FOOTHILLS ANIMAL SHELTER

FINANCIAL STATEMENTS

December 31, 2016

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FOOTHILLS ANIMAL SHELTER
Board of Directors

S&C Swanhorst & Company LLC
Certified Public Accountants

Board of Directors
Foothills Animal Shelter
Golden, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the Foothills Animal Shelter and its discretely presented component unit as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Foothills Animal Shelter'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.

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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 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 opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Foothills Animal Shelter and its discretely presented component unit as of December 31, 2016, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters (Supplementary Information)
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Foothills Animal Shelter's basic financial statements. The supplementary 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Swanhorst & Company LLC

June 27, 2017

FOOTHILLS ANIMAL SHELTER

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following Management Discussion and Analysis is designed to provide an analysis of Foothills Animal Shelter's (the Shelter's) financial condition and operating results and to inform the reader of the Shelter's financial issues and activities.

The Shelter's Management Discussion and Analysis (MD&A) should be read in conjunction with the Shelter's financial statements.

2016 Financial Highlights

- Noteworthy in the 2016 financials is the ongoing change in government funding received by the Shelter. The amended County-Wide Dog Licensing Program Intergovernmental Agreement (IGA), dated August 15, 2012, between Jefferson County and the six municipalities served by the Shelter, created a change in the Shelter's government funding. Beginning in 2013, annual assessments historically paid to the Shelter by the County and the municipalities to support the operations and capital needs of the Shelter were replaced by revenues generated from the county-wide Pet Licensing Program. In July 2013, administration of the Pet Licensing Program was transferred from the County to the Shelter – resulting in a new service component for the Shelter. The 2016 financial statements reflect the third full-year of the Shelter administering the Pet Licensing Program. Unfortunately, the growth of the program has not reached the budgeted program financial goals. In 2016, we budgeted $960,000 for licensing revenue and ended the year with $865,043, falling short by $94,957. In November 2015, the fees changed from $15 for altered animals/$30 for unaltered animals to a flat fee of $20 for all pets to better meet the aggressive long-term financial goals. Although licensing revenue fell short from budgeted to actual, it is worth recognizing that this revenue increased from $738,214 in 2015 for a total increase of 17% or $126,829.

- In 2016, the Shelter's Total Net Position increased by $616,519. Unrestricted Net Position increased by $611,256. Net Investment in Capital Assets increased by $8,963.

- In 2016, the Shelter's total revenue was $3,802,708, a $953,993 increase in revenue from 2015. The change is primarily related to addition of special assessments from the governing entities totaling $750,000 in 2016, and increased revenue generated by adoptions (up $149,472 over 2015) and licensing (up $126,829 over 2015).
- In 2016, the Shelter's total expenses held relatively steady with a decrease of .6% over 2015, ending at $3,186,189.

Overview of the 2016 Financial Statements

The financial statements of the Shelter are presented as a local governmental entity of the State of Colorado engaged in the operation of providing an animal shelter to communities within Jefferson County.

The S*tatement of Net Position* presents information on all of the Shelter's assets and liabilities. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the Shelter is strengthening or losing ground.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information that reflects how the Shelter's net position changed during the past year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* reports the Shelter's cash flows from operating, capital and investing activities.

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

Shelter Financial Analysis

ASSETS					
Years ending December 31,	**2015**		**2016**		**Percent Change**
CURRENT ASSETS	$797,328		$1,382,553		73%
PROPERTY AND EQUIPMENT	$124,324		$133,287		7%
TOTAL ASSETS	$921,652		$1,515,840		65%

LIABLITIES AND NET POSITION					
Years ending December 31,	**2015**		**2016**		**Percent Change**
CURRENT LIABLITIES	$85,151		$62,025		(27%)
NONCURRENT LIABILITIES	$53,867		$54,662		1.5%
TOTAL LIABILITIES	$139,018		$116,687		(16%)
NET POSITION					
Net Investment in Capital Assets	$124,324		$133,287		7%
Unrestricted	$154,610		$765,866		395%
Restricted	$503,700		$500,000		(.7)%
TOTAL NET POSITION	$782,634		$1,399,153		79%
TOTAL LIABILITIES and NET POSITION	$921,652		$1,515,840		65%

Shelter Change in Net Position

The Shelter uses unrestricted and capital assets to provide services as an animal shelter to the community. For year-end 2016, the largest portion of the Shelter's net position is reflected in its unrestricted net position of $765,866.

REVIEW OF REVENUE					
Years ending December 31	**2015**		**2016**		**Percent Change**
OPERATING REVENUE					
Service Fees and Merchandise	$1,315,137		$1,411,187		7%
Dog Licensing Fees	$738,214		$865,043		17%
Assessments	$0		$750,000		100%
Donations	$794,788		$775,792		(2.4%)
TOTAL OPERATING REVENUE	$2,848,139		$3,802,022		34%

Shelter Change in Operating Revenue

The Shelter's total operating revenue increased 34%, or $953,883 over 2015 revenue. Again, this amount is largely due to the initial year of special assessments received by local and county government partner entities in the amount of $750,000. In 2015, these fees were not assessed.

REVIEW OF EXPENSES					
Years ending December 31,	**2015**		**2016**		**Percent Change**
OPERATING EXPENSES	$3,203,622		$3,169,191		(1%)
NET OPERATING INCOME (LOSS)	($355,483)		$632,831		278%
NON-OPERATING REVENUE (EXPENSES)					
Interest Income	$576		$686		19%
Gain (Loss) on Sale / Disposal of Capital Assets	$3,942		($16,998)		(531%)
CHANGE IN NET POSITION	($350,965)		$616,519		276%
NET POSITION - BEGINNING OF YEAR	$1,133,599		$782,634		(31%)
NET POSITION - END OF THE YEAR	$782,634		$1,399,153		79%

Review of Shelter Expenses

In 2016, the Shelter's operating expenses, in large part, held steady over 2015. There was a decrease of $34,431 or 1%.

Shelter Budgetary Highlights

The Shelter prepares its budget on a non-GAAP budgetary basis of accounting to recognize capital outlays in addition to operating and non-operating revenue and contributions. Capital contributions of facilities and depreciation are not reflected on the budget since they do not affect “funds available.” Budgets are required by State Statute.

The total revenue for 2016 was $149,359 above budget.

Shelter Long-Term Debt

The Shelter does not carry any Long-Term Debt.

Shelter Capital Assets

The Shelter sets capital items with a minimum value of $2,000 per individual item on a depreciation schedule.

Economic Factors and Next Year's Budget

In 2017, the Shelter will focus on the following core elements:

- Aligning the organizational structure to promote efficiency and effectiveness.
- Improving recruitment and retention of staff and volunteers in a tight labor market and anticipated but yet-unknown changes in laws and regulations.
- Increase fundraising activities and staff support to generate more donations and grants to support the Shelter.
- Increase efforts toward community outreach and education to encourage responsible pet ownership and inform the public of community resources.
- Ensure the Shelter provides a clean, safe, and healthy environment for the Shelter’s animals and the people who care for them.
- Provide the best possible service to pet owners, patrons, animal control officers, city, county and state government entities, fellow animal welfare providers, volunteers, local businesses and donors.
- Increase adoptions of orphaned animals and reunification of lost pets with their owners while promoting and supporting responsible pet ownership.
- Administer and promote an effective and successful County-wide Licensing Program.
- Control expenses, maximize revenues and thereby contribute to the long-term financial stability and sustainability of the Shelter.
- Improve budget structure to better support Shelter operations.

The 2017 Foothills Animal Shelter budget anticipates an increase in revenue as a result of the Dog Licensing Program as the Shelter enters into its fourth full year of managing and promoting the Licensing Program. Adoptions and vaccine clinic is also budgeted to increase once again in 2017 as the visibility of the Shelter increases, some fees were increased, a Wednesday public spay/neuter program will be launched, and twice-monthly vaccine clinics will be added. Finally, contributions to the Shelter from patrons and donors are projected to increase as fundraising activities increase, including an added number of staff for development efforts and a growth of a second-year event scheduled for September, in partnership with its supporting organization, the Friends of Foothills Animal Shelter.

Starting with 2016 and through 2023, assessments are pre-approved through the Shelter's Long Term Financial Plan. Each of the Shelter's seven entity partners have committed to giving assessments annually again, decreasing each year until the Shelter projects to be self-sustaining by 2024.

The 2017 Foothills Animal Shelter budget anticipates increases in expenditures as well. The continued growth and demand for the Shelter's services will result in increased staff and volunteers, equipment, facility maintenance, marketing, technology and animal care expenses.

Requests for Information

This report is designed to provide a general overview of the Shelter's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to:

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BASIC FINANCIAL STATEMENTS

FOOTHILLS ANIMAL SHELTER

STATEMENT OF NET POSITION
December 31, 2016

	PRIMARY GOVERNMENT SHELTER	COMPONENT UNIT FRIENDS
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 1,351,790	$ 220,302
Accounts Receivable	5,938	-
Prepaid Expenses	24,080	825
Due from Component Unit	745	-
Total Current Assets	1,382,553	221,127
Noncurrent Assets		
Capital Assets, Net of Accumulated Depreciation	133,287	-
TOTAL ASSETS	$ 1,515,840	$ 221,127
LIABILITIES AND NET POSITION		
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 20,697	$ 3,120
Accrued Liabilities	41,168	-
Unearned Revenues	160	-
Due to Primary Government	-	745
Total Current Liabilities	62,025	3,865
Noncurrent Liabilities		
Accrued Compensated Absences	54,662	-
TOTAL LIABILITIES	116,687	3,865
NET POSITION		
Net Investment in Capital Assets	133,287	-
Restricted for Capital Improvements	500,000	-
Unrestricted	765,866	217,262
TOTAL NET POSITION	1,399,153	217,262
TOTAL LIABILITIES AND NET POSITION	$ 1,515,840	$ 221,127

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

FOOTHILLS ANIMAL SHELTER

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
Year Ended December 31, 2016

	PRIMARY GOVERNMENT SHELTER	COMPONENT UNIT FRIENDS
REVENUES		
Charges for Services	$ 1,407,230	$ -
Dog Licensing Fees	865,043	-
Assessments	750,000	-
Donations and Events	775,792	607,429
Miscellaneous	3,957	-
TOTAL REVENUES	3,802,022	607,429
EXPENSES		
Communications	6,638	-
Personnel	2,137,081	-
Volunteer Management	15,536	-
Professional Services	90,004	-
Animal Care	304,837	-
Property Maintenance and Repairs	78,547	-
Administration	145,066	47,402
Utilities	96,299	-
Dog Licensing Administration	254,181	-
Fundraising	1,645	31,765
Programs	-	532,988
Depreciation	39,357	-
TOTAL EXPENSES	3,169,191	612,155
NET OPERATING INCOME (LOSS)	632,831	(4,726)
NONOPERATING REVENUES (EXPENSES)		
Investment Income	686	-
Loss on Disposal of Capital Assets	(16,998)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(16,312)	-
CHANGE IN NET POSITION	616,519	(4,726)
NET POSITION, Beginning	782,634	221,988
NET POSITION, Ending	$ 1,399,153	$ 217,262

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

FOOTHILLS ANIMAL SHELTER

STATEMENT OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents
Year Ended December 31, 2016

	PRIMARY GOVERNMENT SHELTER	COMPONENT UNIT FRIENDS
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers and Donors	$ 2,183,180	$ 607,429
Dog Licensing Fees Received	865,043	-
Cash Received from Assessments	750,000	-
Cash Received from Others	3,957	-
Cash Paid to Vendors and Others	(1,471,825)	(76,527)
Cash Paid to Primary Government	-	(539,074)
Cash Paid to Employees	(1,683,418)	-
Net Cash Provided (Used) by Operating Activities	646,937	(8,172)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(65,318)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income Received	686	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	582,305	(8,172)
CASH AND CASH EQUIVALENTS, Beginning	769,485	228,474
CASH AND CASH EQUIVALENTS, Ending	$ 1,351,790	$ 220,302
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net Operating Income (Loss)	$ 632,831	$ (4,726)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation	39,357	-
Changes in Assets and Liabilities		
Accounts Receivable	(5,938)	-
Prepaid Expenses	(3,068)	-
Due from Component Unit	6,086	-
Accounts Payable	(30,633)	2,640
Accrued Liabilities	7,497	-
Unearned Revenues	10	-
Due to Primary Government	-	(6,086)
Accrued Compensated Absences	795	-
Net Cash Provided (Used) by Operating Activities	$ 646,937	$ (8,172)

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Table Mountain Animal Center was established by an intergovernmental agreement dated March 15, 1976, for the administration and operation of a common animal shelter. In August 2012, an amended intergovernmental agreement changed the name of the shelter to the Foothills Animal Shelter (the "Shelter"). Current participating entities are as follows:

Jefferson County
City of Arvada
City of Edgewater
City of Golden
City of Lakewood
City of Westminster
City of Wheat Ridge

The Shelter's Board of Directors consists of appointed members from the participating entities. Each participating entity is entitled to appoint one member to the Board.

The accounting policies of the Shelter conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the Shelter, organizations for which the Shelter is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the Shelter. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Shelter. Legally separate organizations for which the Shelter is financially accountable are considered part of the reporting entity. Financial accountability exists if the Shelter appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the Shelter.

Based on the application of these criteria, the Shelter includes the Friends of Foothills Animal Shelter ("Friends"), a non-profit organization as defined in Section 501(c)(3) of the Internal Revenue Code, in its reporting entity. Friends was formed to encourage humanity to animals by education and in cooperation with the Shelter, to raise funds to assist the Shelter in fulfilling its mission, and to engage in any other lawful business or activities for the benefit of the Shelter and the prevention of cruelty to animals. Friends is discretely presented in the Shelter's financial statements and does not issue separate financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Shelter uses an enterprise fund to account for its operations. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where fees are charged to external users for goods or services.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The 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 the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for a specific use, it is the Shelter's practice to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Position

Cash and Investments - Cash equivalents include investments with original maturities of three months or less.

Accounts Receivable - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses - Payments to vendors for goods and services which will benefit subsequent years are reported as prepaid expenses.

Capital Assets - All purchased property and equipment are valued at cost, while donated assets are valued at the acquisition value on the date received as a donation. It is the Shelter's policy to capitalize property and equipment with a cost of $2,000 or more and a life in excess of one year.

Property and equipment is depreciated using the straight-line method over the following estimated useful lives.

Building Improvements	5 to 10 years
Furniture and Equipment	5 to 10 years
Vehicles	5 years

Unearned Revenues - Unearned revenues arise when resources are received by the Shelter before it has a legal claim to them, including fees and charges received in advance.

Compensated Absences - Full-time employees may accumulate a maximum of 160 hours of annual leave, and will be paid for any accumulated leave upon termination. Accumulated unpaid annual leave is accrued as a liability when earned by the employees.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Net Position - Net position is restricted when constraints placed on the use of resources are externally imposed. The intergovernmental agreement requires the Shelter to establish a capital improvement fund equal to a minimum of $500,000, which has been reported as restricted net position in the financial statements. Uses of the fund include replacement or procurement of capital equipment and improvement or expansion of the facility. If funds are used from the capital improvement fund, the fund shall be returned to the minimum balance within a two-year period.

The intergovernmental agreement requires the Shelter to establish a contingency/emergency fund equal to a minimum of three months of operating expenses as calculated from the prior year. At December 31, 2016, the Shelter may not have met this requirement.

Risk Management

The Shelter 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 Shelter carries commercial insurance for these risks of loss.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgetary comparisons in the financial statements are presented on a non-GAAP budgetary basis, whereby capital outlay is budgeted as an expenditure, and depreciation is not budgeted. Budgetary control is at the fund level as prescribed by State statutes. All appropriations lapse at year end.

The Shelter follows these procedures to establish the budgetary information reflected in the financial statements:

- The Executive Director submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally adopted through passage of a resolution.

NOTE 3: **CASH AND INVESTMENTS**

A summary of cash and investments of the Shelter and Friends at December 31, 2016, follows:

Cash on Hand	$ 683
Deposits	1,480,957
Investments	90,452
Total	**$ 1,572,092**

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2016, the Shelter had bank deposits of $1,049,332 collateralized with securities held by the financial institution's agent but not in the Shelter's name.

Investments

The Shelter is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

Interest Rate Risk - State statutes generally limit investments to a maturity of five years, unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the Shelter may invest in one issuer, except for corporate securities.

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Fair Value Measurements - The Shelter reports its investments using the fair value measurements established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs. At December 31, 2016, the Shelter's investment in CSAFE was reported at the net asset value per share, which was measured using amortized cost. Friends held publicly traded stock received from a donor, which was valued at $5,297 using Level 1 inputs.

Local Government Investment Pool - At December 31, 2016, the Shelter had $85,155 invested in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating CSAFE. CSAFE operates in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at $1. CSAFE is rated AAAm by Standard and Poor's. Investments of CSAFE are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

NOTE 4: CAPITAL ASSETS

Capital asset activity for during the year ended December 31, 2016, is summarized below:

	Balances 12/31/15	Additions	Deletions	Balances 12/31/16
Capital Assets, Being Depreciated				
Building Improvements	$ 125,526	$ 8,150	$ 18,434	$ 115,242
Furniture and Equipment	178,332	57,168	36,834	198,666
Vehicles	43,049	-	7,948	35,101
Total Capital Assets, Being Depreciated	346,907	65,318	63,216	349,009
Less Accumulated Depreciation				
Building Improvements	(68,740)	(10,810)	(17,778)	(61,772)
Furniture and Equipment	(126,910)	(22,711)	(28,440)	(121,181)
Vehicles	(26,933)	(5,836)	-	(32,769)
Total Accumulated Depreciation	(222,583)	(39,357)	(46,218)	(215,722)
Total Capital Assets, Net	**$ 124,324**	**$ 25,961**	**$ 16,998**	**$ 133,287**

NOTE 5: RETIREMENT COMMITMENTS

SIMPLE IRA Plan

The Shelter offers a SIMPLE IRA defined contribution pension plan to its employees. All employees with two years of service and with earnings of at least $5,000 and that are expected to earn at least $5,000 in the current year are eligible to participate in the plan. Participants are fully vested on the date of eligibility. The Shelter is required to match 100% of employee contributions up to 3% of eligible compensation. The contribution requirements of the Shelter and eligible employees are established and may be amended by the Board of Directors. For the year ended December 31, 2016, the Shelter contributed $21,368 to the plan.

NOTE 6: COMMITMENTS AND CONTINGENCIES

Facility Financing Agreement

In August, 2010, the Shelter entered into an agreement with Jefferson County to lease a County-owned facility for fifty years, from August 9, 2010, and terminating August 9, 2060. The lease agreement requires annual lease payments of $10. An intergovernmental agreement between the Cities of Arvada, Lakewood, Wheat Ridge, Golden and Westminster and Jefferson County implemented a County-wide dog licensing program to finance the construction of the facility.

In August, 2012, the participating entities amended the intergovernmental agreement. After 2012, the Shelter will receive dog licensing fees from the County-wide dog licensing program, to be used for operating costs of the Shelter, capital improvements, and maintenance. The participating entities will pay an assessment to Jefferson County to repay debt service related to the construction of the facility.

SUPPLEMENTARY INFORMATION

FOOTHILLS ANIMAL SHELTER

BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Charges for Services	$ 1,242,850	$ 1,407,230	$ 164,380
Dog Licensing Fees	960,000	865,043	(94,957)
Assessments	750,000	750,000	-
Donations and Events	700,000	775,792	75,792
Investment Income	500	686	186
Miscellaneous	-	3,957	3,957
TOTAL REVENUES	3,653,350	3,802,708	149,358
EXPENSES			
Communications	13,000	6,638	6,362
Personnel	2,197,308	2,137,081	60,227
Volunteer Management	16,200	15,536	664
Professional Services	63,800	90,004	(26,204)
Animal Care	331,250	304,837	26,413
Property Maintenance and Repairs	86,000	78,547	7,453
Administration	141,270	145,066	(3,796)
Utilities	107,800	96,299	11,501
Dog Licensing Administration	275,175	254,181	20,994
Fundraising	6,200	1,645	4,555
Capital Outlay	15,000	65,318	(50,318)
TOTAL EXPENSES	3,253,003	3,195,152	57,851
CHANGE IN NET POSITION, Budgetary Basis	$ 400,347	607,556	$ 207,209
ADJUSTMENTS TO GAAP BASIS			
Depreciation		(39,357)	
Capital Outlay		65,318	
Loss on Disposal of Capital Assets		(16,998)	
CHANGE IN NET POSITION, GAAP Basis		$ 616,519	

See the accompanying Independent Auditors' Report.