

**REDSTONE WATER & SANITATION DISTRICT
REDSTONE, COLORADO**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION WITH
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2016



RECEIVED

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**REDSTONE WATER & SANITATION DISTRICT
REDSTONE, COLORADO**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Redstone Water & Sanitation District
Redstone, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Redstone Water & Sanitation District, as of and for the year ended December 31, 2016 which collectively comprises the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Redstone Water & Sanitation District, as of December 31, 2016 and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has not presented Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Watson Coon & Associates P.C.

Watson Coon & Associates P.C.

Greenwood Village, Colorado
July 28, 2017

REDSTONE WATER & SANITATION DISTRICT
REDSTONE, COLORADO
Statement of Net Position
December 31, 2016

ASSETS

Current assets:

Cash and investments	\$ 157,996
Cash with County Treasurer	1,721
Accounts receivable	18,573
Property taxes receivable	163,221
Other	2,152

Total current assets 343,663

Property and equipment:

Land	10,500
Water plant and lines	2,143,034
Waste Water plant and lines	2,291,402
Equipment and furniture	15,476
Construction in Progress	53,309

Total property and equipment	4,513,721
Less accumulated depreciation	(2,215,222)

Net property and equipment 2,298,499

Total assets \$ 2,642,162

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Current liabilities:

Accounts payable	\$ 5,565
Interest payable	3,186
Bonds and loans payable - current portion	102,215

Total current liabilities 110,966

Noncurrent liabilities, net of current portion:

Water Pollution Control Revolving Fund	1,701,514
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Total non current liabilities 1,701,514

Deferred inflows of resources:

Deferred property tax	163,221
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Total current, noncurrent liabilities and deferred inflows of resources 1,975,701

Net position:

Invested in capital assets	494,770
Restricted for:	
Colorado resources loan reserve	27,265
Tabor	10,000
Unrestricted	134,426

Total net position \$ 666,461

The accompanying notes are an integral part of this financial statement.

REDSTONE WATER & SANITATION DISTRICT
REDSTONE, COLORADO
Statement of Activities
For the year ended December 31, 2016

Water system:	
Revenues:	
User fees	\$ 108,199
Other charges	9,294
Total water revenues	117,493
Expenses:	
Reservoir maintenance	1,505
Water treatment	20,326
Transmission and distribution	28,156
Depreciation	42,901
Administrative and general	37,235
Total water expenses	130,123
Net (loss) from water system	(12,630)
Waste Water system:	
Revenues:	
User fees	69,380
Total Waste Water revenues	69,380
Expenses:	
Collection and transmission	24,397
Treatment	35,164
Depreciation	60,131
Capital outlay expensed	1,105
Administrative and general	10,696
Total Waste Water expenses	131,493
Net (loss) from sewer system	(62,113)
Operating (loss)	(74,743)
Non-operating revenues (expenses):	
Property taxes	157,317
Specific ownership taxes	4,598
Interest income	2,267
Other income	580
Interest expense	(20,257)
Total non-operating revenues (expenses)	144,505
Net Gain	69,762
Total net position - beginning of year	596,699
Total net position - end of year	\$ 666,461

The accompanying notes are an integral part of this financial statement.

REDSTONE WATER & SANITATION DISTRICT
REDSTONE, COLORADO
Statement of Cash Flows
For the year ended December 31, 2016

Cash flows from operating activities:	
Cash received from customers	\$ 177,600
Cash paid to suppliers	(153,659)
Net cash (used) by operating activities	23,941
Cash flows from non-capital financing activities:	
Property taxes received	157,317
Specific ownership taxes received	4,598
Other Income Received	580
Net cash provided by non-capital financing activities	162,495
Cash flows from capital financing activities:	
Interest payments	(20,257)
Purchase of capital assets	(43,966)
Note principal payments	(92,229)
Net cash (used) by capital financing activities	(156,452)
Cash flows from investing activities:	
Interest on investments	2,267
Net cash provided by investing activities	2,267
Net increase in cash	32,251
Cash and cash equivalents, beginning of year	125,745
Cash and cash equivalents, end of year	\$ 157,996
Reconciliation of operating (loss) to net cash provided by operations:	
Operating (loss)	\$ (74,743)
Adjustments to reconcile operating (loss) to cash provided by operating activities:	
Depreciation	103,032
Decrease (increase) in:	
Accounts receivable	(9,034)
Other accounts receivable	(238)
(Decrease) increase in:	
Accounts payable and interest	4,925
Total adjustments	98,685
Net cash (used) by operating activities	\$ 23,942

The accompanying notes are an integral part of this financial statement.

REDSTONE WATER & SANITATION DISTRICT
REDSTONE, COLORADO
Notes to the Financial Statements
December 31, 2016

1. **Summary of significant accounting policies**

The accounting policies of the Redstone Water and Sanitation District, located in Redstone, Colorado, (the District), conform to accounting principles generally accepted in the United States of America as applicable to governments (US GAAP). The following is a summary of the more significant policies consistently applied in the preparation of the financial statements.

Reporting entity

The District is incorporated as a separate local government entity under Colorado Revised Statutes. A Board of Directors, consisting of five elected Board members governs the District. As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District provides water and waste water services to an unincorporated area of Pitkin County.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the Governmental Accounting Standards Board (GASB), which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

The District has no employees and contracts for all services.

Measurement focus, basis of accounting and financial statement presentation

The accompanying financial statements are presented in accordance with GASB Statement No. 34. The government-wide financial statements (i.e. the statement of net position and the statement of revenues, expenses, and changes in fund net position) report information on the business-type activities of the District, which rely to a significant extent on taxes, user fees and charges for support. The statement of activities demonstrates the degree to which expenses of the business-type activities are supported by user fees.

1. Summary of significant accounting policies (continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

The District's operations are classified as an Enterprise fund that accounts for the acquisition, operation, and maintenance of activities that are similar to a business. The business-type fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations, the delivery of water and treatment of wastewater. Operating expenses for the fund include water and waste water expenses, all revenues and expenses not meeting this definition, including property and specific ownership taxes are reported as nonoperating revenues and expenses.

The District reports one proprietary fund which combines the revenues and expenses of the water and waste water operations. District water is provided on both a flat and metered rate basis. The District accounts for tap fees as revenue to be expended for capital improvements.

Assets, liabilities, deferred inflows of resources, and net position

Cash and cash equivalents

For purposes of the statement of cash flows the District considers cash on hand, demand deposits and investments in state regulated pools to be cash and cash equivalents.

Fair value of financial instruments

The District's financial instruments include cash and investments, accounts receivable, and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2016 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of net position. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

1. **Summary of significant accounting policies (continued)**

Property taxes receivable

Property taxes are levied on December 15 of each year and attach as an enforceable lien on property as of January 1. Taxes are due as of January 1 of the following year and are payable in two equal installments due February 28 and June 15 if paid in installments, or April 30 with a single payment. Taxes are delinquent as of August 1. If the taxes are not paid within subsequent statutory periods, the tax lien will be sold at public auction. Pitkin County bills and collects the property taxes and remits collections, on a monthly basis, to the District. No provision has been made for uncollected taxes, as all taxes are deemed collectible.

Capital assets

All purchased capital assets are recorded at cost. Major capital outlays for capital assets and improvements are capitalized as projects are completed.

Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives ranging from 3 to 40 years. A full year of depreciation is computed in the year of acquisition. Donated assets are valued at their estimated fair market value when received.

Long-term obligations

Long-term obligations of the District consist of principal due on loans from the Colorado Water Resources and Power Development Authority.

Deferred inflows of resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position

Net Position of the District is classified into three components; 1) Net invested in capital assets, 2) Restricted net positions, which are non-capital assets that must be used for a particular purpose, and 3) Unrestricted net positions which are the remaining assets not otherwise classified.

The District applies restricted net positions first when both restricted and unrestricted resources are available.

1. **Summary of significant accounting policies (continued)**

Budgetary information

The Enterprise fund adopts a budget prepared on the non-US GAAP basis wherein principal payments on debt and capital expenditures are recognized as expenses, and depreciation and amortization expense are not budgeted.

2. **Detailed notes concerning the funds**

Cash and cash equivalents

The Colorado Public Deposit Protection Act, (PDPA) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by Colorado Revised Statutes to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2016, all of the District's deposits were either held in deposit accounts insured by the Federal Deposit Insurance Corporation or in eligible depositories as required by PDPA.

Investments

Credit risk

The District has not adopted a formal investment policy; however, the District follows Colorado Revised Statutes regarding its investments. Colorado Revised Statutes specify investment instruments meeting defined rating and risk criteria in which the District may invest which include local government investment pools.

Investment Valuation

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

REDSTONE WATER & SANITATION DISTRICT
 REDSTONE, COLORADO
 Notes to the Financial Statements
 December 31, 2016

2. Detailed notes concerning the funds (continued)

The District has the following recurring fair value measurements as of December 31, 2016:

Assets at Fair Value as of December 31, 2016

	Level 1	Level 2	Level 3	Total
Colostrust	\$ -	\$ 50,414	\$ -	\$ 50,414
Total	\$ -	\$ 50,414	\$ -	\$ 50,414

Custodial and concentration of credit risk

At December 31, 2016, the District had \$50,414 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Securities. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST.

Custodial and concentration of credit risk

The District does not categorize its participation in COLOTRUST because the investment is not evidenced by securities specifically identifiable to the District. COLOTRUST is rated AAAM by Standard & Poor's.

Receivables

Accounts receivable primarily consist of user fees for water and waste water services earned as of December 31, 2016. The District considers all receivables to be collectible at December 31, 2016.

It is the policy of the District to record the property tax receivable in the year in which the taxes are levied and to recognize the property tax revenues in the year in which the lien attaches to the property. Property taxes are reported as receivable and deferred revenue of \$163,221.

REDSTONE WATER & SANITATION DISTRICT
REDSTONE, COLORADO
Notes to the Financial Statements
December 31, 2016

2. Detailed notes concerning the funds (continued)

Changes in capital assets

The changes in capital assets for the year ended December 31, 2016 are as follows:

	Balance			Balance
	January 1, 2016	Additions	Deletions	December 31, 2016
Land	\$ 10,500	\$ --	\$ --	10,500
Source of supply	223,695	--	--	223,695
Water lines	1,574,769	--	--	1,574,769
Water plant	336,684	7,886	--	344,570
Waste water lines	165,144	--	--	165,144
Waste water plant	2,126,258	--	--	2,126,258
Equipment	13,281	--	--	13,281
Office equipment	2,195	--	--	2,195
Construction in progress	17,229	36,080	--	53,309
Total	4,469,755	43,966	--	4,513,721
Accumulated Depreciation	(2,112,190)	(103,032)	--	(2,215,222)
Net	\$ 2,357,565	\$ (59,066)	\$ --	\$ 2,298,499

Leases

In 1976, the District Board approved an agreement that provided for the fire district to lease land near the waste water plant for a fire station. The lease is for 99 years at an annual rent of \$100. There are no rent escalation clauses in the lease.

REDSTONE WATER & SANITATION DISTRICT
REDSTONE, COLORADO
Notes to the Financial Statements
December 31, 2016

2. Detailed notes concerning the funds (continued)

Long-term debt

Colorado Water Resources Loan

The District received a loan from the Colorado Water Resources and Power Development Authority as part of their Clean Drinking Water Revolving Fund loan program. This loan is funded by the State to finance the costs of certain water resource projects to public entities in the State. The loan is evidenced by a Limited Tax General Obligation bond in the principal amount of \$410,000. The bond bears interest at the rate of 4.50% from May 1, 1999, to its maturity. Interest and principal payments are payable on November 1, 1999 and semiannually thereafter. The bond matures on November 1, 2017. Management believes they are in compliance with all the terms of the loan agreement. Annual debt service requirements to maturity are as follows:

Year	Interest	Principal	Payment
2017	1,042	30,766	31,808
Total	\$ 1,042	\$ 30,766	\$ 31,808

Waste Water and Water Upgrades Loan

On July 14, 2011, the District executed a loan with the Colorado Water Resources and Power Development Authority in the principal amount of \$2,000,000 with interest at 1% with semi-annual payments due May 1 and November 1 starting November 1, 2012. The loan matures on May 1, 2032.

Annual debt service requirements to maturity are as follows:

Year	Interest	Principal	Payment
2017	17,551	71,449	89,000
2018	16,742	109,610	126,352
2019	15,643	110,709	126,352
2020	14,533	111,818	126,351
2021-2025	55,624	576,133	631,757
2026-2030	26,161	605,597	631,758
2031-2032	1,880	187,647	189,527
Total	\$ 148,134	\$ 1,772,963	\$ 1,921,097

REDSTONE WATER & SANITATION DISTRICT
REDSTONE, COLORADO
Notes to the Financial Statements
December 31, 2016

2. Detailed notes concerning the funds (continued)

Long-term debt

The following is an analysis of changes in long-term obligations for the year ended December 31, 2016.

	Balance January 1, 2016	Additions	Payments	Balance December 31, 2016
Colorado water	\$ 60,891	\$ --	\$ (29,423)	\$ 30,766
Water pollution	1,835,762	--	(62,799)	1,772,963
Total	\$ 1,895,951	\$ --	\$ (92,222)	\$ 1,803,729

Restricted net position

TABOR - the District has reserved a portion of fund balance for the TABOR emergency reserve - see footnote 3.

Colorado Water Resources Loan - fund balance has been reserved in accordance with the loan agreement to reflect three months of operating and maintenance expenses net of depreciation and interest expense.

Capital improvements - the District has adopted a resolution that sets aside all tap fees for capital improvements. Due to the current District-wide capital construction activity, there are currently no restricted amounts set aside.

3. Other information

Risk management

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets, errors or omissions, injuries to employees, or acts of God.

The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is sponsored by the Special District Association of Colorado.

The Pool is an organization created by intergovernmental agreement to provide property, liability, public official liability, and boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for property, general liability and public official's liability coverage. Members of the Pool may be required to make additional surplus contributions in the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool. Any excess funds, which the Pool determines are not needed for purposes of the Pool, may be returned

3. **Other information (continued)**

to the members pursuant to a distribution formula. No distributions were made during the year ended December 31, 2016.

TABOR Amendment

In November of 1992, Colorado voters approved Amendment 1 to the state Constitution which, is commonly known as The Taxpayer's Bill of Rights or the TABOR Amendment.

The amendment applies to all units of local government and limits taxes, spending, revenue, and multi-year debt (excepting bond refunding to lower interest rates and adding employees to pension plans). The amendment does not apply to units that are defined as "Enterprises." The Redstone Water & Sanitation District does not qualify as an "Enterprise."

The amendment defined the District's year ending December 31, 1992, as the initial base year for purposes of defining compliance with the amendment. The amendment defines inflation and local growth. Future year's revenue, based upon prior year's revenue, is only allowed to increase based upon the inflationary and local growth factors. The District must refund revenue received in excess of the prior year's revenue to the voters, unless the voters were to approve retention of the excess revenue. The District placed a question on the November 1996, ballot that would permit the District to keep and spend all revenues from all sources in 1996 and subsequent years without limiting in any year the amount of other revenues that may be collected. The voters approved this ballot question.

The amendment also requires the District to establish an "Emergency Reserve" which must be equal to 3% of current year's spending. Conditions under which these reserves may be spent are severely limited.

The Redstone Water & Sanitation District, Redstone, Colorado, believes that it is in compliance with the provisions of TABOR, as it is currently understood. Many of the provisions may not become fully understood without judicial review.

**REDSTONE WATER & SANITATION DISTRICT
REDSTONE, COLORADO**

**Schedule of Revenues, Expenses and Changes in Net Position -
Budget (Non - US GAAP Basis) and Actual
For the year ended December 31, 2016**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Taxes:			
Property	\$ 154,736	\$ 157,317	\$ 2,581
Specific ownership	2,000	4,598	2,598
Penalties and interest on taxes	400	1,046	646
Charges for services:			
Water service charges	97,416	108,199	10,783
Waste Water service charges	66,155	69,380	3,225
Other charges	500	--	(500)
Other:			
Interest income	--	1,221	1,221
Miscellaneous	635	9,294	8,659
Tap Fees	370,000	--	(370,000)
Line of credit	100,000	--	(100,000)
Grants	105,000	--	(105,000)
Other income	600	580	(20)
Total revenue	897,442	351,635	(545,807)
Expenses:			
Water:			
Sources of Supply:			
Reservoir maintenance	2,000	1,505	495
Water Tank Maintenance	500	100	400
Total sources of supply expenses	2,500	1,605	895
Water treatment expenses:			
Lab expense	5,000	3,549	1,451
Chemicals	6,000	3,250	2,750
Permits and licenses	150	75	75
Engineering	2,000	1,019	981
Utilities	6,000	5,065	935
East Creek maintenance	6,000	3,535	2,465
Trash	250	90	160
Water Plant Supplies	1,250	1,082	168
Telephone	650	740	(90)
Plank Springs Maintenance	3,000	1,661	1,339
Miscellaneous	1,000	260	740
Capital outlay - capitalized	215,000	7,886	207,114
Capital outlay - expensed	--	0	--
Total water treatment expenses	246,300	28,212	218,088
Transmission and distribution expense:			
Repairs and maintenance	4,000	--	4,000
Meter Reading	1,900	2,044	(144)
Operations Contract	26,112	26,112	--
Total transmission and distribution expense	32,012	28,156	3,856

(continued)

**REDSTONE WATER & SANITATION DISTRICT
REDSTONE, COLORADO**

**Schedule of Revenues, Expenses and Changes in Net Position -
Budget (Non - US GAAP Basis) and Actual (continued)
For the year ended December 31, 2016**

	Original and Final Budget	Actual	Variance Positive (Negative)
Administrative and general expenses:			
Accounting and audit	\$ 14,592	20,160	\$ (5,568)
Bad debt	--	--	--
County Treasurer's fees	5,028	3,856	1,173
Dues and subscriptions	336	260	76
Insurance and surety bonds	6,400	6,853	(453)
Professional Services	640	--	640
Legal notices and publications	192	--	192
Legal services	1,600	3,339	(1,739)
Bank Charges	512	124	388
Miscellaneous	320	330	(10)
Office supplies and expense	1,600	1,347	253
Telephone	896	967	(71)
Total administration	32,116	37,235	(5,119)
Total water expenses	312,928	95,108	217,320
Waste water:			
Collection and transmission expense:			
Line Maintenance and Repairs	2,000	24,397	(22,397)
Capital outlay - capitalized	415,000	--	415,000
Capital outlay - expensed	--	1,105	(1,105)
Total collection and transmission expense	417,000	25,502	391,498
Waste water treatment expenses:			
Sludge removal	10,000	5,796	4,204
Lab expense	4,000	5,239	(1,239)
Permits and licenses	1,440	1,515	(75)
Plant repairs and maintenance	6,000	2,442	3,558
Operations Contract	14,688	14,688	--
Utilities	8,500	5,332	3,168
Trash	150	--	150
Sewer Plant Supplies	600	152	448
Miscellaneous	1,000	--	1,000
Total waste water treatment expenses	46,378	35,164	11,214

(continued)

**REDSTONE WATER & SANITATION DISTRICT
REDSTONE, COLORADO**

**Schedule of Revenues, Expenses and Changes in Net Position -
Budget (Non - US GAAP Basis) and Actual (continued)
For the year ended December 31, 2016**

	Original and Final Budget	Actual	Variance Positive (Negative)
Administrative and general expenses:			
Accounting and audit	\$ 8,208	\$ 1,890	\$ 6,318
Bad debt	--	--	--
County Treasurer's fees	2,829	3,856	(1,027)
Dues and subscriptions	189	146	43
Insurance and surety bonds	3,600	3,855	(255)
Professional Services	360	--	360
Legal notices and publications	108	--	108
Legal services	900	26	874
Bank Charges	288	69	219
Miscellaneous	180	--	180
Office supplies and expense	900	310	590
Telephone	504	544	(40)
Total administration	18,066	10,696	7,369
Total Waste water expenses	481,444	71,362	410,082
Debt service:			
Bond interest	--	--	--
Colorado water revolving loan interest	--	2,161	(2,161)
Colorado water revolving loan principal	31,804	29,423	2,381
Waste water Revolving Loan Interest	18,201	18,096	105
Waste water Revolving Loan principal	62,799	62,799	--
Total debt service	112,804	112,480	325
Total expenses	907,176	278,950	627,727
Net (loss) - non - US GAAP budgetary basis	<u>\$ (9,734)</u>	<u>72,685</u>	<u>\$ 82,419</u>
Adjustments to US GAAP basis:			
Add:			
Colorado water revolving loan principal		29,423	
Waste water Revolving Loan principal		62,800	
Capital outlay - capitalized		7,886	
Less:			
Depreciation expense		<u>(103,032)</u>	
Total adjustments to US GAAP basis		<u>(2,923)</u>	
Net income - US GAAP basis		69,762	
Net position - beginning of year		<u>596,699</u>	
Net position - end of year		<u><u>\$ 666,461</u></u>	