

STAGEBARN SUBDIVISION  
SANITARY DISTRICT  
BLACK HAWK, SOUTH DAKOTA

Catherine Haveman  
Certified Public Accountant  
Rapid City, South Dakota

*Modified Cash Basis  
Financial  
Statements and  
Independent  
Auditor's Report*

For the Two Years ended  
December 31, 2012



**STAGEBARN SUBDIVISION SANITARY DISTRICT**  
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### **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**

Governing Board  
Stagebarn Subdivision Sanitary District  
Black Hawk, South Dakota

I have audited, 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, the basic financial statements of the Stagebarn Subdivision Sanitary District as of December 31, 2012 and for the two years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated November 15, 2013.

#### **Internal Control Over Financial Reporting**

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

My 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 Current Audit Findings I identified certain deficiencies in internal control that I consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying Schedule of Current Audit Findings as items 2012-1 and 2012-2 to be material weaknesses.

### **Compliance and Other Matters**

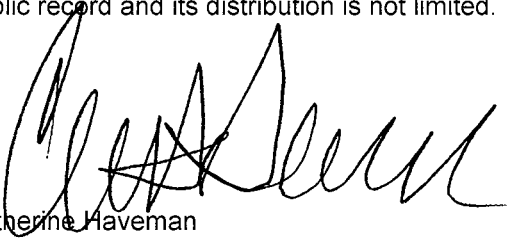
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Current Audit Findings as item 2012-3.

### **District's Response to Findings**

The District's responses to the findings identified in my audit are described in the accompanying Schedule of Current Audit Findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read 'Catherine Haveman', is written over the printed name and title.

Catherine Haveman  
Certified Public Accountant

November 15, 2013

**STAGEBARN SUBDIVISION SANITARY DISTRICT**  
**DECEMBER 31, 2012**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**Finding 2010-1 General Lack of Segregation of Duties**

This finding is restated as finding 2012-1 in the current audit findings section of this report.

**Finding 2010-2 Certificates of Deposit and Investments**

This finding is restated finding 2012-3 in the current audit findings section of this report.

**Finding 2010-3 Financial Statement Preparation**

This finding is restated as finding 2012-2 in the current audit findings section of this report.

**STAGEBARN SUBDIVISION SANITARY DISTRICT**  
**DECEMBER 31, 2012**

**SCHEDULE OF CURRENT AUDIT FINDINGS**

**Finding 2012-1 – Lack of Segregation of Duties**

**Criteria**

Segregation of duties is an integral part of internal control over the recording keeping function.

**Condition**

There is a weakness in the internal controls in place at Stagebarn Subdivision Sanitary District resulting from a general lack of segregation of duties over the accounting function. Duties relating to the performance of the accounting/bookkeeping/receipts and disbursement functions are performed by one person.

**Effect**

This condition could result in errors in the accounting and record keeping function which may not be detected in a timely manner. This condition also increases the potential for fraud to occur.

**Recommendation**

The Board must be cognizant of this situation and take an active role in review of financial activities including monthly financial statements, bank statements and disbursements. Customer accounts should be reviewed for unusual adjustments and past due accounts should be reviewed and appropriate action taken. Bank reconciliations should be reviewed for propriety and agreed to the general ledger on a monthly basis by someone other than the reconciliation preparer. All expenditures should be reviewed and approved by the board.

**Management's Response**

The Board of Directors of Stagebarn Subdivision Sanitary District have determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for accounting functions. The Board of Directors and Management are aware of this problem and are attempting to provide compensating controls wherever and whenever possible and practical, however this lack of segregation of duties regarding accounting functions continues to exist.

**2012-2 Financial Statement Preparation**

**Criteria**

Management is responsible for preparation of the District's financial statements.

**Condition**

The District has requested that I prepare a draft of the financial statements and related notes as part of the auditing services. I have provided a draft of the financial statements and instructed management to review these financial statements in detail for their accuracy.

**Effect**

This situation could result in errors and misstatements in the financial statements that would not be prevented or detected by management in the normal course of business.

**STAGEBARN SUBDIVISION SANITARY DISTRICT**  
**DECEMBER 31, 2012**

**SCHEDULE OF CURRENT AUDIT FINDINGS (Continued)**

**2012-2 Financial Statement Preparation (Continued)**

**Recommendation**

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.

**Response**

The Board of Directors will review the process for preparation of the financial statements and accompanying notes. The Board is currently willing to accept this risk relating to the preparation of the financial statements.

**Finding 2012-3 Certificate of Deposit**

**Criteria**

As relates to certificates of deposit SDCL 4-5-6.1 requires that investment of public funds must meet certain conditions among which are the following:

- 1) The public funds shall initially be placed in a bank or savings and loan association located in the State of South Dakota.
- 2) The selected bank or savings and loan shall arrange for the deposit of the public funds in certificates of deposit in one or more bank or savings and loan association wherever located in the United States.

**Condition**

The Stagebarn Subdivision Sanitary District currently holds a certificate of deposit which does not meet the requirements of state law because the certificate of deposit is publicly traded and is held by a brokerage firm.

**Effect**

The District is not in compliance with state law.

**Recommendation**

I recommend the District take appropriate steps to ensure compliance in the future.

**Management's Response:**

The Board of Directors of Stagebarn Subdivision Sanitary District will discuss with our investment counselor to ensure all investments are in compliance with the requirements of state law.



## **CATHERINE HAVEMAN CPA**

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### **INDEPENDENT AUDITOR'S REPORT**

Governing Board  
Stagebarn Subdivision Sanitary District  
Black Hawk, South Dakota

#### **Report on the Financial Statements**

I have audited the accompanying modified cash basis of accounting financial statements of Stagebarn Subdivision Sanitary District, Black Hawk, South Dakota, (District) as of December 31, 2012 and for each of the years in the biennial period then ended then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

#### ***Management's Responsibility for the Financial Statements***

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

#### ***Auditor's Responsibility***

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 District'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 District's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



## **Opinion**

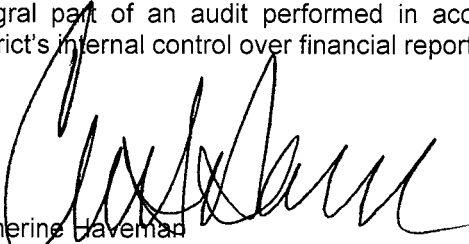
In my opinion the financial statements referred to above present fairly, in all material respects, the respective financial position on a modified cash basis of accounting of the basic financial statements of Stagebarn Subdivision Sanitary District as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for each of the years in the biennial period then ended in accordance with the modified cash basis of accounting described in Note .c. to the financial statements.

## **Basis of Accounting**

I draw attention to Note 1.c. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to this matter.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated November 15, 2013, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my 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* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read 'Catherine Haveman', is written over the printed name and title.

Catherine Haveman  
Certified Public Accountant

November 15, 2013

## **FINANCIAL STATEMENTS**



**STAGEBARN SUBDIVISION SANITARY DISTRICT**  
**STATEMENT OF NET POSITION -MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**December 31, 2012**

**ASSETS:**

Current Assets:

Cash and Cash Equivalents	\$	44,896
Investments		<u>41,000</u>

Total Current Assets		<u>85,896</u>
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TOTAL ASSETS	\$	<u>85,896</u>
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**NET POSITION:**

Restricted for:

Road Maintenance	\$	12,082
Unrestricted		<u>73,814</u>

TOTAL NET POSITION	\$	<u>85,896</u>
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The notes to the financial statements are an integral part of this statement.

**STAGEBARN SUBDIVISION SANITARY DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**For the Year Ended December 31, 2012**

**Operating Revenue:**

Charges for Goods and Services	\$ 128,415
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Total Operating Revenue	128,415
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**Operating Expenses:**

Insurance	2,128
Bulk Water	24,495
Office Expense	1,439
Management Services and Fees	13,396
Directors Fees	2,775
Repair and Maintenance	30
Sewage Fees	51,901
Utilities	2,239
Mowing	1,060
Garbage Collection	17,369
Chemicals and Testing Fees	629

Total Operating Expenses	117,461
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Operating Income (Loss)	10,954
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**Nonoperating Revenue (Expense):**

Investment Earnings	1,912
Road Tax	3,538
Debt Service - Principal	(1,630)
Debt Service - Interest	(1,429)

Total Nonoperating Revenue (Expense)	2,391
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Change in Net Position	13,345
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Net Position - Beginning	72,551
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NET POSITION - ENDING	\$ 85,896
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The notes to the financial statements are an integral part of this statement.



**STAGEBARN SUBDIVISION SANITARY DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**  
**For the Year Ended December 31, 2011**

**Operating Revenue:**

Charges for Goods and Services	\$ 120,204
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Total Operating Revenue	120,204
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**Operating Expenses:**

Insurance	2,287
Bulk Water	18,812
Office Expense	1,165
Management Services and Fees	13,156
Professional Fees	2,700
Directors Fees	2,585
Repair and Maintenance	360
Sewage Fees	46,416
Sewer Inspection	7,777
Utilities	2,247
Mowing	1,085
Garbage Collection	17,104
Chemicals and Testing Fees	629

Total Operating Expenses	116,323
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Operating Income (Loss)	3,881
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**Nonoperating Revenue (Expense):**

Road Repair and Maintenance	(1,599)
Investment Earnings	1,907
Road Tax	3,490
Debt Service - Principal	(1,552)
Debt Service - Interest	(1,507)

Total Nonoperating Revenue (Expense)	739
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Change in Net Position	4,620
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Net Position - Beginning	67,931
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NET POSITION - ENDING	\$ 72,551
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The notes to the financial statements are an integral part of this statement.

## **NOTES TO THE FINANCIAL STATEMENTS**



**Stagebarn Subdivision Sanitary District**  
**Notes to the Financial Statements**  
**December 31, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

As discussed further in Note 1.c, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or after November 30, 1989, have not been applied to the accompanying basic financial statements.

a. **Financial Reporting Entity:**

The Stagebarn Subdivision Sanitary District (the District) was formed pursuant to the provisions of South Dakota Codified Law 34A-5 and 31-12-A as an incorporated sanitary district with road district powers. The basic operations of the District include providing water service, operation and maintenance of sewage disposal facilities, and road maintenance. These services are provided to residential customers located within the District boundaries and are financed by user charges and a road tax levy. These operations are accounted for, and reported in an enterprise fund.

The reporting entity of Stagebarn Subdivision Sanitary District consists of all funds and accounts of the primary government.

There are no component units included in the District's reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the District (primary government). The District may also be financially accountable for another organization if that organization is fiscally dependent on the District.

The District is not a component unit of any other governmental "reporting entity" as defined by Governmental Accounting Standards. Board members of the District are elected by the members of the district and have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

b. **Basis of Presentation:**

**Proprietary Funds**

Enterprise Funds – enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation, if applicable) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

All activities of the District are accounted for within a single proprietary (enterprise) fund.

**Stagebarn Subdivision Sanitary District**  
**Notes to the Financial Statements**  
**December 31, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

c. **Measurement Focus and Basis of Accounting:**

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The District's basis of accounting is the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

*Measurement Focus:*

The accompanying financial statements are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

*Basis of Accounting:*

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the District in these financial statements are:

- a. Recording long-term investments in marketable securities (those with maturities more than 90-days (three months) from the date of acquisition) acquired with cash assets at cost.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) **are not recorded** in these financial statements.

If the District applied USGAAP, the financial statements would be presented on the accrual basis of accounting.



**Stagebarn Subdivision Sanitary District**  
**Notes to the Financial Statements**  
**December 31, 2012**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded):**

d. **Deposits and Investments:**

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months. Under the modified cash basis of accounting, investments are carried at cost.

e. **Capital Assets:**

Under the modified cash basis of accounting, capital assets are accounted for as capital outlay expenditures when they are paid for in cash.

f. **Long-Term Liabilities:**

Under the modified cash basis of accounting, cash proceeds from long-term debt issuances are recorded as a receipt, while payments to creditors to reduce long-term debts are recorded as a cost.

Long-term debts arising from cash transactions to be repaid from District resources are reported as revenue in the year received. Subsequent payments are reported as expenditures in the basic financial statements.

g. **Revenue and Expense Classifications:**

In the Statement of Revenues, Expenses and Changes in Fund Net Assets, revenues and expenses relating to capital and related financing activities, non-capital financing activities, or investing activities are not reported as components of operating revenues or expenses.

h. **Equity Classifications:**

Equity is classified as Net Position and is displayed in two components:

1. Restricted Net Position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position – All other net position that do not meet the definition of "restricted".

i. **Application of Net Position:**

It is the District's policy to first use restricted Net Position, prior to the use of unrestricted Net Position, when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.

**Stagebarn Subdivision Sanitary District**  
**Notes to the Financial Statements**  
**December 31, 2012**

**NOTE 2. DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:**

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – Except as disclosed in the following paragraph the District's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

At the end of 2012 the District held one certificate of deposit which does not meet the statutory requirements of state law as described above.

Investments – In general, SDCL 4-5-6 permits District funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

**Credit Risk** – State law limits eligible investments for the District, as discussed above. The District has no investment policy that would further limit its investment choices.

As of December 31, 2012, the District held no investments as defined above.

**Custodial Credit Risk – Deposits** – The risk that, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2012, \$41,000 of the District's deposits in financial institutions were held by a third party broker and may not be fully covered by FDIC deposit insurance.

**Concentration of Credit Risk** – The District places no limit on the amount that may be invested in any one issuer.

**Interest Rate Risk** – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Stagebarn Subdivision Sanitary District**  
**Notes to the Financial Statements**  
**December 31, 2012**

**NOTE 3. LONG-TERM DEBT:**

A summary of changes in long-term debt follows:

	01/01/11 Beginning Balance	Additions	Deletions	12/31/12 Ending Balance	Due Within One Year
Bonds Payable:					
Revenue	\$30,542	\$ 0-	\$ 3,183	\$27,359	\$ 1,713
<b>Total Debt</b>	<u>\$30,542</u>	<u>\$ 0-</u>	<u>\$ 3,183</u>	<u>\$27,359</u>	<u>\$ 1,713</u>

Debt payable at December 31, 2012:

Revenue Bond:

Consolidated Water Facilities Loan in the amount of \$38,400, payable in 40 semi-annual installments of \$ 1529.71 due May 1 and November 1. This is a 20 year loan with an annual interest rate of 5% with the final payment due November 2024. This debt is paid by utility revenue of the District.

\$ 27,359

The Consolidated Water Facilities Loan, which was issued in 2004 for the purpose of construction of wastewater transmission pipelines necessary to convey wastewater to a regional wastewater treatment facility, contains provisions which pledge the future net revenues of the customers of the sewer system as security for the principal and interest payments on the loan.

**NOTE 4. SEGMENT INFORMATION FOR SEWER SERVICES:**

The District entered into a Consolidated Water Facilities Construction Program loan agreement to finance the construction of wastewater transmission pipelines. The terms of this loan provide for the irrevocable pledge of all income and revenues of the system to the extent that the revenues exceed amounts necessary for operation and maintenance of the system. Summary information for the wastewater system activities is presented below. This information is presented on the modified cash basis of accounting.

**2011**

**Statement of Net Assets**

Net Assets – Unrestricted \$ -0-

**Statement of Revenues, Expenses, and Changes in Net Assets**

Operating Revenue (pledged against loan)	\$ 50,976
Operating Expense	<u>54,193</u>
Operating Income	(3,217)

Non-operating Income (Expense:

Transfer from Water Activities	6,276
Debt Service	<u>( 3,059)</u>
Change in Net Assets	-0-

Beginning Net Assets	<u>-0-</u>
Ending Net Assets	<u>\$ -0-</u>

**Stagebarn Subdivision Sanitary District**  
**Notes to the Financial Statements**  
**December 31, 2012**

**NOTE 4. SEGMENT INFORMATION FOR SEWER SERVICES (Continued):**

**2012**

**Statement of Net Assets**

Net Assets – Unrestricted \$ -0-

**Statement of Revenues, Expenses, and Changes in Net Assets**

Operating Revenue (pledged against loan)	\$ 55,224
Operating Expense	<u>51,901</u>
Operating Income	3,323

Non-operating Income (Expense):

Debt Service	<u>( 3,059)</u>
Change in Net Assets	264

Beginning Net Assets	<u>-0-</u>
Ending Net Assets	<u>\$ 264</u>

**NOTE 5. RESTRICTED NET ASSETS:**

Restricted net assets for the year ended December 31, 2012 were as follows:

Net Assets – Restricted for Road Maintenance \$12,082

**NOTE 6. RISK MANAGEMENT:**

The District purchases liability insurance for risks related to torts; theft of, or damage to property; and errors and omissions of public officials, from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.