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CERTIFIED PUBLIC ACCOUNTANTS

STEGE SANITARY DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2011

(WITH AUDITORS' REPORT THEREON)

STEGE SANITARY DISTRICT
7500 SCHMIDT LANE
EL CERRITO, CALIFORNIA 94530
Tel: (510) 524-4668
Fax: (510) 524-4697
www.StegeSD.dst.ca.us

JUNE 30, 2011

BOARD OF DIRECTORS
Elected Officials

Name	Office
Jay Z. James	President
Alan Miller	Vice President
Beatrice R. O'Keefe	Board Member
Dwight Merrill	Board Member
Graham Brand	Board Member

DISTRICT MANAGEMENT

Rex W. Delizo
District Manager

Kary Richardson
Administrative Supervisor

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STEGE SANITARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Stege Sanitary District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the District financial statements.

HIGHLIGHTS

Financial Highlights

- District total net assets increased by $731,458, or 3.4% as a result of this year's operations.
- Capital assets increased by $687,960, or 3.2%, as a result of the completion of a pipe replacement project and the administration building.
- Current assets decreased by $854,319 or 24.7% because some of the District's cash and investments were converted to capital assets, mainly through the administration building project as well as pipe rehabilitation projects.
- Long-term liabilities decreased by $277,180 or 14.4% since debt service payments were made and no additional loans were taken.
- Total revenues increased by $545,478 over the previous year, or 20.1%. This increase is due primarily to a 20% increase in sewer service charges.
- Operating expenses increased by $120,981, or 5.1%. This increase is a result of increases in salaries and benefits, primarily health benefit increases, in addition to one additional position in the organization for five months due to the retirement of one employee whose accrued time enabled them to be on paid status for over half the year after their last working day.
- Connection fee revenues increased $33,252, or 1,255.7% from the previous year. The revenue obtained in the year ended June 30, 2011 is significantly higher than past years due to the construction of the Safeway complex at the former Target site near Del Norte BART.
- Interest and investment income decreased by $12,341 or 43.0 % as a result of decreasing interest rates in the Local Agency Investment Fund (LAIF), the State run fund where District investments are held, and less reserves held in the investment fund since capital was expended on projects.

District Highlights

- The District completed another major sewer rehabilitation project in fiscal year 2010-2011 and this is represented on financial statements as a conversion of cash to capital assets. The rehabilitation program includes an annual project for the cyclical replacement of sewer lines, and it is anticipated that this year's annual project will be typical of future ones, involving replacement of about 10,000 feet of lines at an expense of about $900,000 to $1,000,000. This may be increased significantly in the future depending upon the details of future discharge permits and orders from regulatory agencies.

- The District completed the construction of a new administration building and maintenance shop in fiscal year 2010-11 and this is also represented on financial statements as a conversion of cash or current assets to capital assets.

- Sewer service rates increased this year by 20%. The District Board previously approved rate increases for three years as the District continued its "pay as you go" system for financing both operating and capital programs.

USING THIS ANNUAL REPORT

District financial statements report information about the District use of accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all District assets and liabilities, and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return; evaluating the capital structure of the District; and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of District operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about District cash receipts, cash disbursements and net changes in cash resulting from operations, investing, and capital and noncapital financial activities. It provides answers to questions such as, "Where did the cash come from?", "Cash was used for what purpose?", and "What was the change in cash balance during the reporting period?"

FINANCIAL ANALYSIS OF THE DISTRICT

One of the most important questions asked about District finances is whether or not the District's overall financial position has improved or deteriorated. The Statement of Net Assets and the Statement of Revenues and Expenses and Changes of Net Assets report information about District activities in a way that will help answer this question. These two statements report the net assets of the District and changes in them. You can think of District net assets –the difference between assets and liabilities- as one way to measure financial health or financial position. Over time, increases or decreases in District net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider include changes in economic conditions, population growth, and new or changed legislation.

Changes in Net Assets

District total net assets increased from the previous year by $731,458, or 3.4%. The following condensed financial statements show net asset position, statement of net assets and changes in net assets, statement of revenue and expenses and changes in net assets, in a comparative format indicating the amount and percentage of change.

CONDENSED DISTRICT STATEMENT OF NET ASSETS

Description	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Current Assets	$2,608,980	$3,463,299	($854,319)	(24.7%)
Noncurrent Assets	$86,750	0	$86,750	100%
Capital Assets	$22,165,549	$21,477,589	$687,960	3.2%
Total Assets	$24,861,279	$24,940,888	($79,609)	(.32%)
Current Liabilities	$654,987	$1,188,874	($533,887)	(44.9%)
Long-Term Liabilities	$1,651,536	$1,928,716	($277,180)	(14.4%)
Total Liabilities	$2,306,523	$3,117,590	($811,067)	(26.0%)
Net Assets:				
Invested in Capital Assets, Net of Related Debt	$20,255,411	$19,315,920	$939,491	4.9%
Unrestricted	$2,299,345	$2,507,378	$(208,033)	(8.3%)
Total Net Assets	$22,554,756	$21,823,298	$731,458	3.4%

Changes in District net assets can be determined by reviewing the following condensed Statement of Revenue, Expenses, and Change in Net Assets.

CONDENSED DISTRICT STATEMENT OF REVENUES AND EXPENSES AND CHANGE IN NET ASSETS

Description	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2010	Amount of Increase (Decrease)	Percent (%) of Increase (Decrease)
Operating Revenues	$2,869,846	$2,384,819	$485,027	20.3%
Interest and Investment Income	$16,387	$28,728	($12,341)	(43.0%)
Connection Fees	$35,900	$2,648	$33,252	1255.7%
Other Income	$335,737	$296,197	$39,540	13.3%
Total Revenues	$3,257,870	$2,712,392	$545,478	20.1%
Operating Expenses	$2,471,722	$2,350,741	$120,981	5.1%
Interest Expenses	$54,690	$61,612	($6,922)	(11.2%)
Total Expenses	$2,526,412	$2,412,353	$114,059	4.7%
Change in Net Assets	$731,458	$300,039	$431,419	143.8%
Net Assets Beginning of Year	$21,823,298	$21,523,259	$300,039	1.4%
Net Assets End of Year	$22,554,756	$21,823,298	$731,458	3.4%

Revenues

Total revenues increased, $545,478 or 20.1% compared to the previous fiscal year. Operating revenues increased $485,027, or 20.3% from the previous year. The increase in operating revenues was primarily the result of the 20% rate increase to sewer service charges. Interest income decreased by $12,341, or 43.0% over the previous year, due to an ongoing drop in interest rates as a result of the overall state of the economy. Connection fees increased $33,252, or 1255.7% from the previous year. Other income increased $39,540 or 13.3%.

Expenses

Operating expenses increased by $120,981, or 5.1% in fiscal year 2010-2011 compared to fiscal year 2009-2010. The increases were due primarily to increases in health benefits and one additional employee for about five months of the fiscal year.

Budgetary Highlights

The District is not required by statute to adopt a budget; however, in its commitment to fiscal responsibility, the District adopts an annual budget each year which outlines the major elements of forthcoming operations and capital improvements.

The District maintains an ongoing capital improvement program which is updated annually at the same time the operating budget is approved. The program includes an ongoing sewer rehabilitation program, whose purpose is to replace and rehabilitate aging District sewer main lines that may cause overflows and result in expensive, unplanned repairs. The rehabilitation program, which includes repairs, rehabilitation and condition assessment, currently costs approximately $900,000 to $1,000,000 annually, and will be financed on a pay-as-you-go system.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2011, the District had $22,165,549 (net of accumulated depreciation) invested in a variety of capital assets.

The assets included: land; collection system subsurface lines and pump stations; administration building and vehicles. The total increase in District capital assets for the current fiscal year was about $1,043,945 or 3.5% more than last year.

Major capital assets events during the fiscal year included the following:

- Partial completion of a sewer rehabilitation construction project, the "Standard Pipebursting Project". This project replaced over ten thousand feet of older subsurface lines.

- Completion of the Administration Building Project. This involved the construction of a new administration building and remodel of existing structures to provide a new maintenance shop and garage.

The following table summarizes District capital assets at historical costs for fiscal years ended June 30, 2011, and June 30, 2010.

Historical Cost	Balance at June 30, 2011	Balance at June 30, 2010
Land and easements	$134,475	$134,475
Construction in progress	$2,803,382	$2,741,937
Subsurface lines, buildings, vehicles/equipment	$28,143,503	$27,161,004
Total Capital Assets	$31,081,360	$30,037,416
Accumulated Depreciation	($8,915,811)	($8,559,827)
Total Capital Assets (Net of Depreciation)	$22,165,549	$21,477,589

Long Term Liabilities

At the end of the current reporting period, the District had $1,651,536 in State revolving fund loans outstanding versus $1,910,138 last year – a decrease of $258,602 or 13.5% as shown below:

	Balance at June 30, 2011	Balance at June 30, 2010
Long term debt, net of current portion	$1,651,536	$1,910,138

The District has previously used State revolving fund loans to finance previous sewer upgrade projects. The interest rate on these loans is 50%, or one-half, of the rate of the most recent issuance of State general obligation (GO) bonds. The District may take advantage of the use of these loans in the future, depending on their availability and District financial condition in long-term liabilities and $86,750 in other post-employment benefits (retiree health plan benefits), or "OPEB".

RATES AND OTHER ECONOMIC FACTORS

The District is governed in part by provisions of the State Water Resources Control Board (SWRCB) that require rate-based revenues that must cover the costs of operation, maintenance and recurring capital replacement (OM&R). The District is not subject to general economic conditions such as increases or declines in property tax values or other types of revenues that vary with economic conditions such as sales taxes. Accordingly, the District sets its rates to its users to cover the costs of OM&R and debt financed capital improvements, plus any increments for known or anticipated changes in program costs.

Increases in operating costs have been kept at or below inflationary levels in recent years. Medical premiums have risen dramatically and may continue to do so in the near future.

REQUESTS FOR INFORMATION

This financial report is designed to provide our customers and creditors with a general overview of District finances, and demonstrate District accountability for the money it receives. If you have any questions about this report, or need additional financial information, contact the District Manager at 7500 Schmidt Lane, El Cerrito, CA 94530 or (510) 524-4668.

CROPPER
an accountancy corporation
CERTIFIED PUBLIC ACCOUNTANTS

office location
2700 Ygnacio Valley Rd, Ste 230
Walnut Creek, CA 94598
(925) 932-3860 tel

mailing address
2977 Ygnacio Valley Rd, PMB 460
Walnut Creek, CA 94598
(925) 476-9930 efax

www.cropperaccountancy.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Stege Sanitary District
El Cerrito, California

We have audited the accompanying financial statements of the Stege Sanitary District as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain a 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stege Sanitary District as of June 30, 2011 and 2010, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's office for special districts.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental 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 this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cropper Accountancy Corporation
CROPPER ACCOUNTANCY CORPORATION

October 27, 2011

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BASIC FINANCIAL STATEMENTS

STEGE SANITARY DISTRICT
Statement of Fund Net Assets
June 30, 2011 and 2010

ASSETS	2011	2010
Current assets:		
Cash and cash equivalents	$ 2,293,944	$ 3,383,295
Accounts receivable	261,091	38,661
Prepaid insurance	53,945	41,343
Total current assets	2,608,980	3,463,299
Noncurrent assets:		
Capital assets:		
Land and easements	134,475	134,475
Subsurface lines, building, vehicles and equipment	28,143,503	27,161,004
	28,277,978	27,295,479
Accumulated depreciation	(8,915,811)	(8,559,827)
	19,362,167	18,735,652
Construction in progress	2,803,382	2,741,937
Total capital assets	22,165,549	21,477,589
Other post-employment benefits	86,750	-
Total assets	$ 24,861,279	$ 24,940,888
LIABILITIES		
Current liabilities:		
Accounts payable	$ 293,453	$ 826,016
Accrued payroll and related	12,841	2,779
Accrued interest	19,473	21,874
Current portion of long-term debt	258,602	251,531
Accrued vacation leave	70,618	86,674
Total current liabilities	654,987	1,188,874
Noncurrent liabilities:		
Long-term debt, net of current portion	1,651,536	1,910,138
Other post-employment benefits	-	17,140
Accrued sick leave	-	1,438
Total long-term liabilities	1,651,536	1,928,716
Total liabilities	2,306,523	3,117,590
NET ASSETS		
Invested in capital assets, net of related debt	20,255,411	19,315,920
Unrestricted	2,299,345	2,507,378
Total net assets	$ 22,554,756	$ 21,823,298

The accompanying notes are an integral part of these financial statements

STEGE SANITARY DISTRICT
Statement of Revenues and Expenses and Changes in Fund Net Assets
Year Ended June 30, 2011 and 2010

	2011	2010
Operating Revenues:		
Sewer service charges	$ 2,825,098	$ 2,349,266
Permit and inspection fees	20,597	23,622
Contracted services	24,151	11,931
Total operating revenues	2,869,846	2,384,819
Operating Expenses:		
Sewage collection	1,728,879	1,479,226
Administration and general	368,415	475,208
Depreciation and amortization	374,428	396,307
Total operating expenses	2,471,722	2,350,741
Operating income (loss)	398,124	34,078
Non-operating Revenues (expenses):		
Interest income	16,387	28,728
Interest expense	(54,690)	(61,612)
Other income	335,737	296,197
Total non-operating revenues	297,434	263,313
Income before capital contribution	695,558	297,391
Connection fees	35,900	2,648
Increase in fund net assets	731,458	300,039
Total net assets - beginning	21,823,298	21,523,259
Total net assets - ending	$ 22,554,756	$ 21,823,298

The accompanying notes are an integral part of these financial statements

STEGE SANITARY DISTRICT
Statement of Cash Flows
Year Ended June 30, 2011 and 2010

	2011	2010
Cash flows from Operating Activities:		
Receipts from customers and users	$ 2,647,416	$ 2,379,545
Payments to suppliers	(1,433,169)	44,091
Payments to employees	(1,323,013)	(1,340,419)
Net cash provided by (used in) operating activities	(108,766)	1,083,217
Cash Flows from Capital and Related Financing Activities:		
Connection fees collected	35,900	2,648
Principal repayment of loans payable	(251,531)	(244,655)
Interest paid on loans payable	(54,690)	(61,612)
Other liabilities	-	-
Net cash used in capital and related financing activities	(270,321)	(303,619)
Cash Flow from Investing Activities:		
Interest received	16,387	28,728
Other income	335,737	296,197
Purchase of property, plant, and equipment	(1,062,388)	(3,164,131)
Net cash used in investing activities	(710,264)	(2,839,206)
Net decrease in cash	(1,089,351)	(2,059,608)
Cash and cash equivalents - beginning	3,383,295	5,442,903
Cash and cash equivalents - ending	$ 2,293,944	$ 3,383,295
Cash Flows from Operating Activities:		
Operating income	$ 398,124	$ 34,078
Adjustment to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	374,428	396,307
(Increase) decrease in:		
Accounts receivable	(222,430)	(5,274)
Prepaid insurance	(12,602)	-
Increase (decrease) in:		
Accounts payable and accrued payroll	(524,902)	666,601
Accrued vacation leave	(16,056)	(7,615)
Accrued sick leave	(1,438)	(880)
Other postemployment benefits	(103,890)	-
Net cash provided by (used in) operating activities	$ (108,766)	$ 1,083,217

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

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

General

The Stege Sanitary District (the "District") was formed in May 1913 and provides a service of sanitary sewage collection to over 40,000 residents in El Cerrito, Kensington, and portions of the Richmond Annex. Treatment and disposal of the sewage is the responsibility of the East Bay Municipal Utility District (EBMUD) which maintains a pumping station on Point Isabel to receive the sewage from the Stege Sanitary District service areas.

Reporting Entity

For financial reporting purposes, and in conformity with the Governmental Accounting Standards Board (GASB) Codification Section 2100, which defines the governmental entity, the District includes all funds that are controlled by, or are dependent on the Board of Directors of the District. Since no other entities are controlled by, or rely upon the District, the reporting entity consists solely of the District.

Fund Accounting Classification

The financial statements of the District are presented as those of an enterprise fund under the broad category of funds called proprietary funds.

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprise, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition and capital improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, cash flow from operations, the issuances of bonds, and contributed capital.

Basis of Accounting

Enterprise funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. The District applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This includes pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, unless those pronouncements conflict with or contradict with GASB pronouncements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for the District include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgetary Policy and Control

The District adopts an operations and maintenance budget at the beginning of each year for the following fiscal year. Capital budgets are adopted on a project basis. Formal budgetary integration is employed as a management control device.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash-on-hand, Local Agency Investment Funds, and "Cash in County Treasury".

The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Investments for the District are reported at fair value.

Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost, or estimated historical cost if actual cost is not available. Contributed assets are recorded at estimated fair value on the date contributed. Depreciation is recognized on buildings, furniture, fixtures, equipment, and subsurface lines by the straight-line method over their estimated useful lives.

The District uses a minimum cost of $1,500 for equipment, structures, and improvements as the basis for a capital asset and charges to current operations all additions under those cost limits. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are also expensed in the current period. Property, plant, and equipment assets are depreciated using the straight-line method and estimated useful lives are determined as follows:

Sewage Collection	75 years
Building	30 years
Vehicles	5 – 10 years
Equipment	5 – 15 years

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

The District records employees' vacation and sick leave benefits in the period in which they accumulate and become vested.

Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncements

In March of 2009, GASB issued GASBS No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* This Statement will improve financial reporting by providing fund balance categories and classifications that will be more easily understood. Elimination of the reserved component of fund balance in favor of a restricted classification will enhance the consistency between information reported in the government-wide statements and information in the governmental fund financial statements and avoid confusion about the relationship between reserved fund balance and restricted net assets. The fund balance classification approach in this Statement will require governments to classify amounts consistently, regardless of the fund type or column in which they are presented. As a result, an amount cannot be classified as restricted in one fund but unrestricted in another. The fund balance disclosures will give users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated. The clarifications of the governmental fund type definitions will reduce uncertainty about which resources can or should be reported in the respective fund types. The District is required to implement the provisions of the Statement for the fiscal year ending June 30, 2011 (effective for periods beginning after June 30, 2010). The District is an enterprise fund, and as such, this statement does not directly apply to the District.

In December of 2009, GASB issued GASBS No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* This Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates. Consistent with this change to the employer-reporting requirements, this Statement also amends a Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* requirement that a defined benefit OPEB plan obtain an actuarial valuation. The amendment permits the requirement to be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are eligible. The District is required to implement the provisions of the Statement for the year ended June 30, 2012 (effective for periods beginning after June 15, 2011). This Statement will not result in a change in current practice because the District does not use the alternative measurement method.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements (continued)

In November of 2010, GASB issued GASBS No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The District is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after December 15, 2011). The District has no known SCAs that would require disclosure or have a material effect on the financial statements of the District.

In November of 2010, GASB issued GASBS No. 61, *The Financial Reporting Entity: Omnibus*. This Statement amends Statements No. 14 and 34, to modify certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances and clarifies the reporting of equity interests in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset. The District is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after June 15, 2012). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the District.

In December of 2010, GASB issued GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements (continued)

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The District is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after December 15, 2011). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the District.

In June of 2011, GASB issued GASBS No. 63, *Financial Reporting and Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The District is required to implement the provisions of this Statement for the year ended June 30, 2013 (effective for periods beginning after December 15, 2011). This Statement will most likely not result in a change in current practice, or have a material effect on the financial statements of the District.

In June of 2011, GASB issued GASBS No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. This Statement amends Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. Some governments have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Those provisions require a government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Pronouncements (continued)

The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The District is required to implement the provisions of this Statement for the year ended June 30, 2012 (effective for periods beginning after June 15, 2011). This Statement will not result in a change in current practice, or have a material effect on the financial statements of the District.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Deposits and investments as of June 30, 2011, consist of the following:

Cash in banks and on hand	$	199,221
County cash advance		(3,960)
Investment in LAIF		2,098,683
Total cash and investments	$	2,293,944

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage-Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by depositing the majority of its funds with the State Local Agency Investment Fund (LAIF), which are short term investments.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Fair Value	Average Maturity
LAIF	$ 2,098,683	237 days

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measure by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a credit rating.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for custodial credit risk, as well as the California Government Code, requires that a financial institution secure deposits by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2011, the District's cash deposit at Mechanic's Bank was $116,776 and was covered by federal depository insurance or by collateral held in an undivided collateral pool, as described above (before reduction for outstanding checks).

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty transaction, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. It is the District's policy that all securities held, be secured through third-party custody for safekeeping.

Investment in the State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

3. PROPERTY, PLANT AND EQUIPMENT

Capital assets activities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Retirements	Balance End of Year
At cost				
Capital assets not being depreciated				
Land	$ 134,475	$ -	$ -	$ 134,475
Construction in progress	2,741,937	61,445	-	2,803,382
Total nondepreciated assets	2,876,412	61,445	-	2,937,857
Capital assets being depreciated				
Sewage collection	26,359,671	877,587	-	27,237,258
Buildings and equipment	10,830	-	-	10,830
Maintenance equipment	240,265	104,912	-	345,177
Vehicles	550,238	-	-	550,238
Total depreciated assets	27,161,004	982,499	-	28,143,503
Less accumulated depreciation				
Sewage collection	7,993,104	299,400	-	8,292,504
Buildings and equipment	6,498	2,165	-	8,663
Maintenance equipment	192,730	25,697	-	218,427
Vehicles	367,495	28,722	-	396,217
Total accumulated depreciation	8,559,827	355,984	-	8,915,811
Total capital assets being depreciated, net	18,601,177	626,515	-	19,227,692
Capital assets, net	$ 21,477,589	$ 687,960	-	$ 22,165,549

4. LONG-TERM DEBT

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Loan C-06-4008-310	$ 241,559	$ -	$ 78,089	$ 163,470
Loan C-06-4008-410	278,761	-	66,741	212,020
Loan C-06-4665-110	1,063,243	-	76,637	986,606
Loan C-06-4665-210	578,106	-	30,064	548,042
Accrued sick leave	1,438	-	1,438	-
Total	$ 2,163,107	$ -	$ 252,969	1,910,138
Less Current Portion				258,602
Long Term Portion				$ 1,651,536

The District has secured four State Revolving fund loans from the State Water Control Board. Each loan is payable in annual principal and interest payments. Loan C-06-4008-310 for an original amount of $1,245,773 under agreement dated August 1, 1992, has an interest rate of 3.1 percent and maturity date of April 15, 2013. Loan C-06-2008-410 for an original amount of $1,122,256 under agreement dated October 1, 1993, with an interest rate of 2.9 percent and maturity date of January 31, 2014. Loan C-06-4665-110 for an original amount of $1,586,165 under agreement dated October 2, 2000, has an interest rate of 2.6 percent and maturity date of February 21, 2022. Loan C-06-4665-210 for an original amount of $706,004 under agreement dated June 13, 2006, has an interest rate of 2.4 percent and maturity date of December 21, 2025.

Maturities for the next five years and thereafter on the loans are as follows:

	Principal	Interest	Total
2012	$ 258,602	$ 52,441	$ 311,043
2013	265,827	45,246	311,073
2014	187,726	37,847	225,573
2015	117,979	30,241	148,220
2016	120,980	27,239	148,219
2017-2021	652,666	88,432	741,098
2022-2026	306,358	17,615	323,973
Total	$ 1,910,138	$ 299,061	$ 2,209,199

5. EMPLOYEE RETIREMENT PLAN

Plan Description

The District's cost-sharing multiple-employer defined benefit pension plan, (Miscellaneous Plan), provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements is established by State statues within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance or resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS's annual financial report may be obtained from the CalPERS Investment Office, 400 Q Street, Suite E4800, Sacramento, California 95811 or via the web at www.calpers.ca.gov.

Funding Policy

Active plan members in the Miscellaneous Plan are required to contribute 7% of their annual covered salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The employer contribution rate for fiscal year 2011 was 13.897%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For Fiscal Year 2011, the District's annual pension cost was $161,646 and was equal to the District's required and actual contributions. The required contribution for Fiscal Year 2011 was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.55 percent to 14.45 percent for miscellaneous members; and (c) 3.25 percent cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.0 percent. The actuarial value of Miscellaneous Plan assets uses the Entry Age Actuarial Cost Method. The Miscellaneous Plan's unfunded actuarial accrued liability (or excess assets) uses the Level Percent of Payroll Method which amortizes over 18 years from the valuation date.

Three Year Trend Information for Miscellaneous Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/11	161,646	100%
6/30/10	162,919	100%
6/30/09	155,651	100%

6. POST EMPLOYMENT HEALTH CARE BENEFITS (OPEB)

Plan Description

The District provides post-retirement benefits to eligible employees. Eligibility is based upon active employee status of the District at the time of retirement, completion of at least ten years employment with the District, having achieved the age of 55 or older, eligibility to retire under PERS, and not receiving health care benefits from any other source other than Medicare or workers' compensation.

During the fiscal year 2008-2009, the District Resolution 1946-1208 established the amount of the employer's contribution of retiree health medical benefit at $280 per month per retired employee. That rate is still in effect for the year ended June 30, 2011.

California Public Employees' Retirement System (CalPERS) and the California Employers' Retiree Benefit Fund (CERBT)

To comply with recommendation of the Governmental Accounting Standards Board (GASB) statement No. 43 and No. 45, the District joined the CalPERS CERBT fund in fiscal 2010. During the year ended June 30, 2011, a deposit of $115,950 was made to the trust.

The purpose of the CalPERS CERBT Fund is to provide California government employers with a trust through which they may prefund retiree medical costs and other post employment benefits. The objective of the Fund is to seek favorable returns that reflect the broad investment performance. The Fund utilizes the concept of diversification through asset allocation. However, there is no guarantee that the Fund will achieve its investment objective. The Employers who participate in the Fund own units of the Fund's portfolio that invests in accordance with the approved strategic asset allocation, they do not have direct ownership of the securities in the portfolio. The Fund's unit value changes with market condition. The CERBT is a self-funded program, in which the participating employers pay the program costs. The cost charged to participating employers is based on the average daily balance of assets. CalPERS issues a separate Comprehensive Annual Financial Report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Statement No. 45 sets rules for computing the employer's expense for retiree benefits other than pension, called OPEBs. The expense, called the annual OPEB Cost (AOC), is determined similarly to pensions. The *annual required contribution (ARC)* of the employer, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal annual costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. When an agency contributes more than the ARC, there is a net OPEB asset; when the contribution is less, a net OPEB obligation results. The District has a net OPEB asset of $86,750 as of June 30, 2011.

Annual OPEB Cost

For 2011, the District's annual OPEB cost (expense) was equal to the ARC of $25,500. The District contributed $13,440 for retiree health care premiums (an implied subsidy).

6. POST EMPLOYMENT HEALTH CARE BENEFITS (OPEB) (continued)

The following table shows the components of the District's annual OPEB costs for the 2011, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	2011	2010
Net OPEB Obligation (Asset) – Beginning of Year	$ 17,140	$ -
Annual Required Contribution	25,500	24,700
Contributions Made:		
Health care premiums paid	(13,440)	(7,560)
Contributions to CERBT trust	(115,950)	-
Net OPEB Obligation (Asset) – End of Year	$ (86,750)	$ 17,140

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for 2010 and the preceding year are presented below:

Fiscal Year	Annual OPEB Cost (AOC)	Annual Employer Contribution	Percentage of AOC Contributed	Current Year AOC Obligation (Asset)	Net OPEB Obligation (Asset)
June 30, 2011	$ 25,500	$ 129,390	507%	$ (103,890)	$ (86,750)
June 30, 2010	$ 24,700	$ 7,560	32%	$ 17,140	$ 17,140

Funding Status and Funding Progress

The District's actuarial report dated January 1, 2010 estimates an unfunded Actuarial Accrued Liability (UAAL) of $231,000 in order to fund the health medical benefits of retired employees. The funded status of the plan as of January 1, 2010 was as follows:

Actuarial Valuation Date	Actuarial Valuation of Assets (A)	Cost Method Actuarial Accrued Liability (B)	Overfunded (Underfunded) Actuarial Accrued Liability (A-B) UAAL	Funding Ratio (A/B)	Covered Payroll (Active Plan Members)	UAAL as a % of Covered Payroll
January 1, 2010	$0	$ 231,000	$ (231,000)	0%	$ 882,500	26%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. The funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time, relative to the actuarial liabilities for benefits.

6. POST EMPLOYMENT HEALTH CARE BENEFITS (OPEB) (continued)

Actuarial Methods and Assumptions

GASB Statement No. 43 requires actuarial reporting by the retiree health benefits trust fund and Statement No. 45 requires that an employer's expense be determined using actuarial methods so that costs accrue over the employees' working lifetimes. In addition, the CERBT trust requires biennial valuation. In order to comply with the above requirements, the Actuarial Analysis of Retiree Health Benefits for the District's, as of January 1, 2010, was performed by enrolled actuary Steven T. Itelson. The actuary used following actuarial method and assumption:

Valuation date:	January 1, 2010
Actuarial Cost Method	Projected Unit Credit Method
Amortization Method:	Level percentage of payroll
Average Remaining Period:	Thirty years as of the Valuation Date
Actuarial Assumption:	
Investment Rate of Return	7.75%
Projected Salary Increases	3.25% covered payroll
Inflation	General-3.00% per year
Rates of death and disability	California PERS rates for Public Agencies from 2004 Experience Study
Number of retirees receiving benefits:	4

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District joined together with other entities to form the California Sanitation Risk Management Authority (CSRMA), a public entity risk pool currently operating as a common risk management and insurance program for 54 member entities. The purpose of CSRMA is to spread the adverse effects of losses among the member entities and to purchase excess insurance as a group, thereby reducing its cost. The District pays annual premiums to CSRMA for its general liability, property damage and workers compensation insurance.

CSRMA is governed by a Board composed of one representative from each member agency. The Board controls the operations of CSRMA including selection of management and approval of operating budgets, independent of any influence by member entities.

In addition to the primary insurance types provided for through CSRMA listed above, the District also maintains commercial fidelity bonds, a public employee dishonesty and public official bonds, to protect against employee theft or defalcation. Settled claims for CSRMA or commercial fidelity bonds have not exceeded coverage in any of the past three fiscal years.

7. RISK MANAGEMENT (continued)

The following is a summary of the insurance coverage carried by the District as of June 30, 2011:

Insurance Program/Company	Type of Coverage	Limits
Pooled Liability Program – CSRMA	Bodily injury and property damage – auto, errors and omissions	15,500,000
Ironshore Specialty Insurance	Excess liability	10,000,000
Pooled Liability Program – CSRMA	Employment related practices	Included above
Travelers Property and Casualty Insurance Program – CSRMA	Public official bonds	100,000
Public Entity Property Insurance Program	Special form property	584,988
Workers Compensation Plan – CSRMA	Workers compensation	Statutory
Beazley Insurance Company	Mobile equipment	279,594

The financial statements of CSRMA are available upon request from: The California Sanitation Risk Management Authority, c/o Alliant Insurance Services, Inc., 100 Pine Street, 11th Floor, San Francisco, California 96111-5101.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 27, 2011, the date on which the financial statements were available to be issued.

The Environmental Protection Agency and the State of California, filed a Clean Water Act civil enforcement action against the District and six other East Bay satellite agencies. The complaint alleged that the District violated National Pollutant Discharge Elimination System permit and section 301(a) of the Clean Water Act by allowing sewage to overflow from its collection system to waters of the United States.

The parties negotiated a Stipulated Order for Preliminary Relief, which was entered by the Court on September 6, 2011. The Stipulated Order requires the District to implement certain collection system operations and maintenance programs to improve the performance of its collection system and reduce the number of overflows from its collection system. During the term of the Stipulated Order, the litigation is stayed. Once the programs required by the Stipulated Order have been implemented, the parties intend to negotiate a subsequent settlement agreement which will serve as the final remedy in this case. It is anticipated that these subsequent settlement negotiations will occur in two to three years.

As part of the Stipulated Order, the District is not currently required to pay any monetary penalties or a monetary judgment. However, the Stipulated Order has the potential to significantly increase the capital improvement and operating and maintenance costs of the District over a long period of time. Also, as part of the final remedy, the District may be required to pay monetary penalties or a monetary judgment. The increase in capital improvement, O&M costs, and amount of any potential penalties or judgments is currently unknown, and cannot be estimated.

SUPPLEMENTARY INFORMATION

STEGE SANITARY DISTRICT
Comparison of Budget to Actual
For the year ended June 30, 2011

	Final Budget 2010-2011	Actual 2010-2011	Over (Under) Budget	Variance %
Operating Revenues:				
Sewer service charges	$ 2,013,000	$ 2,056,671	$ 43,671	2.2%
Permit and inspection fees	23,000	20,597	(2,403)	-10.4%
Contracted services	12,000	24,151	12,151	101.3%
Non-operating Revenue (Expense):				
Property tax	270,000	324,556	54,556	20.2%
Capital service charges	753,000	768,427	15,427	2.0%
Interest income	55,000	16,387	(38,613)	-70.2%
Other income	21,000	11,181	(9,819)	-46.8%
Connection fees	3,000	35,900	32,900	1096.7%
Transfers	473,084	-	(473,084)	-100.0%
Total revenues	3,623,084	3,257,870	(365,214)	-10.1%
Operating Expenses:				
Maintenance/Engineering	1,637,264	1,651,506	14,242	0.9%
Pump Stations	6,380	18,017	11,637	182.4%
Debt repayment - SRF Loan	57,092	54,690	(2,402)	-4.2%
Contracted Repairs	50,000	52,564	2,564	5.1%
General & Administrative	511,817	468,625	(43,192)	-8.4%
Non-operating Expenses:				
Retiree health payments	-	(93,418)	(93,418)	100.0%
Total expenses	2,262,553	2,151,984	(110,569)	-4.9%
Depreciation and amortization	N/A	(374,428)	N/A	
Change in Net Assets	$ 1,360,531	$ 731,458	$ (254,645)	-18.7%
Balance Sheet Related:				
Debt principal repayment	251,531	251,531	-	0.0%
Capital Equipment	69,000	-	(69,000)	-100.0%
Construction	1,040,000	3,124,678	2,084,678	200.4%
Capital Support Service	-	-	-	0.0%
Total capital expenses	$ 1,360,531	$ 3,376,209	$ 2,015,678	

STEGE SANITARY DISTRICT
Schedule of Operating Expenses
For the year ended June 30, 2011

	Sewage Collection	Administrative & General	Total
Salaries	739,213	148,443	887,656
Employee benefits	320,719	(37,171)	283,548
Director fees	-	30,425	30,425
Gasoline, oil and fuel	18,528	-	18,528
Insurance	13,559	77,101	90,660
Memberships	3,081	14,241	17,322
Professional services	438,256	74,091	512,347
Printing and publications	-	678	678
Repairs and maintenance	128,293	16,945	145,238
Training/Travel/Conferences	14,612	1,162	15,774
Utilities	1,648	19,532	21,180
Operating supplies	46,578	-	46,578
Rents and leases	-	628	628
Other	4,392	22,340	26,732
TOTAL	**$ 1,728,879**	**$ 368,415**	**$ 2,097,294**