounted for Water (Sum Lines D minus N)		117,645
P. Percent Unaccounted for Water (Lines O divided by Line D times 100)		30.201%
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 Nine Fiscal Years
 (Accrual Basis of Accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities									
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	\$ 9,391,711
Restricted	83,333	55,252	75,656	44,245	91,878	48,081	51,843	104,591	37,332
Unassigned	1,439,400	2,693,560	757,606	874,086	663,868	514,330	884,133	653,466	514,330
Total Governmental Activities Net Assets	12,283,190	12,308,566	11,418,723	11,254,871	11,280,038	9,616,159	10,573,973	10,259,512	9,943,373
Business-Type Activities									
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	14,745,591
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	745,532	1,056,060	1,312,291	1,254,415	531,295	645,482	645,482	411,134	609,150
Total Business-Type Activities Net Assets	10,697,838	11,687,741	13,925,815	14,573,371	14,617,523	15,853,090	15,853,090	15,554,923	15,354,741
Primary Government									
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	24,137,302
Restricted	83,333	55,252	75,656	44,245	91,878	48,081	51,843	104,591	37,332
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	1,123,480
Total Primary Government Net Assets	\$ 22,981,028	\$ 23,996,307	\$ 25,344,538	\$ 25,828,242	\$ 25,897,561	\$ 26,610,304	\$ 26,207,011	\$ 25,814,435	\$ 25,298,114

TOWN OF ONEIDA, TENNESSEE
Change in Net Assets - Last Nine Fiscal Years
June 30, 2012

Program Expenses	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Governmental Activities</u>									
General Government	\$ 1,366,574	\$ 712,432	\$ 671,877	\$ 747,242	\$ 1,020,368	807,003	734,192	746,795	734,192
Public Safety	1,019,194	1,088,041	960,585	1,078,716	1,113,156	1,112,848	952,691	963,478	946,945
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	1,004,685
Sanitation	139,605	114,234	99,840	133,850	132,984	126,639	141,249	148,492	147,644
Culture and Recreation	298,350	313,964	348,487	329,969	515,778	509,210	235,419	627,698	711,729
Interest	14,460	17,493	149,687	130,099	159,868	166,885	251,324	123,373	113,999
Total Governmental Activities	4,138,905	3,310,830	3,229,761	3,482,617	3,675,299	3,813,674	3,358,415	3,619,425	3,659,194
<u>Business-Type Activities</u>									
Water and Sewer	1,925,883	1,688,474	2,217,387	2,229,005	2,770,458	2,556,082	2,522,781	2,527,781	2,557,782
Total Business-Type Activities	1,925,883	1,688,474	2,217,387	2,229,005	2,770,458	2,556,082	2,522,781	2,527,781	2,557,782
Total Primary Government Expenses	6,064,788	4,999,304	5,447,148	5,711,622	6,445,757	6,369,756	6,369,756	5,881,196	6,216,976
<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	45,111
Capital Grants	-	-	-	-	238,490	195,179	467,208	483,659	160,385
Operating Grants	-	-	-	-	-	-	109,997	109,901	97,641
Parks and Recreation	13,930	-	74,467	146,353	165,016	165,197	107,448	116,223	144,741
Total Governmental Activities	848,458	-	138,934	160,519	468,957	463,142	739,776	767,385	447,878
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	1,885,967	2,549,741	2,467,866	2,213,122	2,254,982	2,216,801	2,047,276	2,030,163	2,357,551
Total Business-Type Activities	1,935,759	3,433,549	4,455,461	2,876,561	2,814,610	2,291,541	2,302,729	2,167,018	2,357,551
Net Expenses	(3,290,447)	(3,310,830)	(3,090,827)	(3,322,098)	(3,206,342)	(3,350,532)	(2,618,639)	(2,852,040)	(3,211,316)
Governmental Activities	9,876	1,745,075	2,238,074	647,556	44,152	(264,541)	(220,052)	(425,459)	(200,231)
Business-Type Activities									
<u>General Revenue</u>									
Taxes									
Property Taxes	565,223	597,341	569,032	618,344	586,260	684,794	814,203	807,830	849,694
State Taxes	1,894,022	1,871,707	1,821,365	2,021,191	1,586,553	349,572	333,480	289,796	296,036
Other Taxes	63,495	196,942	167,471	278,676	354,058	1,468,666	1,426,521	1,557,882	1,559,319
Investment Earnings	10,625	29,243	23,676	7,800	1,821	1,174	689	833	284
Miscellaneous Revenues	154,752	653,038	278,266	232,236	577,311	214,821	339,276	365,908	189,844
Total Governmental Activities	2,688,117	3,348,271	2,859,810	3,158,247	3,106,003	2,719,027	2,914,169	3,022,249	2,895,177
Change in Net Assets	(602,330)	37,441	(231,017)	(163,851)	44,152	(631,505)	130,939	(314,461)	(316,139)
Governmental Activities	9,876	1,745,075	2,238,074	647,556	44,152	(264,541)	(220,052)	(78,115)	(200,182)
Business-Type Activities	(592,454)	\$ 1,782,516	\$ 2,007,057	\$ 483,705	\$ 44,152	\$ (896,046)	\$ (89,113)	\$ (392,576)	\$ (516,321)
Total Primary Government									

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Unrestricted	\$ 1,445,431	\$ 815,947	\$ 2,087,022	\$ 665,703	\$ 907,182	\$ 777,992	\$ 1,760,343	\$ 941,518	\$ 706,081	\$ 576,418
Other Funds										
Restricted	108,740	83,333	55,252	75,656	44,244	91,878	48,081	51,843	104,591	37,332
Total	\$ 1,554,171	\$ 899,280	\$ 2,142,274	\$ 741,359	\$ 951,426	\$ 869,870	\$ 1,808,424	\$ 993,361	\$ 810,672	\$ 613,750

TOWN OF ONEIDA, TENNESSEE
Property Tax Levies and Collections Last Ten Years
June 30, 2012

<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>
2003	\$ 404,000	\$ 403,128	\$ 872	99.78%	\$ 0.75
2004	460,475	458,509	1,966	99.57%	0.90
2005	554,495	551,954	2,541	99.54%	0.90
2006	467,606	464,751	2,855	99.39%	0.90
2007	601,005	595,593	5,412	99.10%	0.90
2008	654,000	640,251	13,749	97.90%	0.85
2009	704,626	683,671	20,955	97.03%	1.00
2010	803,131	778,042	25,089	96.88%	1.00
2011	804,012	744,201	59,811	92.56%	1.00
2012	790,174	-	790,174	0.00%	1.00
	<u>\$ 6,243,524</u>	<u>\$ 5,320,100</u>	<u>\$ 923,424</u>	85.21%	

Taxes levied and collected does not included public utility tax.

Town of Oneida, Tennessee
Change in Property Taxes Receivable
June 30, 2012

<u>Year</u>	<u>Balance 6/30/2011</u>	<u>Collected Current</u>	<u>Levies</u>	<u>Adjustments</u>	<u>Balance 6/30/2012</u>
2002	\$ 1,624	\$ 839	\$ -	\$ (785)	\$ -
2003	1,878	1,006	-	-	872
2004	3,706	1,741	-	-	1,965
2005	8,410	5,869	-	-	2,541
2006	10,203	7,348	-	-	2,855
2007	13,898	8,486	-	-	5,412
2008	24,157	10,408	-	-	13,749
2009	37,484	16,529	-	-	20,955
2010	81,018	55,928	-	-	25,090
2011	804,012	744,201	-	-	59,811
2012	-	-	790,174	-	790,174
	<u>\$ 986,390</u>	<u>\$ 852,355</u>	<u>\$ 790,174</u>	<u>\$ (785)</u>	<u>\$ 923,424</u>

Allowance for Doubtful Accounts	(9,000)				(9,000)
Net Taxes Receivable	<u>\$ 977,390</u>				<u>\$ 914,424</u>

**Town of Oneida, Tennessee
Debt Capacity Information - Last Ten Years
June 30, 2012**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Outstanding										
<u>Governmental Activities</u>										
General Revenue Bonds	\$ 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	\$ 3,785,775
<u>Business-Type Activities</u>										
Revenue Bonds	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	3,237,493
Total Bonds, Notes and Leases	<u>\$ 4,499,608</u>	<u>\$ 4,291,521</u>	<u>\$ 5,548,350</u>	<u>\$ 7,286,817</u>	<u>\$ 7,609,015</u>	<u>\$ 7,096,022</u>	<u>\$ 8,277,268</u>	<u>\$ 7,534,254</u>	<u>\$ 7,281,032</u>	<u>\$ 7,023,268</u>

TOWN OF ONEIDA, TENNESSEE
SCHEDULE OF FUTURE PRINCIPLE AND INTEREST REQUIREMENTS
As of June 30, 2012

June 30	General Government			Series 2008			Series 2009			Total General Government		
	Note			Interest			Interest			Bonds and Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	130,000	99,875	229,875	56,000	20,728	76,728	80,000	32,676	112,676	266,000	153,279	419,279
2014	135,000	94,244	229,244	58,000	17,935	75,935	80,000	29,564	109,564	273,000	141,743	414,743
2015	160,000	87,976	247,976	61,000	14,420	75,420	80,000	26,452	106,452	301,000	128,848	429,848
2016	165,000	81,069	246,069	64,000	11,957	75,957	80,000	23,340	103,340	309,000	116,366	425,366
2017	170,000	73,950	243,950	67,000	8,747	75,747	80,000	20,228	100,228	317,000	102,925	419,925
2018	180,000	58,863	238,863	71,000	5,366	76,366	80,000	17,116	97,116	331,000	81,345	412,345
2019	180,000	50,682	230,682	74,000	1,813	75,813	80,000	16,990	96,990	334,000	69,485	403,485
2020	205,000	41,757	246,757	-	-	-	85,000	12,448	97,448	290,000	54,205	344,205
2021	215,000	34,532	249,532	-	-	-	85,000	9,142	94,142	300,000	43,674	343,674
2022	125,000	28,901	153,901	-	-	-	95,000	5,835	100,835	220,000	34,736	254,736
2023	140,000	22,844	162,844	-	-	-	94,775	1,848	96,623	234,775	24,692	259,467
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	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 2,415,000	\$ 712,562	\$ 3,127,562	\$ 451,000	\$ 80,966	\$ 531,966	\$ 919,775	\$ 195,639	\$ 1,115,414	\$ 3,785,775	\$ 989,167	\$ 4,774,942

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		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
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	45,330	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	2,511	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	-	-	-	-	-	-	38,020	554	38,574	-	-	-	38,020	554	38,574			
Totals	\$180,945	\$118,049	\$298,994	\$120,793	\$20,027	\$140,820	\$1,142,356	\$939,298	\$2,104,254	\$1,793,399	\$1,241,496	\$3,034,871	\$3,237,493	\$2,318,870	\$5,556,363			

INTERNAL CONTROL & COMPLIANCE SECTION

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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, 2012, which collectively comprise the Town of Oneida, Tennessee's basic financial statements and have issued our report thereon dated September 17, 2012. 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

Management of the Town of Oneida, Tennessee, is responsible for establishing and maintaining effective 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying summary schedule of audit findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany summary schedule of audit findings to be significant deficiencies. Findings 2011-1 and 2012-1.

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 summary schedule of audit findings as item 2011-1 and 2012-1.

Town of Oneida, Tennessee's response to the findings identified in our audit is described in the accompanying summary schedule of audit findings. We did not audit Town of Oneida, Tennessee's response and, accordingly, we express no opinion on it.

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 7, 2012

TOWN OF ONEIDA, TENNESSEE
SUMMARY SCHEDULE OF AUDIT FINDINGS
June 30, 2012

Finding 2011-1

Criteria - The Town should establish procedures to monitor water and sewer funds to insure that they are profitable, and in compliance with reserve requirements imposed by resolution prior to executing the Water and Sewer System bonds.

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 rates. Costs have increased over the years and no corresponding rate increases have been made.

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

Response – The Town’s Mayor and Board of Aldermen are responsible for establishing utility rates or setting policies in the Water and Sewer Fund rates were increased by a surcharge of \$ 4.50 until a rate schedule could be studied. Effective December 1, 2011 rates were increased by 40% applied to the pre-surcharge rates and the surcharge has been removed. The mayor and board of aldermen will monitor the effect on these rates and adjust rates and cost cutting measures as necessary.

Finding 2012-1

Criteria – In order to borrow money the Water and Sewer Department must have a resolution from the Mayor and Board of Alderman additionally the Tennessee Department of Local Finance must approve the transaction. If the money is used for operations it must be repaid by the fiscal year end.

Condition -- The water and sewer manager loaned the department \$6,700 on February 14, 2011. This loan was repaid on March 19, 2012. No resolution or permission was granted by the Mayor and Board of Alderman, no approval was given by the Tennessee Department of Local Finance and the loan was not repaid within the year.

Recommendation – The Mayor and Board of Alderman should monitor the transactions of the Water and Sewer Department for all transaction and insure the water and sewer employees of local ordinances needed the state and local laws affecting this matter and others.

Response – We agree and will comply with these recommendations.