

CITY OF ONEIDA, NEW YORK
BASIC FINANCIAL STATEMENTS
December 31, 2008

CITY OF ONEIDA, NEW YORK

Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis (unaudited)	3 - 12
Basic Financial Statements as of and for the Year Ended December 31, 2008	
Statement of Net Assets	13
Statement of Activities	14
Balance Sheet – Governmental Funds	15
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental funds	17
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Fiduciary Net Assets – Fiduciary Funds	19
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	20
Statement of Changes in Assets and Liabilities – Agency Funds	21
Notes To Financial Statements	22 - 37
Required Supplemental Information	
Combined Schedules of Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual	38 - 42
Schedule of Other Postemployment Benefits – Schedule of Funding Progress	
Report on Compliance and 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	43 - 44
Schedule of Findings and Responses	45

INDEPENDENT AUDITORS' REPORT

To the Common Council
City of Oneida
North Main Street
Oneida, New York

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, New York, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Oneida, New York's, management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information for the City of Oneida, New York, as of December 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2010 on our consideration of the City of Oneida, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information on pages 3 through 12 and pages 38 through 41, and the Schedule of Other Postemployment Benefits –

Schedule of Funding Progress on page 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Gustafson & Co." with a long horizontal flourish extending to the right.

January 23, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS
City of Oneida

As management of the City of Oneida, New York ("the City"), we offer this narrative overview and analysis of the financial activities of the City of Oneida, New York for the fiscal year ended December 31, 2008.

This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, (4) identify any material deviations from the financial plan (the approved annual budget), and (5) identify individual fund issues or concerns.

Financial Highlights

- The assets of the City of Oneida exceeded its liabilities at the close of the fiscal year by \$42,781,911 (*net assets*).
- Total net assets of the City are \$42,781,911 of which \$8,366,438 is unrestricted.
- At December 31, 2008, the City of Oneida's governmental funds reported combined ending fund balances of \$1,722,994 a decrease of \$3,951,507 in comparison to the previous year.
- General Fund revenues (on a budgetary basis) fell short of budgeted revenues by \$51,009 for fiscal year 2008. Additionally, budgetary basis expenditures were only 94.4% (\$401,846 in savings) of the final budget in the General Fund.
- At December 31, 2008, unreserved fund balance for the general fund was \$5,953,067 or 60.8% of general fund expenditures for fiscal year 2008.

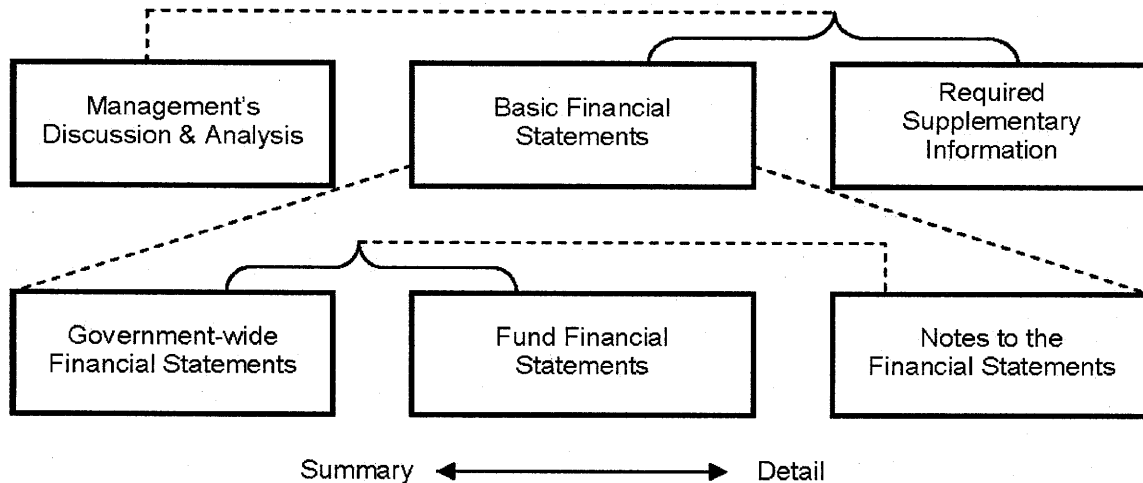
OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) Fund financial statements, and (3) notes to the financial statements.

The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. Each view will be explained in more detail to follow. In addition, to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the City's financial position.

MANAGEMENT'S DISCUSSION AND ANALYSIS
City of Oneida

**REQUIRED COMPONENTS OF
THE ANNUAL FINANCIAL REPORT**



As pictured above, the financial section of the Basic Financial Statements for the City of Oneida, New York consists of this discussion and analysis and the basic financial statements. The basic financial statements include the government-wide financial statements, fund financial statements, including the budgetary statements for the general fund and major special revenue funds, and notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the City's finances in a manner similar to those used by private businesses. All of the Activities of the City, except those of a fiduciary nature, are included in these statements.

The *statement of net assets* presents information on all of the City's assets and liabilities, both current and long-term, with the difference between assets and liabilities reported as net assets. The focus on net assets is designed to be similar to the emphasis for businesses. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed over the most recent fiscal year. Since full accrual accounting is used for the government-wide financial statements, all changes to net assets are reported at the time that the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this

MANAGEMENT'S DISCUSSION AND ANALYSIS
City of Oneida

statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected taxes, and earned but unused vacation leaves).

Fund Financial Statements

Also presented are the fund financial statements for governmental funds and fiduciary funds. The fund financial statements focus on major funds of the City. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or conditions. Funds are used to ensure and demonstrate compliance with finance-related legal requirements as well as for managerial control to demonstrate fiduciary responsibility over the assets of the City.

Governmental funds – The City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information show whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of others. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support programs of the City. The fiduciary fund statements are prepared on the same basis as the government-wide fund statements.

Notes to the financial statements – The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

Required supplementary information other than MD&A – Governments have an option of including the budgetary comparison statements for the general fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the footnotes. The City has chosen to present these budgetary statements as required supplementary information. Additionally, governments are required to disclose certain information about employee pension funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$42,781,911 at the close of the most recent fiscal year. \$33,643,802 of the City's net assets reflects its

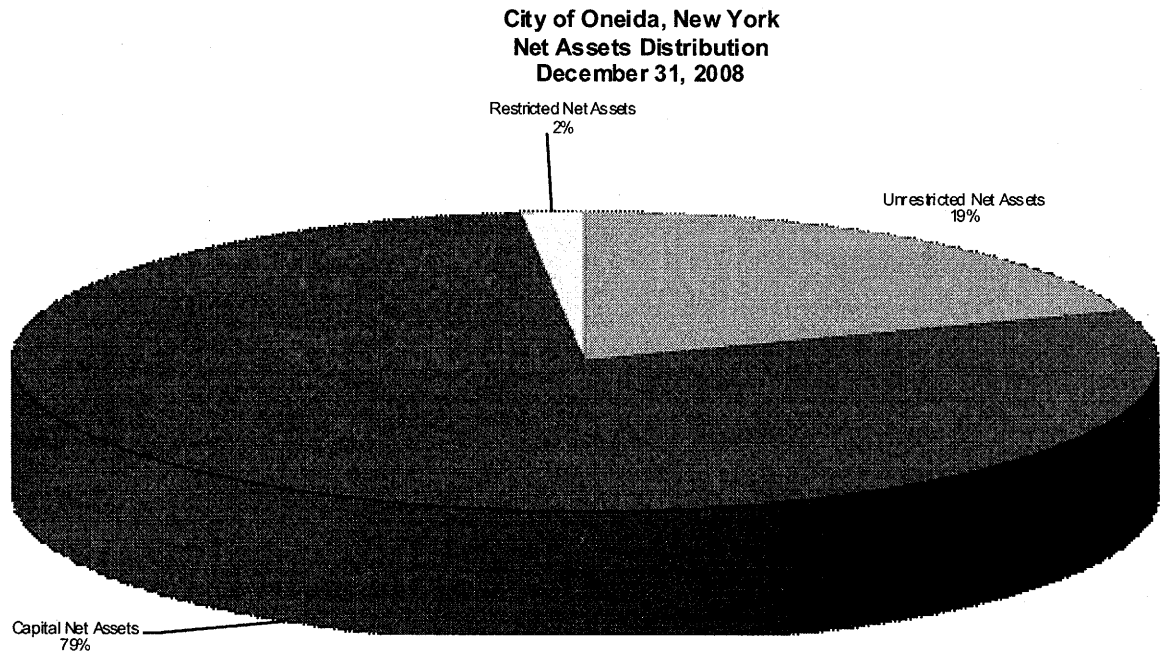
MANAGEMENT'S DISCUSSION AND ANALYSIS
City of Oneida

investment in capital assets (land, buildings, improvements, machinery and equipment and infrastructure), less any related debt outstanding that was used to acquire those assets. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investments in its capital assets are reported net of related debt, it should be noted that the assets themselves cannot be used to liquidate the debt.

City of Oneida
Net Assets
December 31, 2008

	<u>Total</u>
Current Assets	\$13,265,803
Restricted cash and cash equivalents	771,653
Capital Assets, Net	47,862,550
Total Assets	\$61,900,006
Current Liabilities	11,721,733
Long-term Liabilities	7,396,362
Net Assets:	
Invested in Capital Assets, Net of Related Debt	33,643,820
Restricted	771,653
Unrestricted	8,366,438

MANAGEMENT'S DISCUSSION AND ANALYSIS
City of Oneida



However, the largest portion (79 %) reflects the City of Oneida investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure, less any related debt still outstanding that was issued to acquire those items). The City of Oneida uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Oneida's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Oneida's net assets (2%) represents resources that are subject to external restrictions on how they may be used.

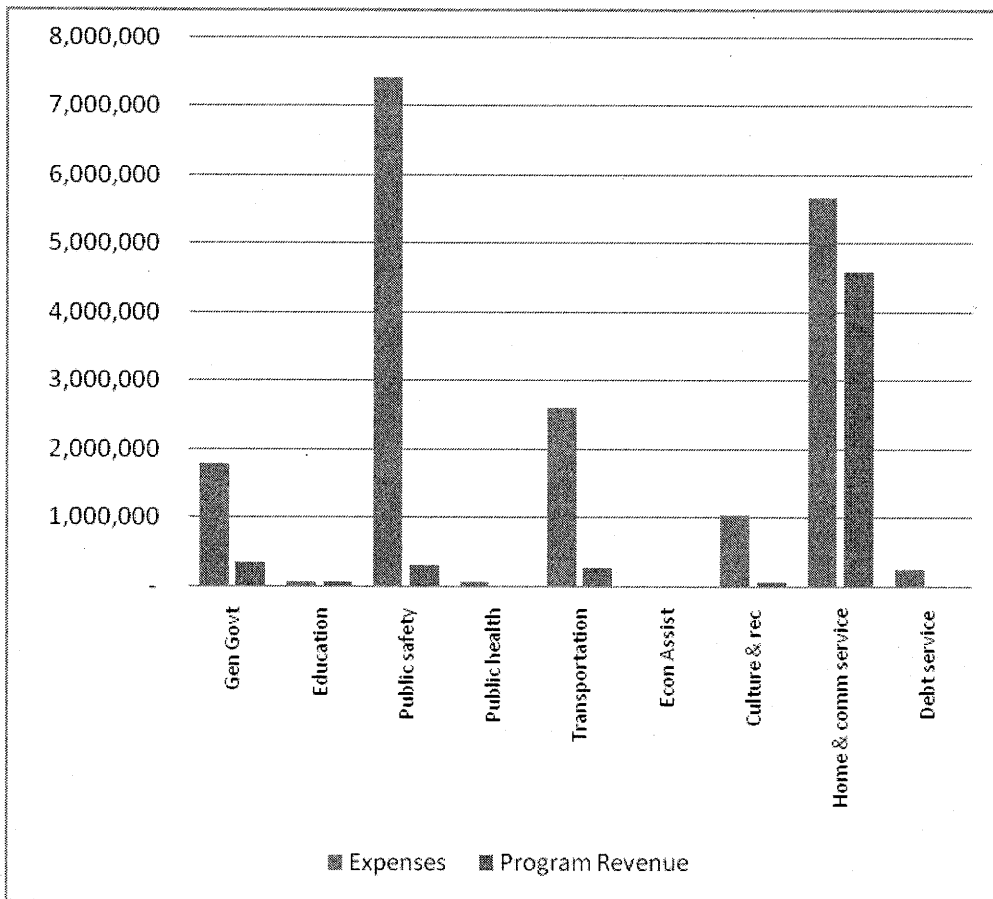
The City of Oneida implemented the capitalization of the infrastructure assets in 2007. This significantly impacted the Government-wide financial statements assets and net assets.

The remaining balance of unrestricted net assets (\$8,366,438) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report a positive net asset balance.

MANAGEMENT'S DISCUSSION AND ANALYSIS
City of Oneida

GOVERNMENTAL ACTIVIES PROGRAM REVENUES & EXPENSES

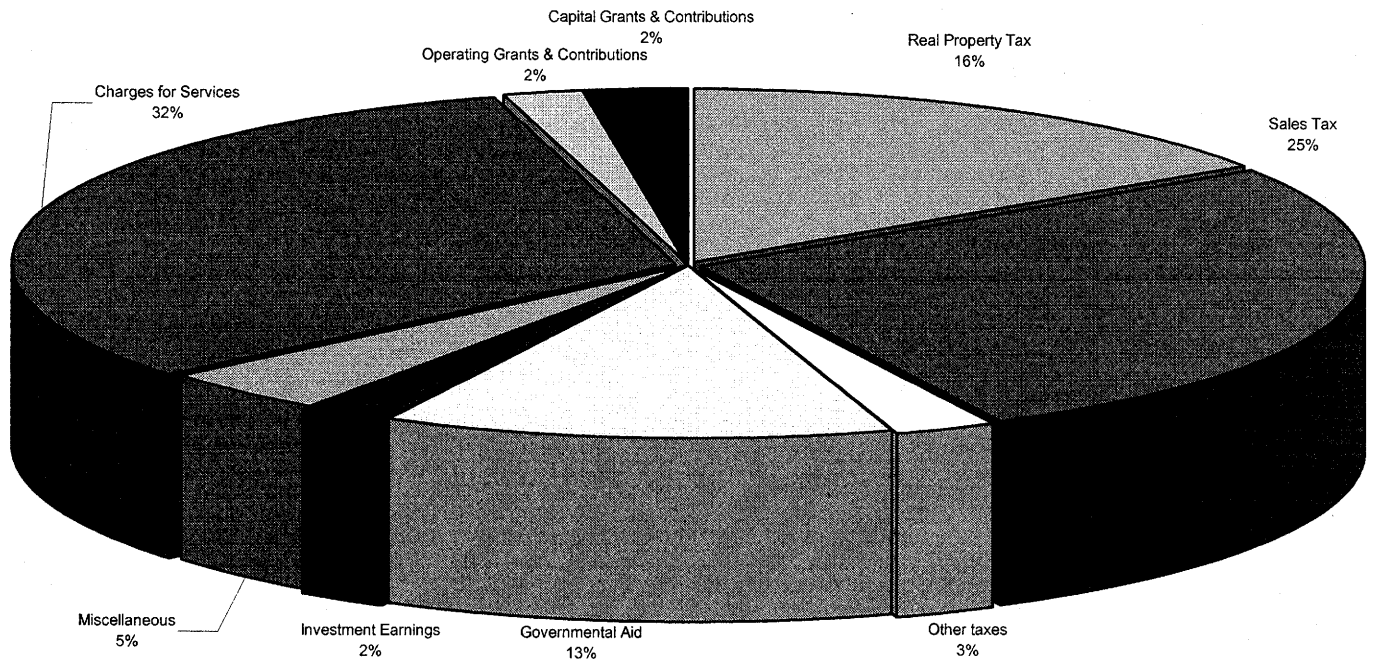
FISCAL YEAR 2008



The largest financing source for the City is Charges for services (32%). The other major funding sources of the governmental activities are taxes (16% of total revenues) and sales tax revenues (27% of total revenues).

MANAGEMENT'S DISCUSSION AND ANALYSIS
City of Oneida

**REVENUES BY SOURCE
GOVERNMENTAL ACTIVITIES
FISCAL YEAR 2008**



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City maintains fund accounting to demonstrate compliance with budgetary and legal requirements. The following is a brief discussion of financial highlights from the fund financial statements.

Governmental funds – Fund Balance

The focus of the governmental fund financial statements is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of 2008 fiscal year, the City's governmental funds reported combined ending fund balances of \$1,722,994 down \$3,951,507 from the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
City of Oneida

The General Fund is the chief operating fund of the City. At the end of 2008, the unreserved fund of the General Fund was \$5,953,067. As a measure of the General fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 60.8% percent of total General Fund expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's annual budget is the legally adopted expenditure control document of the City. During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that were used to prepare the original budget once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for government-wide activities at December 31, 2008, net of depreciation, was \$47,862,550. This investment in capital assets includes land, buildings, improvements other than buildings, infrastructure and machinery and equipment.

The retroactive infrastructure reporting requirements of GASB 34 became effective for statement periods beginning after December 15, 2006.

Major additions to capital assets during the fiscal year included the following:

- Police Vehicles replacement
- Police Image and information mgmt sys
- DPW Dump Truck w/plow replacement
- DPW Underground Tank removal
- DPW 1 ton Service Truck procurement
- DPW Eliz St Asbestos survey & abatement
- DPW N Warner Asbestos survey & abatement
- DPW Engineering Records room
- Recreation Center Paving
- Recreation 1 ton 4x4 mini dump truck
- Vets Field Improvements
- Skateboard park
- Holiday Decorations
- Sewer Main St Pump station Generator Pad
- Municipal Building Emergency Generator
- Purchase of Building

