

CITY OF ONEIDA
MANAGEMENT'S
DISCUSSION AND
ANALYSIS

AND

BASIC FINANCIAL
STATEMENTS

For the Year Ended
December 31, 2012

CITY OF ONEIDA, NEW YORK
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D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300
315-336-9220 Fax: 315-336-0836

Independent Auditor's Report

Common Council
City of Oneida, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Oneida, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Oneida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our (1) unmodified audit opinion on each major fund, and aggregate remaining fund information; and (2) qualified audit opinion on the governmental activities fund.

Basis for Qualified Opinion on Governmental Activities

Our audit did not include the substantiation of fixed assets. We were unable to obtain sufficient appropriate audit evidence to support the fixed assets. Complete fixed asset records were not maintained by the City which would affect the assets and net position and change the expenditures in the governmental activities fund. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion on Governmental Activities

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Oneida as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on the Major Funds, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major funds and the aggregate remaining fund information for the City of Oneida, as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

New Accounting Standard

As discussed in Note 1 to the financial statements, the City of Oneida changed accounting policies related to the financial statement presentation of net position and deferred inflows and outflows of resources by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in 2012. The new pronouncements provide for the separate classification for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting provisions of GASB Statement No. 34 by incorporating deferred inflows and outflows into the definitions of the residual measure and by renaming that measure as net position, rather than net assets. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2013 on our consideration of the City of Oneida’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Oneida’s internal control over financial reporting and compliance.

D'Arcangelo + Co., LLP

August 30, 2013

Rome, New York

D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

200 E. Garden St., P.O. Box 4300, Rome, N.Y. 13442-4300
315-336-9220 Fax: 315-336-0836

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Common Council
City of Oneida, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Oneida as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise City of Oneida's basic financial statements, and have issued our report thereon dated August 30, 2013. Our opinion for the government-wide financial statements was qualified because we were unable to audit fixed assets due to the lack of supporting documentation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Oneida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Oneida's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Oneida's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *schedule of findings and recommendations*, we identified certain deficiencies in internal control that we consider to be either a material weakness or a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and recommendations as item 2012-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 2012-002, 2012-003, and 2012-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oneida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Oneida's Response to Findings

City of Oneida's responses to the findings identified in our audit are described in the accompanying schedule of management's responses. City of Oneida's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

D'Arcangelo + Co., LLP

August 30, 2013

Rome, New York

**CITY OF ONEIDA, NEW YORK
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Year Ended December 31, 2012**

Findings - Financial Statements Audit

I. Material Weakness

2012-001 Fixed Assets

Condition: During our audit we noted the following issues in relation to controls over fixed assets:

- A physical inventory of fixed assets has not been conducted since 2009.
- Through our review of fixed assets, we noted large items such as Construction in Progress and Infrastructure were not accounted for properly in the year of such expenditures. For example, paving projects should be capitalized and depreciated over the estimated useful life. Such projects have not been capitalized in the past.

Cause: Unknown

Criteria: Generally accepted accounting principles require fixed asset records must be maintained by governmental entities in a complete, accurate and detailed manner and that governments report all capital assets with the consideration of depreciation, including construction in progress and infrastructure.

Effect: The current fixed asset listing may be misstated for large items such as Infrastructure and Construction in Progress.

Recommendation: We suggest that physical inventories of fixed assets be taken periodically and related records updated accordingly. We also recommend that paving projects over the last ten years be capitalized with the appropriate accumulated depreciation through December 31, 2012.

II. Significant Deficiencies

2012-002 Revolving Loan Funds and Façade Loans

Condition:

A. During our audit of the Community Development fund, we noted that there is no policy currently established over the Revolving and Façade Loans. The City does have a committee in place that reviews these loans however; a policy should be implemented for the committee to follow. The policy should include items such as:

- Authorization procedures that include management review and the Common Council's approval for each agreement
- Program eligibility and other Program requirements
- Policy with regard to the consistency of the general terms, covenants, and limits of each loan
- Collection procedures that include actions to be taken in the event of default
- Procedure for maintaining a centralized filing system for loan documents
- Accounting procedures for maintenance of subsidiary and general ledgers
- Periodic review by management of the status of loans and reporting to the Common Council
- Procedures for properly authorized write-offs of uncollectible amounts.

B. While auditing the loans we noted \$17,252 in revolving loans and \$18,189 in façade loans that were past due. Management should review any past due loan balances and should take appropriate action to collect these balances.

Cause: Unknown

Criteria: The Community Development Block Grant regulations require that grantees have a loan origination and servicing system in effect which assures that loans are properly authorized, receivables are properly established, earned income is properly recorded and used, and write-offs of uncollectible amounts are properly authorized (24 CFR sections 570.500, 570.501, 570.504, 570.506 and 570.513).

**CITY OF ONEIDA, NEW YORK
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Year Ended December 31, 2012**

Effect: When proper policies and procedures are not in effect, there is an increased potential for errors and other irregularities.

Recommendation: We recommend that management institute appropriate policies and procedures including the items listed above. All receivable balances should be reviewed and past due amounts should follow the approved collection procedures.

2012-003 Water and Sewer Billings

Condition: During our audit over the water and sewer billings, we noted the following areas in need of improvement:

- Currently there is no documented review of the billing rates entered into the system to ensure the rates billed are correct.
- No formal reconciliation is done over amounts billed to ensure all billable properties were billed and the amount billed correct.
- There is no formal approval for making changes related to incorrect meter readings.

Cause: Unknown

Criteria: In order for a control system to be effective, proper segregation of duties or an alternative system of mitigating oversight controls should be established.

Effect: Without proper controls in place over billing, there is an increased potential for errors and other irregularities.

Recommendation: Billing rates should be reviewed prior to bills being mailed to ensure they appear reasonable and amounts billed are correctly calculated. A formal reconciliation and review process should be established for all billings. When changes are required in the billing system, they should be formally approved.

2012-004 Cash disbursements and Accounts Payable

Condition: Through our audit of internal controls over the accounts payable and cash disbursement cycles we noted the following areas in need of improvement:

- Purchase orders do not contain the signature of the purchasing agent
- Invoices are received directly by the departments that are responsible for ordering goods
- There is no formal review and approval of vendor change reports done during the year.
- The City is not maintaining copies of their cancelled checks in a timely manner, these checks are received annually for the audit.

Cause: Unknown

Criteria: In order for a control system to be effective, proper segregation of duties or an alternative system of mitigating oversight controls should be established.

Effect: Inappropriate expenses may be incurred and not be detected in a timely manner.

CITY OF ONEIDA, NEW YORK
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Year Ended December 31, 2012

Recommendation: Controls over cash disbursements and accounts payable should be reviewed and strengthened to ensure proper segregation of duties are in place. In addition we recommend the following:

- Purchase orders should contain the signature of the purchasing agent as documentation that the purchase was formally approved.
- Invoices should be received directly by the Comptroller's office.
- Vendor change reports should be reviewed at least on an annual basis.
- Cancelled checks should be received on a monthly basis.

**CITY OF ONEIDA, NEW YORK
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
For the Year Ended December 31, 2012**

Findings - Financial Statements Audit

I. Material Weakness

None noted

II. Significant Deficiencies

2011-001 Financial Statement Preparation

Condition: Annual financial statements were prepared by the independent auditor. The City does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Cause: Unknown

Criteria: A good system of internal control contemplates the preparation of financial statements including the relevant footnote disclosure

Effect: The financial disclosures in the financial statements could be incomplete.

Recommendation: This circumstance is not unusual in a City this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or considerations

Status: We do not consider this to be a finding for the 2012 audit. The Comptroller has the ability and systems in place to review the financial statements presented and review and approve all journal entries proposed during the audit. The Comptroller continues to make all management decisions with the preparation of the financial statements.

2011-002 Unpaid Property Taxes

Condition: Annually each December the current year's unpaid property tax bills are reclassified as "Tax Sale Certificates". If the property tax owner pays the outstanding tax sale certificate, the certificate is cancelled. If left unpaid for three years, the City with some exceptions, can acquire title to the property for unpaid taxes.

Cause: The aging of the tax sale certificate was not reviewed and payments applied to the oldest outstanding tax sale certificate.

Criteria: A good system of internal controls contemplates reviewing delinquent accounts receivable along with the aging of delinquent accounts receivable.

Effect: Tax sale certificates in excess of three years have not been turned over to legal counsel to acquire title to the property.

Recommendation: The City should have a written internal control policy which requires, at a minimum, annual review of tax sale certificates to determine which properties have been outstanding for three years in order to begin the process of acquisition.

Status: We do not consider this to be a finding for the 2012 audit. As receipts are collected for taxes they are applied to the oldest, outstanding tax sale certificate.

**CITY OF ONEIDA, NEW YORK
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
For the Year Ended December 31, 2012**

2011-003 Community Development Loans

Condition: During 2011, \$30,142 of Community Development Loans was written off as uncollectible by the City based on a review of the receivables by the Economic Development Office and the City Attorney.

Cause: The City has not had the need to write off Community Development Loans previously and never considered the need for a policy.

Criteria: A good system on internal controls would require that write offs greater than amount specified by government policy be approved. Adequate segregation of duties amount those who maintain the accounts receivable detail and those who authorize the write off of receivables should be maintained.

Effect: Accounts receivable could be written off erroneously or fraudulently.

Recommendation: The City should implement a policy specifying who can authorize accounts receivable write offs including dollar amounts.

Status: We do not consider this to be a finding for the 2012 audit. However, see the current year finding regarding establishing procedures to set up allowance for doubtful accounts in the Community Development Fund.

2011-004 Securities

Condition: The City had in excess of \$10 million of issued securities and the prior year auditors were unable to locate the documentation that the City complied with SEC rule 15c-2-12.

Cause: Unknown

Criteria: SEC Rule 15c-2-12 requires issuers of municipal securities in aggregate principal amounts of \$1 million or more to electronically remit financial information, operational information and notices of material events to the Municipal Securities Rulemaking Board (MSRB).

Effect: Noncompliance may cease or slow trading activity for the securities or complicate obtaining underwriting services for future issues.

Recommendation: The City should consult with bond council to confirm all necessary information has been submitted to MSRB.

Status: We do not consider this to be a finding for the 2012. Management was able to locate the documentation that the City did comply with the SEC rule 15c-2-12.

**CITY OF ONEIDA, NEW YORK
MANAGEMENT'S RESPONSE TO FINDINGS IN THE 2012 AUDIT
For the Year Ended December 31, 2012**

I. Material Weakness

2012-001 Fixed Assets

Management's Response: In regards to a physical inventory, we will be performing a physical inventory approximately every 3-5 years. The years in which we do not perform a physical inventory, the departments will be responsible to do a spot check of their inventory to report any assets that may be missing for the fixed asset report, or for any assets that may have been disposed of.

From this point forward, all open capital assets that are "construction in progress" will be kept track of on a capital projects schedule. When they are completed, they then will be added to the fixed asset listing and begin to be depreciated.

II. Significant Deficiencies

2012-002 Revolving Loan Funds and Façade Loans

Management's Response: There are strict State and Federal Guidelines that are adhered to pertaining to CD and Revolving Loans. The Mayor instructed the Planning Director to solely run the program. Applications for loans are reviewed and approved by Council.

2012-003 Water and Sewer Billings

Management's Response: As it comes to the rates. The water rates are formally adopted annually by the Common Council and input into KVS. These new rates are printed and placed in the rate book (Once a year if changed). All monthly consumption and rates are also calculated and compared with an Excel spread sheet. Gallon usage are also input into an Excel spread sheet to check for proper meter operation.

Changes to the billing system include address and name. Adjustments are included in a report and individually recorded in the three ring binder of such. All adjustments are made in accordance with a reread tag or other supporting documentation.

2012-004 Cash disbursements and Accounts Payable

Management's Response: Purchase Requisitions now contain the signature of the purchasing agent.

Purchase Orders, journal entries, vouchers, etc. cannot be entered without sufficient funds in the lines.

Invoices will continue to be received by the Department as they are the ones responsible for preparing the vouchers promptly after receipt according to our purchasing policy. We are decentralized.

Natalie reviews vendors at the end of the year for 1099 preparation.

Copies of checks have already been being received monthly.

CITY OF ONEIDA, NEW YORK
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

The City of Oneida’s discussion and analysis of financial performance provides an overall review of the City’s financial activities for the fiscal year ended December 31, 2012. The intent of this discussion and analysis is to look at the City’s financial performance as a whole. This section will explain the differences between the current and prior-year assets, liabilities, and changes in net position. This should be read in conjunction with the financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

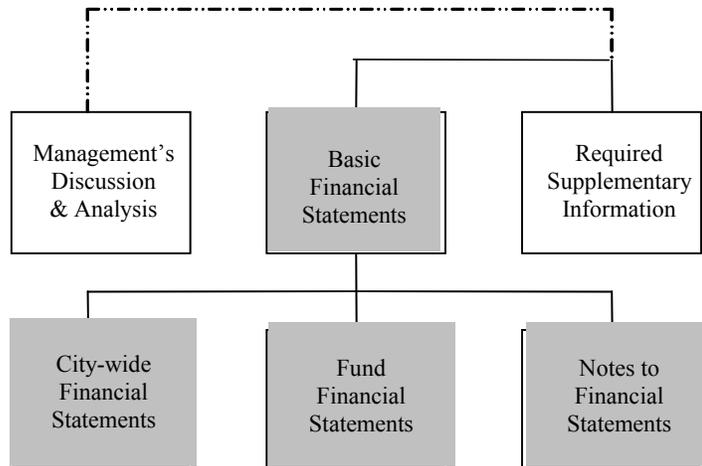
Key financial highlights for fiscal year 2012 are as follows:

- The City’s total net position, as reflected in the City-wide financial statements, decreased by \$2,405,556.
- The City’s expenses for the year, as reflected in the City-wide financial statements, totaled \$18,491,926. This amount was directly offset by the following revenue sources: \$5,983,445 charges for services, \$353,894 operating grants, and \$262,422 capital grants. General revenues of \$9,486,609 amount to 59% of total revenues. These revenues covered the balance of program expenses leaving a deficit of \$2,405,556.
- The General Fund’s total fund balance, as reflected in the fund financial statements on pages 23 and 25, increased by \$119,009 after taking into consideration the equity transfer in from the Capital fund for \$403,004, to a balance of \$4,749,886.
- The Water Fund’s total fund balance, as reflected in the fund financial statements on pages 23 and 25, increased by \$286,813, to \$2,201,660. The Water fund’s revenues increased in 2012 by \$244,471 from 2011.
- The Sewer Fund’s total fund balance, as reflected in the fund financial statements on pages 23 and 25, decreased by \$95,776, after taking into consideration the Equity Transfer, to a balance of \$1,904,310.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – Management’s Discussion and Analysis (MD&A), the basic financial statements and required supplementary information. The basic financial statements consist of City-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements follows:

BASIC FINANCIAL STATEMENT MATRIX



CITY OF ONEIDA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

A. City-wide Financial Statements

The City-wide financial statements are organized to provide an understanding of the fiscal performance of the City as a whole in a manner similar to a private sector business. There are two City-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the City's finances.

These statements utilize the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, and liabilities, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating, respectively.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net positions are recorded at the time the underlying financial event occurs. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds, not the City as a whole. 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 City also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the City are reported in the governmental funds and the fiduciary funds.

These statements utilize the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period that they become measurable and available. It recognizes expenditures in the period that they become measurable, funded through available resources and payable within a current period.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the City-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the City's operations and the services it provides.

Because the focus of governmental funds is narrower than that of City-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the City-wide financial statements. By doing so, you may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains six individual governmental funds, General, Community Development, Miscellaneous Special Revenue, Water, Sewer and Capital funds, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in its capacity as agent or trustee. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The fiduciary activities have been excluded from the City's City-wide financial statements because the City cannot use these assets to finance its operations.

CITY OF ONEIDA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

3. FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

A. Net Position

The City's total net position decreased \$2,438,592 between fiscal year 2012 and 2011. A summary of the City's Statement of Net Position at December 31, 2012 and 2011, is as follows:

	2012	(Restated) 2011	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 12,164,825	\$ 13,352,098	\$ (1,187,273)	(8.9%)
Capital Assets, (Net of Accumulated Depreciation)	48,164,819	47,129,418	1,035,401	2.2%
Total Assets	<u>\$ 60,329,644</u>	<u>\$ 60,481,516</u>	<u>\$ (151,872)</u>	(0.3%)
Non-Current Liabilities	\$ 26,756,911	\$ 25,792,224	\$ 964,687	3.7%
Other Liabilities	1,716,744	427,747	1,288,997	301.3%
Total Liabilities	<u>\$ 28,473,655</u>	<u>\$ 26,219,971</u>	<u>\$ 2,253,684</u>	8.6%
Net Position				
Net Investment in Capital Assets	\$ 35,828,191	\$ 33,993,656	\$ 1,834,535	5.4%
Restricted	844,625	761,822	82,803	10.9%
Unrestricted	<u>(4,816,827)</u>	<u>(493,933)</u>	<u>(4,322,894)</u>	(875.2%)
Total Net Position	<u>\$ 31,855,989</u>	<u>\$ 34,261,545</u>	<u>\$ (2,405,556)</u>	(7.0%)

Current and Other Assets decreased by \$1,187,273, as compared to the prior year. This decrease is primarily due to the decrease in cash and cash equivalents of \$1,168,437.

Capital assets increased by \$1,035,401, as compared to the prior year. This increase is primarily due to the capital outlays of \$3,764,552 exceeding the depreciation expense of \$2,723,061.

Other liabilities increased by \$1,288,997 as compared to the prior year. This increase is the result of an increase in accounts payable and accrued liabilities of \$397,320 and the issuance of an \$870,000 Bond Anticipation Note during 2012.

Non-current liabilities increased by \$964,687 as compared to the prior year. This increase is the result of the net increase in the amounts due to the NYS Retirement Systems, increase in compensated absences accrued liability and OPEB liability exceeding the decrease in long term debt.

The net position invested in capital assets is calculated by subtracting the amount of outstanding debt used for construction from the total cost of all asset acquisitions, net of accumulated depreciation. The total cost of these acquisitions includes expenditures to purchase land, construct and improve buildings and purchase vehicles, equipment and furniture to support City operations.

The restricted portion of the net position represents funds being held for to finance the cost of construction or reconstruction of water treatment and transmission facilities. The funds can only be spent on specific public improvements. This reserve increased by \$82,803 compared to prior year.

The unrestricted net position deficit at December 31, 2012, is \$4,816,827, which represents the amount by which the City's liabilities, excluding debt related to capital construction and restrictions of net position, exceeded the City's assets other than capital assets.

CITY OF ONEIDA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. Nonproperty tax items consist of New York State Sales tax, utility tax and franchise tax.

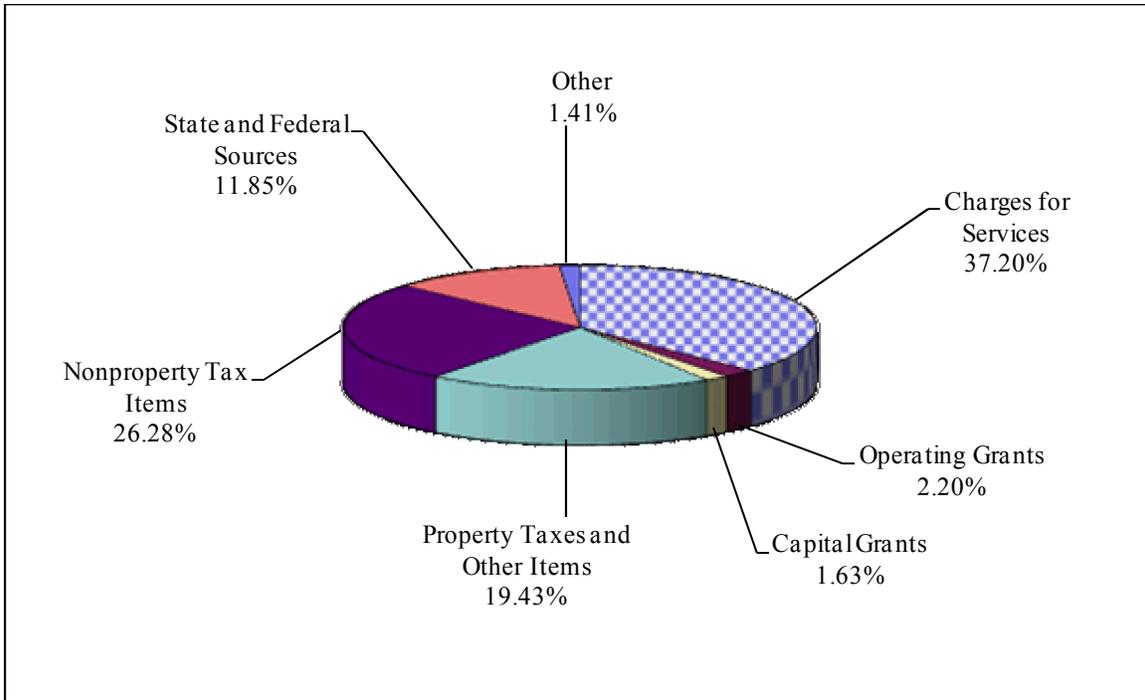
A summary of this statement for the years ended December 31, 2012 and 2011, is as follows.

Revenues	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Program Revenues				
Charges for Services	\$ 5,983,445	\$ 5,978,358	\$ 5,087	0.1%
Operating Grants	353,894	1,077,801	(723,907)	(67.2%)
Capital Grants	262,422	63,418	199,004	313.8%
General Revenues				
Property Taxes and Other Items	3,125,629	3,337,646	(212,017)	(6.4%)
Nonproperty Tax Items	4,226,956	4,298,408	(71,452)	(1.7%)
State and Federal Sources	1,906,791	1,839,847	66,944	3.6%
Other	<u>227,233</u>	<u>705,057</u>	<u>(477,824)</u>	<u>(67.8%)</u>
Total Revenues	<u>16,086,370</u>	<u>17,300,535</u>	<u>(1,214,165)</u>	<u>(7.0%)</u>
Expenses				
General Government Support	1,628,285	1,995,418	(367,133)	(18.4%)
Public Safety	6,931,754	8,159,104	(1,227,350)	(15.0%)
Public Health	86,947	48,198	38,749	80.4%
Transportation	2,341,081	3,117,749	(776,668)	(24.9%)
Economic Assistance and Opportunity		2,000	(2,000)	(100.0%)
Home and Community Services	6,660,990	6,783,238	(122,248)	(1.8%)
Culture and Recreation	712,939	972,217	(259,278)	(26.7%)
Debt Service - Interest	<u>129,930</u>	<u>173,957</u>	<u>(44,027)</u>	<u>(25.3%)</u>
Total Expenses	<u>18,491,926</u>	<u>21,251,881</u>	<u>(2,759,955)</u>	<u>(13.0%)</u>
Total Change in Net Position	<u>\$ (2,405,556)</u>	<u>\$ (3,951,346)</u>	<u>\$ 1,545,790</u>	

**CITY OF ONEIDA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012**

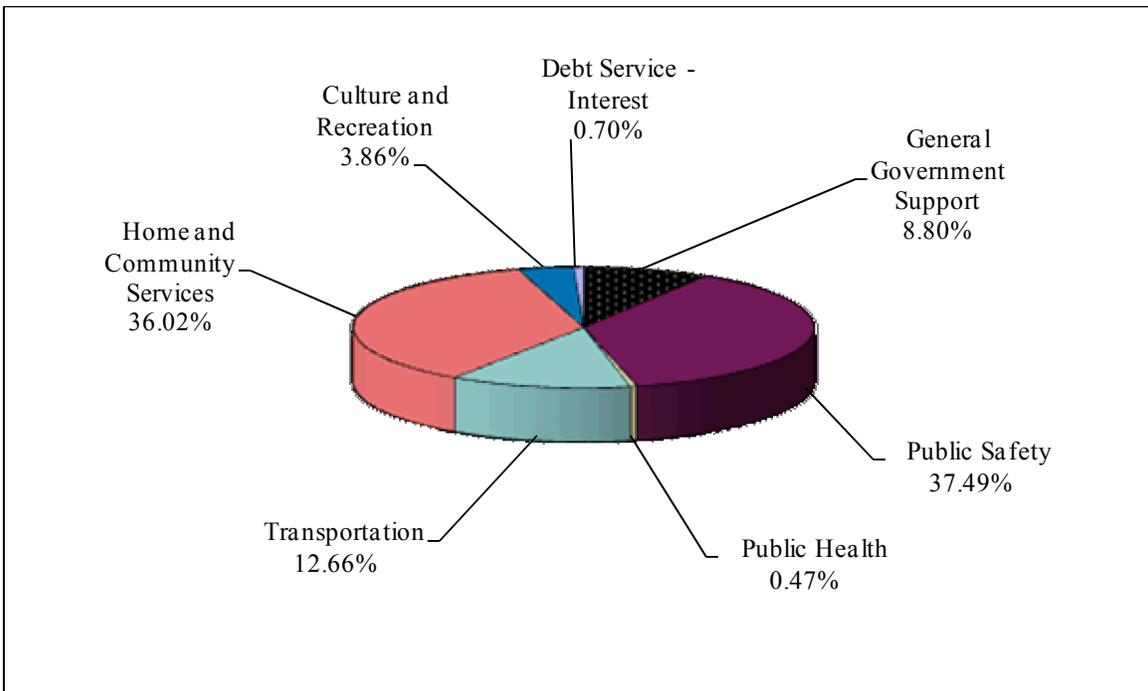
A graphic display of the distribution of revenues is as follows:

For the Year Ended December 31, 2012



A graphic display of the distribution of expenses is as follows:

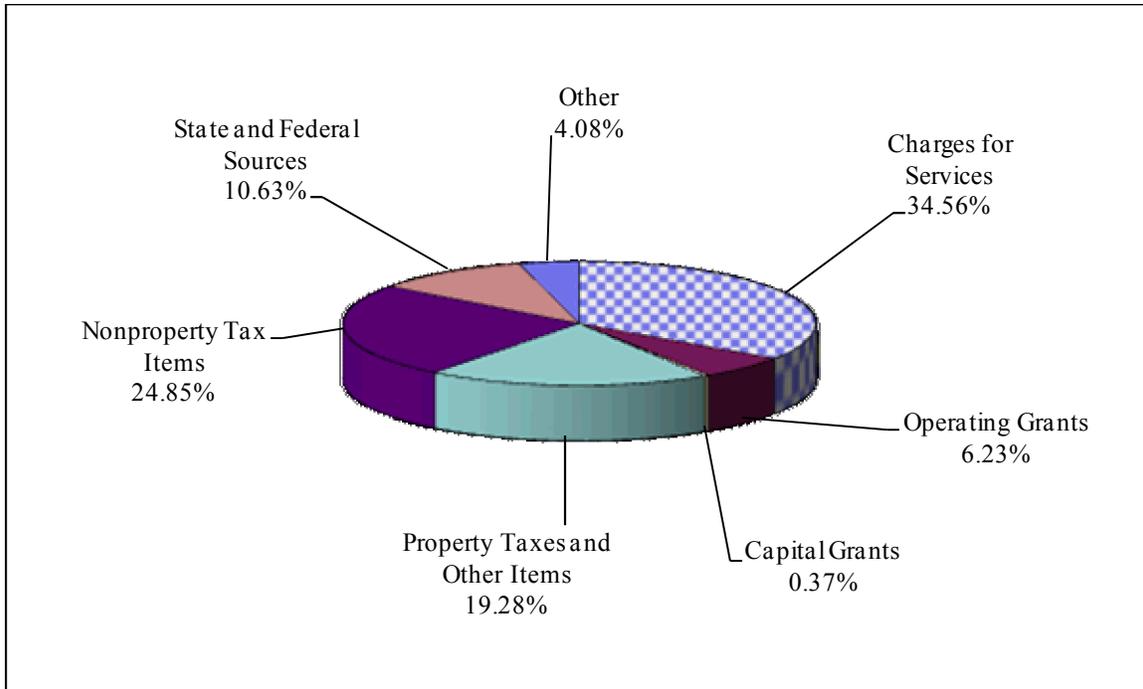
For the Year Ended December 31, 2012



**CITY OF ONEIDA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012**

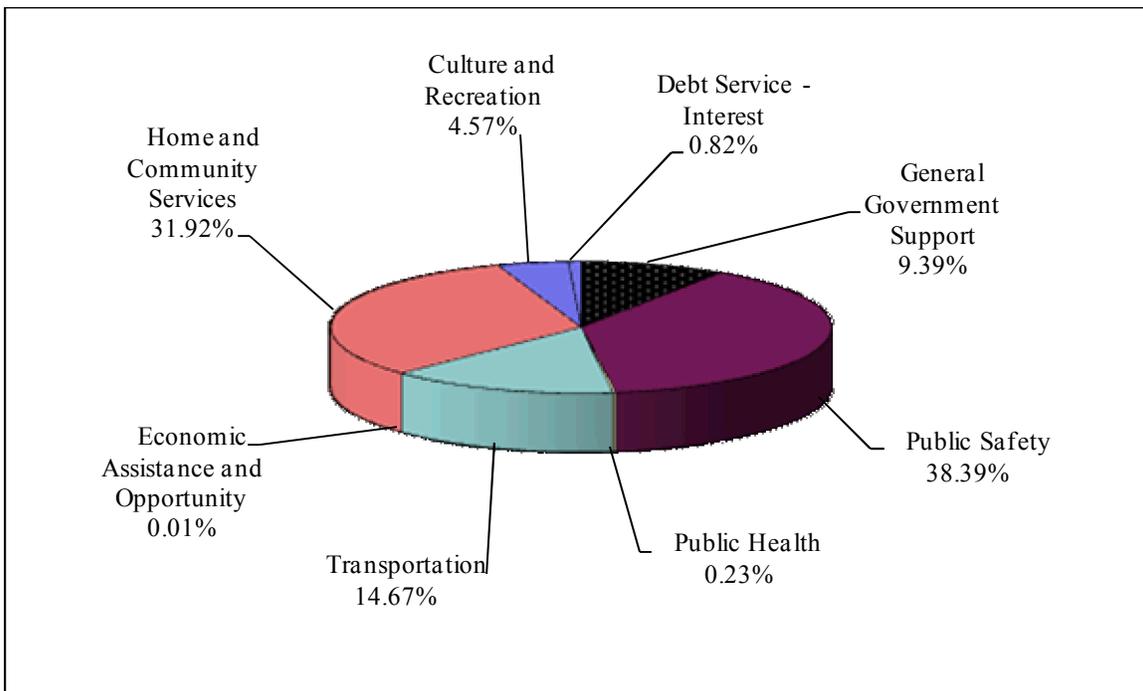
A graphic display of the distribution of revenues is as follows:

For the Year Ended December 31, 2011



A graphic display of the distribution of expenses is as follows:

For the Year Ended December 31, 2011



CITY OF ONEIDA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012

4. FINANCIAL ANALYSIS OF THE CITY'S FUND BALANCES

At December 31, 2012, the City's governmental funds reported a combined fund balance of \$9,395,525, which is a decrease of \$2,487,568 from the prior year. This decrease is due to an excess of expenditures over revenues for the year primarily in the Capital Fund. A summary of the change in fund balance by fund is as follows:

	<u>2012</u>	<u>(Restated) 2011</u>	<u>Increase (Decrease)</u>
General			
Nonspendable	\$ 371,136	\$ 311,066	\$ 60,070
Assigned	544,610	802,751	(258,141)
Unassigned	<u>3,834,140</u>	<u>3,517,060</u>	<u>317,080</u>
	<u>4,749,886</u>	<u>4,630,877</u>	<u>119,009</u>
Community Development			
Nonspendable	257,763	368,602	(110,839)
Assigned	<u>511,718</u>	<u>389,418</u>	<u>122,300</u>
	<u>769,481</u>	<u>758,020</u>	<u>11,461</u>
Miscellaneous Special Revenue			
Assigned	<u>35,409</u>	<u>26,674</u>	<u>8,735</u>
Water			
Nonspendable	153,321	145,131	8,190
Restricted	844,625	761,822	82,803
Assigned	<u>1,203,714</u>	<u>1,007,894</u>	<u>195,820</u>
	<u>2,201,660</u>	<u>1,914,847</u>	<u>286,813</u>
Sewer			
Nonspendable	23,992	20,369	3,623
Assigned	<u>1,880,318</u>	<u>1,979,717</u>	<u>(99,399)</u>
	<u>1,904,310</u>	<u>2,000,086</u>	<u>(95,776)</u>
Capital			
Committed		2,552,589	(2,552,589)
Unassigned (Deficit)	<u>(265,221)</u>	<u> </u>	<u>(265,221)</u>
	<u>(265,221)</u>	<u>2,552,589</u>	<u>(2,817,810)</u>
 Total Fund Balance	 <u>\$ 9,395,525</u>	 <u>\$ 11,883,093</u>	 <u>\$ (2,487,568)</u>

**CITY OF ONEIDA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012**

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2012 Budget

The City's adopted budget's for the year ended December 31, 2012, for the following funds was \$17,985,848. The 2012 General Fund budget was \$11,186,829 which was \$554,150 lower than the 2011 budget. The budgets were adopted and amended as follows:

	<u>General</u>	<u>Community Development</u>	<u>Miscellaneous Special Revenue</u>	<u>Water</u>	<u>Sewer</u>
Change from Adopted Budget to Revised Budget					
Adopted Budget	\$ 11,186,829	\$ 691,287	\$ 57,320	\$ 3,721,786	\$ 2,328,626
Add: Prior Year's Encumbrances	<u>29,193</u>	<u>586</u>		<u>3,405</u>	<u>3,697</u>
Original and Adopted Budget	<u>11,216,022</u>	<u>691,873</u>	<u>57,320</u>	<u>3,725,191</u>	<u>2,332,323</u>
Amendments:					
Interfund Transfer to Capital					544,020
State Aid	22,000				
Fire Reimbursement	536				
Insurance Recovery	21,364				
Debt Service Interest				36,000	
Miscellaneous	21,231			(3,013)	2,158
Sale of Scrap	<u>1,036</u>				
Total Amendments	<u>66,167</u>			<u>32,987</u>	<u>546,178</u>
Final Budget	<u>\$ 11,282,189</u>	<u>\$ 691,873</u>	<u>\$ 57,320</u>	<u>\$ 3,758,178</u>	<u>\$ 2,878,501</u>

The majority of this funding source for the budgets consisted of \$3,175,415 in property taxes, \$4,518,000 in nonproperty taxes and \$5,326,563 in departmental income.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

At December 31, 2012, the City had invested in a broad range of capital assets, including land, construction in progress, buildings and improvements and equipment. The net increase in capital assets is due to capital additions exceeding depreciation recorded for the year ended December 31, 2012. A summary of the City's capital assets, net of accumulated depreciation at December 31, 2012 and 2011, is as follows:

	<u>2012</u>	<u>2011</u>	<u>Increase/ (Decrease)</u>
Land	\$ 2,549,549	\$ 2,549,549	\$
Construction in Progress	3,140,850		3,140,850
Buildings	16,162,588	17,149,942	(987,354)
Infrastructure	18,083,982	18,637,089	(553,107)
Improvements	5,193,262	5,585,322	(392,060)
Equipment	<u>3,034,588</u>	<u>3,207,516</u>	<u>(172,928)</u>
Capital Assets, Net	<u>\$ 48,164,819</u>	<u>\$ 47,129,418</u>	<u>\$ 1,035,401</u>

**CITY OF ONEIDA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012**

B. Debt Administration

At December 31, 2012, the City had total bonds payable of \$12,336,628. A summary of the outstanding debt at December 31, 2012 and 2011, is as follows:

Description	Date of Original Issue	Date of Final Maturity	Interest Rate (%)	Outstanding Amount		Increase (Decrease)
				2012	2011	
General Fund						
2003	Dec-2003	Dec-2016	3.5	\$ 374,328	\$ 459,403	\$ (85,075)
2011	Feb-2011	Dec-2023	2	<u>2,305,000</u>	<u>2,480,000</u>	<u>(175,000)</u>
				<u>2,679,328</u>	<u>2,939,403</u>	<u>(260,075)</u>
Water Fund						
2000	Mar-2000	Dec-2019	5.17	<u>1,785,000</u>	<u>2,020,000</u>	<u>(235,000)</u>
Sewer Fund						
2009	Jul-2009	Apr-2039	0	7,806,628	8,095,762	(289,134)
2003	Dec-2003	Dec-2016	3.5	<u>65,672</u>	<u>80,597</u>	<u>(14,925)</u>
				<u>7,872,300</u>	<u>8,176,359</u>	<u>(304,059)</u>
Total Long Term Debt				<u>\$ 12,336,628</u>	<u>\$ 13,135,762</u>	<u>\$ (799,134)</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Oneida, which was incorporated on March 28, 1901, is governed by the Charter of the City of Oneida, the General City law and other general laws the State of New York (and various local laws and ordinances).

The Common Council, which is the legislative body responsible for the overall operation of the city, consists of the Mayor and six council members. The Mayor serves as chief executive officer and the Comptroller serves as chief fiscal officer of the City.

The City provides the following basic services: water and sewer facilities, fire and police protection, care and maintenance of City streets, and among others, culture and recreation.

The financial reporting entity includes organizations, functions and activities over which elected officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The City of Oneida, as well as most local governments in New York State, continues to bear the burden of rapidly increasing health care costs and retirement costs. Both of these issues have a major impact on the general fund budget. The 2013 budget health care expenditures represent 17% and retirement expenditures 9% of the general fund budget.

Non-Management employees are represented by three unions. The Police Benevolent Association, Oneida Paid Firefighters Association and CSEA. All labor contracts are set to expire on December 31, 2013. Medical coverage for employees is dictated by these contracts.

In late June of 2013, the City succumbed to a devastating flood in what is known as the "flats" portion of the City that affected roughly 1,000 residents. This flood affected approximately 240 structures. Thirty eight of the homes remain vacant two months later. The City of Oneida housed all of its main departments in that area of the City as well. The WWTP sustained over \$1.5M in flood damage, the DPW Garage, and the Water Shop having approximately another \$500,000 in accumulated damages and

**CITY OF ONEIDA, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012**

losses. The City of Oneida's insurance policies and FEMA are expected to recoup approximately 75% of the damages.

Also in 2013 the Oneida Indian Nation settled claims with New York State and Madison County. The Agreement stops any new casinos from being built in 10 counties of Central New York. The Nation will pay New York State 25% of its net revenue from slot machines and New York State will give 25% of the money it receives from the Nation to Oneida County.

The City of Oneida had a prior agreement with the Nation wherein the Nation pays the City amounts that equal or exceed the amounts shown on their tax bill. It is unknown at this time if the Nation will stop these payments to the City. If they discontinue paying their property taxes, the City will see a decrease in property tax revenue of approximately \$175,000.

The Agreement contains a one-time payment to Madison County of \$11M. It is unknown at this time if the City of Oneida will benefit from that payment.

The Oneida Rail Trail:

In 2013, the Recreation Department undertook the "Rail Trail Project". When completed, the Oneida Rail Trail will be approximately 10.75 miles of trails – mostly along existing rail beds, but in some places connecting roadways must be used. The trail connects to Maxwell Field, DuRoss Conservancy, and Oneida Community Mansion House trails which means access to an additional 3 miles worth of trails. The trail links the City of Oneida and Village of Wampsville (with easy access to Old Erie Canal Towpath) and City of Sherrill. The majority of the trail segments are already owned by the City of Oneida, some are owned by utilities and a few are held by private landowners.

Rail Trails are good for the environment because they reduce greenhouse gas emissions; protect Open Space; greenways protect open space and provide corridors for wildlife; and they can help control flooding and protect water quality and fragile ecosystems and offer an alternative to driving. With a connected trail and sidewalk system, communities can help retain their seniors by keeping them independent even when they can no longer drive.

Preserve Historic Heritage and an Educational Resource by providing an opportunity to tell a story. Greenways and trails also provide opportunities for adults and children to experience and understand the natural world. Railroads played an important part in the development of New York State by facilitating trade and westward expansion. They can also provide a positive place for social interaction. A quote from Anne Lusk, Stowe Vermont greenway advocate, may say it best: "People are different on a path.

Trails can create spin-off businesses such as bike shops, bed and breakfasts, and ice cream shops are just some of the new businesses that can result from trails. Trails Enhance Quality of Life, and is a desired asset.

Many studies demonstrate that parks, greenways and trails increase nearby property values, thus increasing local tax revenues. Quality of Life is a crucial factor in recruiting and keeping good employees. Community trails provide an easy access point for daily exercise.

In 2013, the City expects to see economic development growth including the following:

- Tim Horton's - donut and coffee shop;
- Cool Stan International – light manufacturing business;
- Garage Gym – a provide fitness facility; and
- Summit Auto Group – a large car dealership.

All of these business opportunities will increase sales tax and bring revenue to the community in 2013.

8. CONTACTING THE CITY

This financial report is designed to provide the City's citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the:

**City Comptroller
City of Oneida
109 N. Main Street
Oneida, New York 13421**

CITY OF ONEIDA, NEW YORK
STATEMENT OF NET POSITION
December 31, 2012

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 8,293,699
Restricted Cash	844,625
Tax Sale Certificates	1,109,194
Property Acquired for Taxes	82,114
Assessments Receivable	10,160
Accounts Receivable	505,911
Loans Receivable	411,067
Due From Other Governments	441,720
Prepaid Expenditures	466,335
Capital Assets (Net of Accumulated Depreciation)	48,164,819
Total Assets	\$ 60,329,644
Liabilities	
Accounts Payable	\$ 466,654
Accrued Liabilities	287,614
Accrued Interest	11,339
Due To Other Governments	81,137
Bond Anticipation Notes Payable	870,000
Noncurrent Liabilities	
Due Within One Year	
Due To New York State Retirement Systems	88,824
Bonds Payable	809,134
Due in More Than One Year	
Due To New York State Retirement Systems	532,412
Bonds Payable	11,527,494
Compensated Absences Payable	799,773
OPEB	12,999,274
Total Liabilities	28,473,655
Net Position	
Net Investment in Capital Assets	35,828,191
Restricted	844,625
Unrestricted (Deficit)	(4,816,827)
Total Net Position	31,855,989
Total Liabilities and Net Position	\$ 60,329,644

The Accompanying Notes are an Integral Part of These Financial Statements.

CITY OF ONEIDA, NEW YORK
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
General Government Support	\$ 1,628,285	\$ 136,972	\$	\$	\$ (1,491,313)
Public Safety	6,931,754	506,249	27,833		(6,397,672)
Public Health	86,947				(86,947)
Transportation	2,341,081	77,561	5,940	262,422	(1,995,158)
Home and Community Services	6,660,990	5,190,634	320,121		(1,150,235)
Culture and Recreation	712,939	72,029			(640,910)
Debt Service - Interest	129,930				(129,930)
Total Governmental Activities	<u>\$ 18,491,926</u>	<u>\$ 5,983,445</u>	<u>\$ 353,894</u>	<u>\$ 262,422</u>	<u>(11,892,165)</u>

General Revenues

Real Property Taxes	2,969,789
Other Real Property Taxes Items	155,840
Nonproperty Tax Items	4,226,956
General State Aid	1,906,791
Use of Money and Property	57,031
Gain on Disposition of Property	66,299
Miscellaneous	103,903
Total General Revenues	<u>9,486,609</u>
Change in Net Position	(2,405,556)
Net Position, Beginning of Year	33,832,390
Prior Period Adjustment	429,155
Net Position, End of Year	<u>\$ 31,855,989</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

CITY OF ONEIDA, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2012

	Governmental						Total Governmental Funds
	General	Community Development	Miscellaneous Special Revenue	Water	Sewer	Capital	
Assets							
Unrestricted Cash and Cash Equivalents	\$ 4,016,558	\$ 359,079	\$ 35,409	\$ 1,011,628	\$ 1,566,426	\$ 1,304,599	\$ 8,293,699
Restricted Cash				844,625			844,625
Tax Sale Certificates	1,109,194						1,109,194
Property Acquired for Taxes	82,114						82,114
Assessments Receivable	10,160						10,160
Accounts Receivable	32,934			274,448	198,529		505,911
Loans Receivable		411,067					411,067
Due from Other Funds	407,884			1,157	186,971	43,700	639,712
Due from Other Governments	380,984	4,010			6,726	50,000	441,720
Prepaid Expenditures	289,022			153,321	23,992		466,335
Total Current Assets	<u>\$ 6,328,850</u>	<u>\$ 774,156</u>	<u>\$ 35,409</u>	<u>\$ 2,285,179</u>	<u>\$ 1,982,644</u>	<u>\$ 1,398,299</u>	<u>\$ 12,804,537</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities							
Accounts Payable	\$ 63,285	\$ 826		\$ 12,427	\$ 51,339	\$ 338,777	\$ 466,654
Accrued Liabilities	198,227			62,392	26,995		287,614
Due to Other Funds	172,420	3,849		8,700		454,743	639,712
Due to Other Governments	81,137						81,137
Bond Anticipation Notes Payable						870,000	870,000
Total Current Liabilities	<u>515,069</u>	<u>4,675</u>		<u>83,519</u>	<u>78,334</u>	<u>1,663,520</u>	<u>2,345,117</u>
Deferred Inflows of Resources							
Unavailable Revenue - Real Property Taxes	<u>1,063,895</u>						<u>1,063,895</u>
Fund Balances (Deficit)							
Non-spendable	371,136	257,763		153,321	23,992		806,212
Restricted				844,625			844,625
Assigned	544,610	511,718	35,409	1,203,714	1,880,318		4,175,769
Unassigned (Deficit)	<u>3,834,140</u>					<u>(265,221)</u>	<u>3,568,919</u>
Fund Balances (Deficit)	<u>4,749,886</u>	<u>769,481</u>	<u>35,409</u>	<u>2,201,660</u>	<u>1,904,310</u>	<u>(265,221)</u>	<u>9,395,525</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances (Deficits)	<u>\$ 6,328,850</u>	<u>\$ 774,156</u>	<u>\$ 35,409</u>	<u>\$ 2,285,179</u>	<u>\$ 1,982,644</u>	<u>\$ 1,398,299</u>	<u>\$ 12,804,537</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

CITY OF ONEIDA, NEW YORK
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES
December 31, 2012

Governmental Fund Balance		\$ 9,395,525
Amounts reported for governmental activities in the statement of net position are different due to the following:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
	Original Cost of Capital Assets	92,516,476
	Accumulated Depreciation	<u>(44,351,657)</u>
		48,164,819
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
		1,063,895
Long-term liabilities, OPEB Liability and Compensated Absences, are not due and payable in the current-period and therefore are not reported in the funds. Long-term liabilities consisted of the following at year end:		
	Bonds Payable	(12,336,628)
	Accrued Interest	(11,339)
	Due To New York State Retirement Systems	(621,236)
	Compensated Absences Payable	(799,773)
	OPEB	<u>(12,999,274)</u>
		<u>(26,768,250)</u>
Net Position of Governmental Activities		<u>\$ 31,855,989</u>

CITY OF ONEIDA, NEW YORK
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	Governmental						Total Governmental Funds
	General	Community Development	Miscellaneous Special Revenue	Water	Sewer	Capital	
Revenues							
Real Property Taxes	\$ 2,917,285		\$ 42,182				\$ 2,959,467
Other Real Property Tax Items	155,840						155,840
Nonproperty Tax Items	4,226,956						4,226,956
Departmental Income	179,635		10,202	2,955,189	2,224,543		5,369,569
Intergovernmental Charges	430,804						430,804
Use of Money and Property	28,092	11,260	241	7,975	9,463		57,031
Licenses and Permits	62,429				700		63,129
Fines and Forfeitures	119,943						119,943
Sale of Property and Compensation for Loss	69,837			2,552			72,389
Miscellaneous	79,478			1	17,135	7,289	103,903
State Aid	1,940,564					262,422	2,202,986
Federal Aid		<u>320,121</u>					<u>320,121</u>
Total Revenues	<u>10,210,863</u>	<u>331,381</u>	<u>52,625</u>	<u>2,965,717</u>	<u>2,251,841</u>	<u>269,711</u>	<u>16,082,138</u>
Expenditures							
General Government Support	1,114,411					700,341	1,814,752
Public Safety	3,770,475					33,499	3,803,974
Public Health	52,775						52,775
Transportation	1,142,126					449,008	1,591,134
Home and Community Services	276,865	319,920	43,890	1,713,923	1,173,025	2,422,237	5,949,860
Culture and Recreation	416,698					27,875	444,573
Employee Benefits	3,328,882			452,150	201,566		3,982,598
Debt Service - Principal	260,075			235,000	304,059		799,134
Debt Service - Interest	<u>96,350</u>			<u>31,631</u>	<u>2,925</u>		<u>130,906</u>
Total Expenditures	<u>10,458,657</u>	<u>319,920</u>	<u>43,890</u>	<u>2,432,704</u>	<u>1,681,575</u>	<u>3,632,960</u>	<u>18,569,706</u>
Excess (Deficit) Revenues Over Expenditures	<u>(247,794)</u>	<u>11,461</u>	<u>8,735</u>	<u>533,013</u>	<u>570,266</u>	<u>(3,363,249)</u>	<u>(2,487,568)</u>
Other Financing Sources (Uses)							
Interfund Transfers From	123,469					1,021,597	1,145,066
Interfund Transfers To	<u>(159,670)</u>			<u>(246,200)</u>	<u>(714,657)</u>	<u>(24,539)</u>	<u>(1,145,066)</u>
Total Other Financing Sources (Uses)	<u>(36,201)</u>			<u>(246,200)</u>	<u>(714,657)</u>	<u>997,058</u>	
Excess (Deficit) Revenues Over Expenditures and Other Financing Sources	<u>(283,995)</u>	<u>11,461</u>	<u>8,735</u>	<u>286,813</u>	<u>(144,391)</u>	<u>(2,366,191)</u>	<u>(2,487,568)</u>
Fund Balances, Beginning of Year	4,322,462	286,677	26,674	1,658,750	1,858,906	2,552,589	10,706,058
Prior Period Adjustment	<u>308,415</u>	<u>471,343</u>		<u>256,097</u>	<u>141,180</u>		<u>1,177,035</u>
Fund Balances, Beginning of Year (Restated)	4,630,877	758,020	26,674	1,914,847	2,000,086	2,552,589	11,883,093
Equity Transfer	<u>403,004</u>				<u>48,615</u>	<u>(451,619)</u>	
Fund Balances (Deficit), End of Year	<u>\$ 4,749,886</u>	<u>\$ 769,481</u>	<u>\$ 35,409</u>	<u>\$ 2,201,660</u>	<u>\$ 1,904,310</u>	<u>\$ (265,221)</u>	<u>\$ 9,395,525</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

CITY OF ONEIDA, NEW YORK
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Net Changes in Fund Balance - Total Governmental Funds **\$ (2,487,568)**

Capital Outlays to purchase or build capital assets are reported in Governmental Funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their useful lives as depreciation expense in the statement of activities. This is the amount by which capital outlays exceeds depreciation and dispositions in the period.

Capital Outlays	3,764,552	
Loss on Disposition	(6,090)	
Depreciation	<u>(2,723,061)</u>	1,035,401

Revenue in the statement of activities that do not provide current financial resources are not reported in the funds. 10,322

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net position. Repayments of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal Payments on Long Term Debt		799,134
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Certain expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds.

OPEB Liability	(1,547,633)	
New York State Retirement Systems	(191,679)	
Accrued Interest	976	
Compensated Absences	<u>(24,509)</u>	<u>(1,762,845)</u>

Change in Net Position Governmental Activities **\$ (2,405,556)**

CITY OF ONEIDA, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2012

	Private Purpose Trust Funds	Agency
Assets		
Unrestricted Cash	\$	\$ 11,837
Restricted Cash	18,686	0
Other Assets		2,042
Total Assets	\$ 18,686	\$ 13,879
Liabilities and Net Assets		
Liabilities		
Agency Liabilities		\$ 13,879
Total Liabilities		\$ 13,879
Net Position		
Restricted	\$ 18,686	
Total Liabilities and Net Position	\$ 18,686	

The Accompanying Notes are an Integral Part of These Financial Statements.

CITY OF ONEIDA, NEW YORK
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended December 31, 2012

	Private Purpose <u>Trust Funds</u>
Additions	
Miscellaneous Income	\$ <u>18,686</u>
Change in Net Assets	18,686
Net Position, Beginning of Year	<u> </u>
Net Position, End of Year	<u>\$ <u>18,686</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements.

CITY OF ONEIDA, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City have been prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB) which is the primary standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared primarily from accounts maintained by the City.

GASB is responsible for establishing U.S. GAAP for State and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies, established in U.S. GAAP and used by the City, are discussed below.

Background

The City of Oneida, New York (the City), is governed by the general laws of the State of New York, and various local laws and ordinances. The City's Common Council, which consists of the Mayor and six council members, is the legislative body responsible for the overall operation of the City. The Mayor serves as the Chief Executive Officer and the Comptroller serves as the Chief Fiscal Officer of the City.

The City provides the following basic services: public safety (police and fire), highways and streets, water and sewer and various recreational and community services. All governmental activities and functions performed for the City are its direct responsibility.

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government which is the City of Oneida, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB.

The decision to include a potential component unit in the City's reporting entity is based on several criteria set forth in GASB including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following organizations have been excluded from the reporting entity.

(a) Excluded from the Reporting Entity

Although the following organizations, functions or activities are related to the City, they are not included in the City reporting entity because of the reasons noted:

Oneida Hospital – On November 22, 1995, the City with the approval of the Public Health council of the State of New York, executed documents which, effective January 1, 1996, transferred the assets, liabilities and the operations of Oneida City Hospitals to Oneida Health Systems, Inc., a private, not-for-profit hospital organized under Section 501(c)(3) of the Internal Revenue Code. Effective with the transfer, the City's ownership of the Hospital was terminated.

On January 1, 1996, the Hospitals' unrestricted net assets of \$7,566,338 were converted into a residual receipts note. This note will be amortized over a period of 20 years and bear interest at a rate of 6.0%. Both principal and interest on the note will be forgiven annually contingent upon the Hospitals' continued service to the residents of the City of Oneida. In effect, the City will assume a position of creditor rather than owner of the Hospitals.

As the likelihood is remote, that any future economic benefit will be realized from the residual receipt note, it has not been recorded by the City.

City of Oneida Housing Authority – The City of Oneida Housing Authority was created in 1968 pursuant to an act of the New York State Legislature, Public Housing Law, Article 13, Title 102 S 505. Five members of the Board are appointed by the Mayor and two by tenants. The City provides an annual subsidy in the form of exemption of Authority property from local municipal taxes. The Authority's debt is essentially supported by debt service subsidies received under contract from the federal government. The City is not responsible for the debt, does not approve the budget and is a relatively insignificant force in the operations of the Authority. Although the Mayor appoints the majority of the Board, he does not have the authority to remove or replace those members at will.

CITY OF ONEIDA, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Industrial Development Agency – The Industrial Development Agency is a public benefit corporation created by State legislation to promote the economic welfare, recreation opportunities, and prosperity of the City of Oneida, New York’s inhabitants. Members of the Agency are appointed by the municipal governing body which exercises no oversight responsibility. The Agency members have complete responsibility for management of the Agency and accountability for fiscal matters. The municipality is not liable for Agency bonds or notes.

Oneida City School District – Oneida City School District was created by State legislation which designees the school board as the governing authority. School board members are elected by the qualified voters of the district. The board designates management and exercises complete responsibility for all fiscal matters. The City exercises no oversight over school operations.

Financial Statements - Government-Wide

The City’s financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City’s major funds). Public safety, maintenance of roads, public works, recreation and culture, water, sewer, and general administrative services are classified as governmental activities.

In the government-wide Statement of Net Position, the governmental columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City’s net position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City’s functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. All direct expenses incurred are charged to the corresponding function. Capital asset additions that cannot be identified to a specific function are allocated based on total expenses by program.

Employee benefits are reported as a separate function on the fund financial statements. These costs have been allocated for the government-wide financial statements based on the respective payroll for each function.

The net costs (by function or business-type activity) are normally covered by general revenues (property, non-property, or sales taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City’s net position resulting from the current year’s activities.

Basic Financial Statements - Fund Financial Statements

The fund statements provide information about the City’s funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The City reports the following major governmental funds:

(a) Major Funds:

The emphasis in the fund financial statements is on the major governmental fund categories.

General Fund – this is the principal operating fund which is used to account for and report all operations not required to be recorded in other funds.

Community Development Fund – This fund is a special revenue fund used to account for revenues in the Community Development Block Grants and other federal sources that are legally restricted to expenditures for those specified purposes.

CITY OF ONEIDA, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Miscellaneous Special Revenue Fund – This is a special revenue fund used to account for the revenues of hydrant districts that are legally restricted to expenditures.

Water Fund – This is a special revenue fund used to account for the revenues of the water department that are legally restricted to expenditures

Sewer Fund – This is a special revenue fund used to account for the revenues of the sewer department that are legally restricted to expenditures

Capital Fund - used to account for and reports financial resources to be used for the acquisition or construction of major capital facilities.

(b) ***Fiduciary Fund Types*** – Fiduciary funds are used to account for and report assets held in a trustee or agency capacity for others and therefore, are not available to support City programs.

The City's fiduciary funds are presented in the agency and private purpose trust funds in the financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, deferred compensation participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual – The governmental activities in the government-wide financial statements and the fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Nonexchange transactions are transactions in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, and donations. Nonexchange revenues are generally reported as nonoperating revenues. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Modified Accrual Basis - All Governmental Funds Financial Statements are reported for using the current financial resources measurement focus and the modified accrual basis of accounting.

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City has defined the period of availability to be 60 days. The net receivables collected during the 2012 fiscal year and within the first sixty days of the subsequent fiscal year are recognized as revenues at year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Material revenues that are accrued include real property taxes, Federal and State aid, sales tax, and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

Expenditures are recorded when the fund liability is incurred except that:

- a. Expenditures for prepaid expenses and inventory-type items are recognized at the time of the disbursements.
- b. Principal on indebtedness is not recognized as an expenditure until due.
- c. Capital Fund Expenditures are recorded when paid.
- d. Compensated absences, such as vacation and sick leave, which vest or accumulate, are charged as an expenditure when paid.

CITY OF ONEIDA, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Budget Policies

The Budget policies are as follows:

- a. No later than October 31 of each year, the Mayor submits a tentative budget to the Common Council for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds of the City. It enumerates those funds, which are to be borne by the City as a whole and those funds, which are to be chargeable only against special districts.
- b. After public hearings are conducted to obtain taxpayer comments, the Common Council adopts the budget.
- c. Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriation, is employed in the General, Community Development, Water, Sewer and Capital Project Funds. On a GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balance as neither expenditures nor liabilities exist.
- d. All modifications of the budget must be approved by the Common Council.
- e. The annual budget adopted for the Community Development Block Grant is for a two to three year period.

Budget Basis of Accounting – Budgets are adopted annually on a basis generally consistent with U.S. G.A.A.P. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

Appropriations lapse at the end of the year unless expended or encumbered. The budget may be amended by the Legislature for increased grants or State aid received during the year.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, and useful lives of long-lived assets.

Property Taxes

Taxes are collected by the receiver of taxes during the period January 1 to November.

The assessed full valuation of taxable real estate, established by the City Assessor's Office, upon which the 2012 levy was based, was \$489,246,611. The tax levy is limited to 2% of the five-year average of the above valuation by the New York State Constitution. At December 31, 2012, the City had exhausted 27.95% of its Constitutional Tax Limit

The recognition of revenue from real property taxes is considered available to finance current operations if collected within 60 days after the end of the year. The net receivables collected during the 2012 fiscal year and within the first sixty days of the subsequent fiscal year are recognized as revenues at year end.

Assessment receivables due to governmental spending funds are reported on the balance sheet, in spite of their measurement focus. Recognition of governmental fund type revenues represented by these receivables are deferred until the funds are received.

Sales Tax

The Sales tax in the City is 8% at December 31, 2012. The collections are split between the municipalities as follows:

New York State	4.0%
Madison County	2.0%
City of Oneida	2.0%

CITY OF ONEIDA, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

The General Fund's nonproperty tax item mainly consists of sales tax revenue which are recorded on an accrual basis to the extent that such accrued amounts were received by New York State from vendors through December 31. The City also accrues its portion of such revenue attributable to the current year but remitted to the State in the subsequent year.

The General Fund's nonproperty tax item, recognized as revenue during the year ended December 31, 2012, is comprised of \$3,987,720 in Sales Tax. This amount included an accrual of \$342,966 in Sales Tax.

Capital Assets/Property, Plant, and Equipment

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure assets are capitalized on a prospective basis. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	40 Years
Machinery and Equipment	3-15 Years
Infrastructure	40 Years

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimate portion that is expected to be uncollectible. Estimated unbilled revenues are estimated at the end of each fiscal year. Sewer and Water fund receivables are fully guaranteed by the General Fund of the City. Therefore, no allowance for doubtful accounts has been established for these funds.

Deferred Revenue

Deferred revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the City has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

Insurance

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

Retirement Plan

The City provides retirement benefits for substantially all of its regular, full-time employees through contributions to the New York State Employees' Retirement System and the New York State Police and Fire Retirement System. These Systems are cost-sharing, multiple-employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

In addition to providing pension benefits, the City provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if City employees are eligible for these benefits if they reach normal retirement age while working for the City. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the City and the retired employee. Other postemployment benefit costs are measured and disclosed using the accrual basis of accounting.

Interfund Activity

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

CITY OF ONEIDA, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Compensated Absences

City employees are granted vacation and sick leave in varying amounts and determined by negotiated contracts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave at various rates subject to certain maximum limits.

For the government-wide financial statements, it is the City's policy to accrue all costs associated with earned, but not yet paid, compensated absences of all employees involved in the operations of the City's reporting entity. Government funds record an expenditure when paid.

Cash and Cash Equivalents

State statutes require that collateral be pledged at 100 percent of all deposits not covered by Federal Deposit Insurance Corporation insurance for demand deposits, time deposits, repurchase agreements, and certificates of deposit. Obligations of the United States Treasury and its agencies as well as obligations of New York State and its municipalities and school districts may be pledged. Investments are carried at market value.

The City's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the City's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities.

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

Short-Term Debt

The City may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BAN's issued for capital purposes be converted to long-term financing within five years after the original issue date.

Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Equity Classifications

(a) Government-wide Financial Statements

In the Government-wide statements there are three classes of net position:

Net Investment in Capital Assets – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

Restricted net position – reports net position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – reports all other net positions that do not meet the definition of the above two classifications and are deemed to be available for general use by the City.

CITY OF ONEIDA, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

(b) Fund Statements

The following classifications describe the relative strength of the spending constraints:

Non-spendable

This category includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. This category consists of the balances in prepaid expenditures, noncurrent loans receivable and property acquired for taxes.

Restricted Resources

This category includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Generally, the City's policy is to use restricted resources only when appropriated by the Common Council. When an expenditure is incurred for purposes for which both restricted and unrestricted net positions are available, the City's policy concerning which to apply first varies with the intended use, and with associated legal requirements. The City has established the following restricted fund balance:

- ***Water Reserve***

The City has reserved fund equity in the Water Fund. These funds being held are to finance the cost of construction or reconstruction of water treatment and transmission facilities.

Unrestricted Resources

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City has provided otherwise in its commitment or assignment actions.

- ***Committed*** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority, i.e., the Common Council. The City has no committed fund balances as of December 31, 2012.
- ***Assigned*** – Includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the City Board or (b) the designated official, such as the City's Purchasing Agent, to which the Board has delegated the authority to assign amounts to be used for specific purposes. All encumbrances, other than in the Capital Fund, are classified as Assigned Fund Balance in the applicable fund. The amount appropriated for the subsequent year's budget of the General Fund is also classified as Assigned Fund Balance in the General Fund. The remaining fund balances in the Community Development, Miscellaneous Special Revenue, Water and Sewer funds are assigned fund balances.
- ***Unassigned*** – Includes all other fund net positions that do not meet the definition of the above four classifications and are deemed to be available for general use by the City. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the respective fund.

New Accounting Standard

The City changed accounting policies related to the financial statement presentation of net position and deferred inflows and outflows of resources by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in 2012. The new pronouncements provide for the separate classification for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting provisions of GASB Statement No. 34 by incorporating deferred inflows and outflows into the definitions of the residual measure and by renaming that measure as net position, rather than net assets.

CITY OF ONEIDA, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

2. DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND CITY-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the City-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource management focus of the Statement of Activities, compared with the current financial resource management focus of the governmental funds.

Total Fund Balances of Governmental Funds Compared To Net Positions of Governmental Activities

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

Statement of Revenues, Expenditures, and Changes In Fund Balance Compared To Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities fall into one of four broad categories. The amounts shown below represent:

(a) Long-Term Revenue Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

(b) Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

(c) Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

(d) Employee Benefit Allocation

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Equity based on the requirements of New York State. These costs have been allocated based on total salary for each function on the Statement of Activities.

3. BUDGET LIMITATIONS AND SUPPLEMENTAL APPROPRIATIONS

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

CITY OF ONEIDA, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

The following supplemental appropriations occurred during the year:

	General	Community Development	Miscellaneous Special Revenue	Water	Sewer
Change from Adopted Budget to Revised Budget					
Adopted Budget	\$ 11,186,829	\$ 691,287	\$ 57,320	\$ 3,721,786	\$ 2,328,626
Add: Prior Year's Encumbrances	29,193	586		3,405	3,697
Original and Adopted Budget	11,216,022	691,873	57,320	3,725,191	2,332,323
Amendments:					
Interfund Transfer to Capital					544,020
State Aid	22,000				
Fire Reimbursement	536				
Insurance Recovery	21,364				
Debt Service Interest				36,000	
Miscellaneous	21,231			(3,013)	2,158
Sale of Scrap	1,036				
Total Amendments	66,167			32,987	546,178
Final Budget	\$ 11,282,189	\$ 691,873	\$ 57,320	\$ 3,758,178	\$ 2,878,501

4. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

Assets

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. While the City does not have a specific policy for custodial credit risk, New York State statutes govern the City's investment policies, as discussed previously in these notes.

As of December 31, 2012, the City's bank balances of \$9,197,486 were not exposed to custodial credit risk.

Loans Receivable

Revolving Loans

The Community Development Fund provides loans to small business to develop innovative products and services and to create jobs. The program is funded through the City's Federal Community Development Block Grant. The various loans range from \$25,000 to \$403,000. The loans are to be repaid in monthly installments over 5 to 28 years at interest rates ranging from 1.75% to 4.75%. The following is a schedule of future loan payments to the City:

	Principal	Interest	Total
2013	\$ 121,174	\$ 10,025	\$ 131,199
2014	46,433	7,238	53,671
2015	45,843	5,697	51,540
2016	38,005	4,363	42,368
2017	38,867	3,130	41,997
2018-2022	81,987	4,310	86,297
	\$ 372,309	\$ 34,763	\$ 407,072

CITY OF ONEIDA, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Facade Loans

The Community Development Fund provides loans to small business to enhance the appearance of street front and lane facades. The program is funded through the City's Federal Community Development Block Grant. The various loans range from \$10,000 to \$11,200. The loans are to be repaid in monthly installments over 5 years at interest rates ranging from .94% to .99%. The following is a schedule of future loan payments to the City:

	Principal	Interest	Total
2013	\$ 32,366	\$ 371	\$ 32,737
2014	1,997	55	2,052
2015	2,017	35	2,052
2016	2,037	15	2,052
2017	341		341
	<u>\$ 38,758</u>	<u>\$ 476</u>	<u>\$ 39,234</u>

Capital Assets

Capital asset activity for the governmental activities for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 2,549,549	\$	\$	\$ 2,549,549
Construction in Progress		3,140,850		3,140,850
Total	<u>2,549,549</u>	<u>3,140,850</u>	<u></u>	<u>5,690,399</u>
Capital Assets Being Depreciated				
Buildings	32,762,833			32,762,833
Infrastructure	33,456,715	270,206		33,726,921
Improvements	12,688,051			12,688,051
Equipment	7,464,730	353,496	169,954	7,648,272
Total	<u>86,372,329</u>	<u>623,702</u>	<u>169,954</u>	<u>86,826,077</u>
Accumulated Depreciation				
Buildings	15,612,891	987,354		16,600,245
Infrastructure	14,819,626	823,313		15,642,939
Improvements	7,102,729	392,060		7,494,789
Equipment	4,257,214	520,334	163,864	4,613,684
Total	<u>41,792,460</u>	<u>2,723,061</u>	<u>163,864</u>	<u>44,351,657</u>
Net Capital Assets Being Depreciated	<u>44,579,869</u>	<u>(2,099,359)</u>	<u>6,090</u>	<u>42,474,420</u>
Net Capital Assets	<u>\$ 47,129,418</u>	<u>\$ 1,041,491</u>	<u>\$ 6,090</u>	<u>\$ 48,164,819</u>

CITY OF ONEIDA, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

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

Governmental Activities	
General Government Support	\$ 76,262
Public Safety	193,901
Public Health	4,712
Transportation	677,616
Home and Community Services	1,677,151
Culture and Recreation	<u>93,419</u>
Total Depreciation Expense	<u>\$ 2,723,061</u>

Liabilities

The City may issue Bond Anticipation Notes (BANs) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

The following is a summary of the BAN outstanding at December 31, 2012.

<u>Payable From/Description</u>	<u>Date of Original Issue</u>	<u>Original Amount</u>	<u>Date of Final Maturity</u>	<u>Interest Rate (%)</u>	<u>Outstanding Amount</u>
Capital Fund					
Dump Truck	12/12	\$ 170,000	12/13	1.35	\$ 170,000
City Hall Roof	12/12	\$ 700,000	12/13	1.35	<u>700,000</u>
					<u>\$ 870,000</u>

Changes in the City's short-term outstanding debt for the year ended December 31, 2012, are as follows:

<u>Description</u>	<u>Outstanding Beginning Balance</u>	<u>Issued</u>	<u>Paid</u>	<u>Outstanding Ending Balance</u>
Governmental Activities				
Dump Truck	\$	\$ 170,000	\$	\$ 170,000
City Hall Roof	<u> </u>	<u>700,000</u>	<u> </u>	<u>700,000</u>
Total Governmental Activities	<u>\$</u>	<u>\$ 870,000</u>	<u>\$</u>	<u>\$ 870,000</u>

The City borrows funds on a long-term basis for the purpose of financing acquisitions of land and equipment and construction of buildings and improvements. This policy enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities for governmental funds are maintained separately and represent a reconciling item between the fund and City-wide statements. Interest associated with long-term debt is recorded as an expenditure when such amounts are due.

CITY OF ONEIDA, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Long-term liability balances and activity are as follows:

Description	(Restated) Outstanding Beginning Balance	Issued	Paid	Outstanding Ending Balance	Due Within One Year
Governmental Activities					
Serial Bonds Payable	\$ 13,135,762	\$	\$ (799,134)	\$ 12,336,628	\$ 809,134
Due to NYS Retirement Systems	429,557	255,330	(63,651)	621,236	88,824
OPEB Liability	11,451,641	2,491,435	(943,802)	12,999,274	
Compensated Absences	<u>775,264</u>	<u>24,509</u>	<u></u>	<u>799,773</u>	<u></u>
Total Governmental	<u>\$ 25,792,224</u>	<u>\$ 2,771,274</u>	<u>\$ (1,806,587)</u>	<u>\$ 26,756,911</u>	<u>\$ 897,958</u>

Future principal and interest payments due on serial bonds debt is as follows:

Fiscal Year Ended December 31,	Principal	Interest	Total
2013	\$ 809,134	\$ 189,244	\$ 998,378
2014	824,134	168,378	992,512
2015	834,134	144,808	978,942
2016	854,134	120,500	974,634
2017	749,134	95,286	844,420
2018-2022	3,100,670	207,682	3,308,352
2023-2027	1,695,670	10,000	1,705,670
2028-2032	1,445,670		1,445,670
2033-2037	1,445,670		1,445,670
2038-2039	<u>578,278</u>	<u></u>	<u>578,278</u>
Total	<u>\$ 12,336,628</u>	<u>\$ 935,898</u>	<u>\$ 13,272,526</u>

CITY OF ONEIDA, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Details relating to general obligation (serial) bonds of the City outstanding at December 31, 2012, are summarized as follows:

<u>Description</u>	<u>Date of Original Issue</u>	<u>Date of Final Maturity</u>	<u>Interest Rate (%)</u>	<u>Outstanding Amount</u>
General Fund				
2003	Dec-2003	Dec-2016	3.5	\$ 374,328
2011	Feb-2011	Dec-2023	2	<u>2,305,000</u>
				<u>2,679,328</u>
Water Fund				
2000	Mar-2000	Dec-2019	5.17	<u>1,785,000</u>
				<u>1,785,000</u>
Sewer Fund				
2009	Jul-2009	Apr-2039	0 *	7,806,628
2003	Dec-2003	Dec-2016	3.5	<u>65,672</u>
				<u>12,336,628</u>
		Total		<u>\$ 12,336,628</u>

* Interest is subsidized by New York State Environmental Facilities Corporation.

Interest Paid	\$ 130,906
Less: Interest Accrued in the Prior Year	(12,315)
Plus: Interest Accrued in the Current Year	<u>11,339</u>
Total Interest Expense on Long-Term Debt	<u>\$ 129,930</u>

Due to NYS Retirement Systems

Future principal and interest payments due on amounts due to the New York State Retirement System are as follows:

Fiscal Year Ended	<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$	88,824	\$ 22,784	\$ 111,608
2015		92,518	19,092	111,610
2016		53,438	15,239	68,677
2017		55,312	13,366	68,678
2018-2022		302,083	36,279	338,362
2023-2027		<u>29,061</u>	<u>8,590</u>	<u>37,651</u>
Total		<u>\$ 621,236</u>	<u>\$ 115,350</u>	<u>\$ 736,586</u>

Debt Limit

The constitution of the State of New York limits the amount of indebtedness which may be issued by the City. The City may issue indebtedness to the extent that the aggregate outstanding debt issued, which are subject to such limit, does not exceed 7% of the average full valuation of taxable real estate within such City. At December 31, 2012, the total outstanding indebtedness of the City aggregated to \$13,206,628. Of this amount, \$2,740,194 was subject to the constitutional debt limit and represented approximately 8.0% of its statutory debt limit.

CITY OF ONEIDA, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Pension Plans

(a) Plan Description

The City of Oneida participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS), and the Public Employee's Group Life Insurance Plan (Systems). These are cost-sharing, multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes general purpose financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

(b) Funding Policy

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3% of their salary. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. The New York State Pension System has a fiscal year end of March 31.

The City's contributions made to the Systems were equal to 100 percent of the contributions required for each year. The contribution for the March 31, 2013 billings was made in January 2013. The City prepaid 25% of this billing at December 31, 2012.

The required contributions for the current year and two preceding years were:

	For the Years Ended March 31,		
	2013	2012	2011
<u>ERS</u>			
Average Contribution Rate	18.2%	15.8%	14.4%
Average Contributions	\$ 593,389	\$ 543,489	\$ 486,086
<u>PFRS</u>			
Average Contribution Rate	24.5%	20.8%	16.5%
Average Contributions	\$ 772,612	\$ 685,433	\$ 532,907

(c) Chapter 57 of the Laws of 2010 of the State of New York was enacted that allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

For State fiscal year 2010-2011, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.

For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.

For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program. The total unpaid liability at the end of the fiscal year was \$621,236 which is reported in in the Schedule of Non-Current Governmental Liabilities.

CITY OF ONEIDA, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Other Postemployment Benefits (OPEB)

(a) Plan Description

The City administers the Medical Plan (the Plan) as a single-employer defined benefit Other Postemployment Benefit plan. The Plan provides for continuation of medical insurance benefits for certain retirees and their spouses and can be amended by action of the City subject to applicable collective bargaining and employment agreements.

(b) Funding Policy

The obligations of the Plan members, employers, and other entities are established by action of the City pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement. For the year ended December 31, 2012, the City's contributions to the Plan ranged are 80% of the required annual premiums. The retirees currently contribute enough money to the Plan to satisfy current obligations on a pay-as-you go basis. The costs of administering the Plan are paid by the City.

The City's other postemployment benefit (OPEB) cost for all employee health insurance benefits is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the City's net OPEB obligation.

(c) Annual OPEB Cost

	Total
Normal Cost	\$ 778,464
Amortization of UAL	1,842,500
Interest	458,066
ARC	3,079,030
Adjustment to ARC	(587,595)
OPEB Expense	\$ 2,491,435

(d) Reconciliation of Net OPEB Obligation

	Total
Net OPEB Obligation at the Beginning of the Year	\$ 11,451,641
Annual Required Contribution	2,491,435
Net OPEB Contributions Made During the Fiscal Year	(943,802)
Net OPEB Obligation at the End of the Year	\$ 12,999,274
Percentage of Expense Contributed	38%

(e) Trend Information

	Annual			
Fiscal Year Ending	Net OPEB Expense	OPEB Expense Contributed	% of Expense Contributed	Net OPEB Obligation
December 31, 2010	\$ 3,843,201	\$ 759,645	19.8%	\$ 8,339,860
December 31, 2011	\$ 3,984,670	\$ 872,889	21.9%	\$ 11,451,641
December 31, 2012	\$ 2,491,435	\$ 943,802	37.9%	\$ 12,999,274

CITY OF ONEIDA, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

(f) Funding Status

	Total
Actuarial Accrued Liability	\$ 31,860,557
Actuarial Value of Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	\$ 31,860,557
Funded Ratio	0%
Annual Covered Payroll	\$ 6,151,430
UAAL as a Percentage of Covered Payroll	518%

(g) Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. For this reason, the results in this report should be viewed as estimates. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The projections of benefits are based on the types of benefits provided under the substantive plan at the time of the valuation date and on the pattern of cost-sharing between the employer and Plan members. In addition, the projections do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and Plan members in the future.

The actuarial calculations reflect a long-term perspective; actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial measurement date was dated January 1, 2012.

(h) Health Care Trend Factors

Medical care costs are assumed to increase in accordance with the following schedule:

Year	Trend
2013	9.5%
2014	9.0%
2015	8.5%
2016	8.0%
2017 and Later	7.5% to 5.0%

(i) Additional Information

Actuarial Valuation Date	January 1, 2012
Actuarial Cost Method	Projected Unit Credit
Amortization Period	Single Amortization Period
Amortization Period Remaining of 30 Years	25
Funding Interest Rate	4%
Fiscal year that the Rate Reaches the Ultimate Trend Rate	2022

CITY OF ONEIDA, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

Interfund receivables and Payables

Interfund receivables and payables at December 31, 2012, were as follows:

<u>Fund Type</u>	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>	<u>Revenues</u>	<u>Expenditures</u>
General	\$ 407,884	\$ 172,420	\$ 123,469	\$ 159,670
Community Development		3,849		
Water	1,157	8,700		246,200
Sewer	186,971			714,657
Capital	<u>43,700</u>	<u>454,743</u>	<u>1,021,597</u>	<u>24,539</u>
Total	<u>\$ 639,712</u>	<u>\$ 639,712</u>	<u>\$ 1,145,066</u>	<u>\$ 1,145,066</u>

The interfund receivables and payables will be repaid in 2013 and are considered current. The balances are mainly due to the closure of capital projects to the respective funds.

The interfund revenues in the capital fund of \$1,021,597 were budgeted transfers from the respective funds to finance various ongoing capital projects.

The Interfund revenue in the General Fund for \$123,469 represented transfers from the other funds for services.

5. COMMITMENTS AND CONTINGENCIES

Potential Grantor Liability

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Construction Commitments

At December 31, 2012, the City had construction commitments outstanding of approximately \$188,687, which are contingent on performance of contractors. If any contract should exceed the original contract, then the excess will be financed from the remaining bond proceeds or current appropriations as approved by the voters.

6. CONTINGENT LIABILITIES

Judgments and Claims

The City is a defendant in various lawsuits. In the opinion of the City's management, after considering all relevant facts and the opinion of outside counsel in certain instances, such litigation will not in the aggregate have a materially adverse effect on the financial position of the City.

Union Agreements

The City has the following union agreements in place with the related expiration dates:

CSEA, Local 1000 AFSCME AFL-CIO	Expires December 31, 2013
Oneida Paid Firefighters Association Local 2692	Expires December 31, 2013
The John R. Deschamps Sr., PBA	Expires December 31, 2013

CITY OF ONEIDA, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

7. FUND BALANCES

The following is the disaggregation of the fund balance that is reported in summary on the Governmental Fund's Balance Sheet at December 31, 2012:

	<u>General</u>	<u>Community Development</u>	<u>Miscellaneous Special Revenue</u>	<u>Water</u>	<u>Sewer</u>	<u>Capital</u>	<u>Total</u>
Nonspendable	\$ 371,136	\$ 257,763	\$	\$ 153,321	\$ 23,992	\$	\$ 806,212
Restricted							
Capital Reserve				844,625			844,625
Assigned							
General Government Support	18,627						18,627
Public Safety	3,070						3,070
Transportation	6,548						6,548
Culture and Recreation	1,815						1,815
Home and Community Services	7,000	511,718	35,409	1,203,714	1,880,318		3,638,159
Appropriated for Subsequent Year's Budget	<u>507,550</u>						<u>507,550</u>
Total Assigned	<u>544,610</u>	<u>511,718</u>	<u>35,409</u>	<u>1,203,714</u>	<u>1,880,318</u>		<u>4,175,769</u>
Unassigned (Deficit)	<u>3,834,140</u>					<u>(265,221)</u>	<u>3,568,919</u>
Total Fund Balances	<u>\$ 4,749,886</u>	<u>\$ 769,481</u>	<u>\$ 35,409</u>	<u>\$ 2,201,660</u>	<u>\$ 1,904,310</u>	<u>\$ (265,221)</u>	<u>\$ 9,395,525</u>

8. DEFICIT FUND BALANCES

Capital

The Capital Fund had a fund deficit of \$265,221 at December 31, 2012. This deficit is due to the issuance of \$870,000 BAN in the current year. The BAN proceeds are expended, but the liability remains until permanent financing is issued or payments are made from General Fund appropriations.

9. PRIOR-PERIOD ADJUSTMENTS

The prior period adjustments in the General Fund of \$308,415 are comprised of the following:

- \$50,360 is a correction to the December 31, 2011 deferred revenue calculation which was overstated.
- \$50,904 is to adjust for amounts that should have been a prepaid expense at December 31, 2011 for insurance payments made in 2012.
- \$207,151 is to adjust for amounts that should have been a prepaid expense at December 31, 2011 for ERS and PFRS payments made in 2012 for January 1, 2012 through March 31, 2012.

The prior period adjustment in the Community Development Fund of \$471,343 was to correct amounts booked as deferred revenue in 2011 for the revolving loan program which should have been recorded as fund equity.

The prior period adjustment in the Water Fund of \$256,097 is comprised of the following:

- \$110,966 is to record amounts that should have been booked as receivable at December 31, 2011 for water billings sent out in 2012 for the last quarter of 2011.
- \$128,593 is to adjust for amounts that should have been a prepaid expense at December 31, 2011 for insurance and school tax payments made in 2012 for 2013.
- \$16,538 is to adjust for amounts that should have been a prepaid expense at December 31, 2011 for ERS and PFRS payments made in 2012 for January 1, 2012 through March 31, 2012.

CITY OF ONEIDA, NEW YORK
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2012

The prior period adjustments in the Sewer Fund of \$141,180 are comprised of the following:

- \$120,811 is to record amounts that should have been booked as receivable at December 31, 2011 for water billings sent out in 2012 for the last quarter of 2011.
- \$9,170 is to adjust for amounts that should have been a prepaid expense at December 31, 2011 for insurance payments made in 2012 for 2013
- \$11,199 is to adjust for amounts that should have been a prepaid expense at December 31, 2011 for ERS and PFRS payments made in 2012 for January 1, 2012 through March 31, 2012

The Government-Wide statements recorded a prior period adjustment of \$429,155 which was a result of the above prior period adjustments in the General, Community Development, Water and Sewer funds and the following:

- \$75,527 is for amounts recorded as a prepaid expense in the Government-Wide, however they should have been recorded in the fund statements and were adjusted above to the applicable fund.
- \$277,625 to adjust the long-term portion of the amounts due to the New York State Retirement Funds that were incorrectly stated in the prior year.
- \$394,728 is for revenue in the statement of activities that was recorded based on deferred revenue in the fund statements, however the deferred revenue recorded in the fund statements was incorrectly posted and adjusted above through a prior period adjustment.

10. EQUITY TRANSFER

The Equity transfer in total of \$451,619 between the Capital, General and Sewer funds is to close out completed capital projects to the respective funds. These projects were considered complete as of December 31, 2012. The projects were for the benefit of the City's General and Sewer funds.

11. SUBSEQUENT EVENT

Flooding

In late June of 2013, the City succumbed to a devastating flood in what is known as the "flats" portion of the City that affected roughly 1,000 residents. This flood affected approximately 240 structures. Thirty eight of the homes remain vacant two months later. The City of Oneida housed all of its main departments in that area of the City as well. The WWTP sustained over \$1.5M in flood damage, the DPW Garage, and the Water Shop having approximately another \$500,000 in accumulated damages and losses. The City of Oneida's insurance policies and FEMA are expected to recoup approximately 75% of the damages.

Oneida Indian Settlement with the State of New York

Also in 2013 the Oneida Indian Nation settled claims with New York State and Madison County. The Agreement stops any new casinos from being built in 10 counties of Central New York. The Nation will pay New York State 25% of its net revenue from slot machines and New York State will give 25% of the money it receives from the Nation to Oneida County.

The City of Oneida had a prior agreement with the Nation wherein the Nation pays the City amounts that equal or exceed the amounts shown on their tax bill. It is unknown at this time if the Nation will stop these payments to the City. If they discontinue paying their property taxes, the City will see a decrease in property tax revenue of approximately \$175,000.

The Agreement contains a one-time payment to Madison County of \$11 million. It is unknown at this time if the City of Oneida will benefit from that payment.

CITY OF ONEIDA, NEW YORK
SCHEDULES OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS
For the Year Ended December 31, 2012

Fiscal Year Ending	Actuarial Value of Assets	Actuarial		Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
		Liability-Projected Unit Credit	Accrued				
	(a)	(b)	(b)-(a)	(a)/(b)	(c)	[(b)-(a)]/(c)	
December 31, 2010	\$	\$ 38,949,326	\$ 38,949,326	0%	\$ 5,452,515	714%	
December 31, 2011	\$	\$ 42,427,687	\$ 42,427,687	0%	\$ 6,196,628	685%	
December 31, 2012	\$	\$ 31,860,557	\$ 31,860,557	0%	\$ 6,151,430	518%	

CITY OF ONEIDA, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2012

	Original Budget	Amended Budget	Current Year's Actual	Variance with Amended Budget
Revenues				
Real Property Taxes	\$ 2,988,635	\$ 2,988,635	\$ 2,917,285	\$ (71,350)
Other Real Property Tax Items	144,600	144,600	155,840	11,240
Nonproperty Tax Items	4,518,000	4,518,000	4,226,956	(291,044)
Departmental Income	157,525	164,991	179,635	14,644
Intergovernmental Charges	429,544	429,544	430,804	1,260
Use of Money and Property	45,000	45,000	28,092	(16,908)
Licenses and Permits	45,840	45,840	62,429	16,589
Fines and Forfeitures	128,000	128,000	119,943	(8,057)
Sale of Property and Compensation for Loss	16,000	38,399	69,837	31,438
Miscellaneous	13,500	20,129	79,478	59,349
State Aid	<u>1,826,627</u>	<u>1,848,627</u>	<u>1,940,564</u>	<u>91,937</u>
Total Revenues	<u>10,313,271</u>	<u>10,371,765</u>	<u>10,210,863</u>	<u>(160,902)</u>
Expenditures				
General Government Support	1,171,749	1,227,355	1,114,411	112,944
Public Safety	3,651,667	3,828,247	3,770,475	57,772
Public Health	56,894	56,894	52,775	4,119
Transportation	1,245,451	1,300,760	1,142,126	158,634
Home and Community Services	276,080	312,579	276,865	35,714
Culture and Recreation	567,568	511,410	416,698	94,712
Employee Benefits	3,730,518	3,528,849	3,328,882	199,967
Debt Service - Principal	260,075	260,075	260,075	
Debt Service - Interest	<u>96,350</u>	<u>96,350</u>	<u>96,350</u>	
Total Expenditures	<u>11,056,352</u>	<u>11,122,519</u>	<u>10,458,657</u>	<u>663,862</u>
Deficit Revenues Over Expenditures	<u>(743,081)</u>	<u>(750,754)</u>	<u>(247,794)</u>	<u>502,960</u>
Other Financing Sources (Used)				
Interfund Transfers From	100,000	100,000	123,469	23,469
Interfund Transfers To	(159,670)	(159,670)	(159,670)	
Appropriated Fund Balance	<u>802,751</u>	<u>810,424</u>		<u>(810,424)</u>
Total Other Financing Sources	<u>743,081</u>	<u>750,754</u>	<u>(36,201)</u>	<u>(786,955)</u>
Deficit Revenues Over Expenditures and Other Financing Sources	<u>\$</u>	<u>\$</u>	<u>\$ (283,995)</u>	<u>\$ (283,995)</u>

CITY OF ONEIDA, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) -
BUDGET AND ACTUAL - COMMUNITY DEVELOPMENT FUND
For the Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Actual</u>	<u>Variance with Amended Budget</u>
Revenues				
Use of Money and Property	\$ 9,940	\$ 9,940	\$ 11,260	\$ 1,320
Miscellaneous	(6,435)	(6,435)		6,435
Federal Aid	<u>658,138</u>	<u>645,806</u>	<u>320,121</u>	<u>(325,685)</u>
Total Revenues	<u>661,643</u>	<u>649,311</u>	<u>331,381</u>	<u>(317,930)</u>
Expenditures				
Home and Community Services	<u>685,873</u>	<u>691,287</u>	<u>319,920</u>	<u>371,367</u>
Total Expenditures	<u>685,873</u>	<u>691,287</u>	<u>319,920</u>	<u>371,367</u>
Excess Revenues Over Expenditures	<u>(24,230)</u>	<u>(41,976)</u>	<u>11,461</u>	<u>53,437</u>
Other Financing Sources (Used)				
Interfund Transfers To	(6,000)	(6,000)		6,000
Appropriated Fund Balance	<u>30,230</u>	<u>47,976</u>		<u>(47,976)</u>
Total Other Financing Sources	<u>24,230</u>	<u>41,976</u>		<u>(41,976)</u>
Excess Revenues Over Expenditures and Other Financing Sources	<u>\$</u>	<u>\$</u>	<u>\$ 11,461</u>	<u>\$ 11,461</u>

CITY OF ONEIDA, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) -
BUDGET AND ACTUAL - MISCELLANEOUS SPECIAL REVENUE FUND
For the Year Ended December 31, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Actual</u>	<u>Variance with Amended Budget</u>
Revenues				
Real Property Taxes	\$ 42,180	\$ 42,180	\$ 42,182	\$ 2
Departmental Income	10,140	10,140	10,202	62
Use of Money and Property			<u>241</u>	<u>241</u>
Total Revenues	<u>52,320</u>	<u>52,320</u>	<u>52,625</u>	<u>305</u>
Expenditures				
Home and Community Services	<u>57,320</u>	<u>57,320</u>	<u>43,890</u>	<u>13,430</u>
Total Expenditures	<u>57,320</u>	<u>57,320</u>	<u>43,890</u>	<u>13,430</u>
Excess Revenues Over Expenditures	<u>(5,000)</u>	<u>(5,000)</u>	<u>8,735</u>	<u>13,735</u>
Other Financing Sources				
Appropriated Fund Balance	<u>5,000</u>	<u>5,000</u>		<u>(5,000)</u>
Total Other Financing Sources	<u>5,000</u>	<u>5,000</u>		<u>(5,000)</u>
Excess Revenues Over Expenditures and Other Financing Sources	<u>\$</u>	<u>\$</u>	<u>\$ 8,735</u>	<u>\$ 8,735</u>

CITY OF ONEIDA, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) -
BUDGET AND ACTUAL -WATER FUND
For the Year Ended December 31, 2012

	Original Budget	Amended Budget	Current Year's Actual	Variance with Amended Budget
Revenues				
Departmental Income	\$ 3,014,786	\$ 3,014,786	\$ 2,955,189	\$ (59,597)
Use of Money and Property	7,000	7,000	7,975	975
Sale of Property and Compensation for Loss			2,552	2,552
Miscellaneous			1	1
Total Revenues	<u>3,021,786</u>	<u>3,021,786</u>	<u>2,965,717</u>	<u>(56,069)</u>
Expenditures				
Home and Community Services	1,901,126	1,916,090	1,713,923	202,167
Employee Benefits	536,843	521,088	452,150	68,938
Debt Service - Principal	237,222	235,000	235,000	
Debt Service - Interest		<u>36,000</u>	<u>31,631</u>	<u>4,369</u>
Total Expenditures	<u>2,675,191</u>	<u>2,708,178</u>	<u>2,432,704</u>	<u>275,474</u>
Excess Revenues Over Expenditures	<u>346,595</u>	<u>313,608</u>	<u>533,013</u>	<u>219,405</u>
Other Financing Sources (Uses)				
Interfund Transfers To	(1,050,000)	(1,050,000)	(246,200)	803,800
Appropriated Fund Balance	<u>703,405</u>	<u>736,392</u>		<u>(736,392)</u>
Total Other Financing Sources (Uses)	<u>(346,595)</u>	<u>(313,608)</u>	<u>(246,200)</u>	<u>67,408</u>
Excess Revenues Over Expenditures and Other Financing Sources (Uses)	<u>\$</u>	<u>\$</u>	<u>\$ 286,813</u>	<u>\$ 286,813</u>

CITY OF ONEIDA, NEW YORK
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES (USES) -
BUDGET AND ACTUAL - SEWER FUND
For the Year Ended December 31, 2012

	Original Budget	Amended Budget	Current Year's Actual	Variance with Amended Budget
Revenues				
Departmental Income	\$ 2,144,112	\$ 2,144,112	\$ 2,224,543	\$ 80,431
Use of Money and Property	25,000	25,000	9,463	(15,537)
Licenses and Permits	200	200	700	500
Miscellaneous	<u>12,000</u>	<u>12,000</u>	<u>17,135</u>	<u>5,135</u>
Total Revenues	<u>2,181,312</u>	<u>2,181,312</u>	<u>2,251,841</u>	<u>70,529</u>
Expenditures				
Home and Community Services	1,565,594	1,576,546	1,173,025	403,521
Employee Benefits	243,565	234,771	201,566	33,205
Debt Service - Principal	304,059	304,059	304,059	
Debt Service - Interest	<u>2,925</u>	<u>2,925</u>	<u>2,925</u>	
Total Expenditures	<u>2,116,143</u>	<u>2,118,301</u>	<u>1,681,575</u>	<u>436,726</u>
Excess Revenues Over Expenditures	<u>65,169</u>	<u>63,011</u>	<u>570,266</u>	<u>507,255</u>
Other Financing Sources (Uses)				
Interfund Transfers To	(216,180)	(760,200)	(714,657)	45,543
Appropriated Fund Balance	<u>151,011</u>	<u>697,189</u>		<u>(697,189)</u>
Total Other Financing Uses	<u>(65,169)</u>	<u>(63,011)</u>	<u>(714,657)</u>	<u>(651,646)</u>
Deficit Revenues Over Expenditures and Other Financing Sources	<u>\$</u>	<u>\$</u>	<u>\$ (144,391)</u>	<u>\$ (144,391)</u>