

WYOMING BEEF COUNCIL

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2016

CONTENTS

SECTION I - FINANCIAL STATEMENTS

Independent Auditor's Report	1 and 2
Statement of Assets and Fund Balance Resulting from Cash Receipts and Disbursements	3
Statement of Cash Receipts and Disbursements	4
Notes to Financial Statements	5 - 7

SECTION II - COMPLIANCE MATTERS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	8 and 9
Independent Auditor's Report on Compliance	10

INDEPENDENT AUDITOR'S REPORT

Members of the Council
Wyoming Beef Council
Cheyenne, Wyoming

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities of the Wyoming Beef Council (the "Council") as of and for the year ended June 30, 2016, and the related notes to the cash basis financial statements, which collectively comprise the Council'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 the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council'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 Council'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 assets arising from cash transactions of the Council as of June 30, 2016, and its cash receipts and disbursements during the year then ended in accordance with the cash basis of accounting described in Note 1.

Emphasis of Matters

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

As discussed in Note 1, the financial statements of the Council are not intended to present the cash receipts and disbursements, changes in cash balances, and assets and fund balance of the State of Wyoming that are attributable to the transactions of the Council. They do not purport to, and do not, present fairly the financial position of the State of Wyoming as of June 30, 2016, the changes in its financial position or, where appropriate, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2016 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the provisions of the Beef Promotion and Research Act of 1985 and Section 1260.181(b)(7) of the Beef Promotion and Research Order relative to the use of funds collected by the Council insofar as they relate to accounting matters, we have also issued our report, dated October 3, 2016, on our consideration of the Council's compliance with these provisions. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

Mc Gee, Heurne & Paiz, LLP

Cheyenne, Wyoming
October 3, 2016

WYOMING BEEF COUNCIL

**STATEMENT OF ASSETS AND FUND BALANCE RESULTING
FROM CASH RECEIPTS AND DISBURSEMENTS
June 30, 2016**

Assets resulting from cash receipts and disbursements:	
Cash	<u>\$ 357,819</u>
Fund balance resulting from cash receipts and disbursements	<u>\$ 357,819</u>

See Notes to Financial Statements.

WYOMING BEEF COUNCIL

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2016

Receipts:	
Assessments, \$1 per head assessment	\$ 819,119
State of origin assessment	113,315
Investment income	6,868
Total assessments and other receipts	<u>939,302</u>
Disbursements:	
Program disbursements:	
Assessments remitted to Beef Board	458,635
National Cattleman's Beef Association - domestic	87,000
National Cattleman's Beef Association - international	25,800
National Cattleman's Beef Association - travel	17,027
National Cattleman's Beef Association - MEF travel	3,713
National Cattleman's Beef Association - MEF media	100
Beef Board - support	10,408
Wyoming promotion	9,724
Wyoming consumer information	36,359
Wyoming industry information	18,100
Wyoming producer communication	33,584
Returned to state of origin	19,666
Other collection and compliance	31,221
Total program disbursements	<u>751,337</u>
Administration disbursements	<u>81,523</u>
Total disbursements	<u>832,860</u>
Increase in cash during year	106,442
Cash balance, beginning	<u>251,377</u>
Cash balance, ending	<u>\$ 357,819</u>

See Notes to Financial Statements.

WYOMING BEEF COUNCIL

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations, Description of Fund, and Significant Accounting Policies

Nature of operations and reporting entity: The Wyoming Beef Council (the “Council”) was created by Wyoming State Statutes to encourage a viable beef industry in Wyoming. Council members oversee the expenditure of the Wyoming beef checkoff assessment. The Council serves as the qualified agency in Wyoming to administer the Beef Promotion and Research Act of 1985 from which the authority to collect the \$1-per-head beef checkoff assessment originates. The beef checkoff is an industry financed program which funds beef promotion, education, and research efforts with the goal of increasing beef demand and producer profitability. The Council is a division of the Wyoming Department of Agriculture and is governed by a five-member board appointed by the Governor of Wyoming.

Basis of reporting: The financial statements present only the Council and are not intended to present the receipts and disbursements, changes in cash balances, or assets and fund balance resulting from cash receipts and disbursements of the State of Wyoming.

A summary of the Council’s significant accounting policies follows:

Basis of accounting: The Council’s accounts are maintained on a cash basis and the Statement of Cash Receipts and Disbursements reflects only cash received and disbursed. Therefore, receivables and payables, long-lived assets, accrued income and expenditures, which may be material in amount, are not reflected in the accompanying financial statements which are not intended to present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America.

Receipts and disbursements of the Council are accounted for by the State of Wyoming in a special revenue fund.

Cash: State Statutes require the Council to deposit its funds in a pooled cash account managed by the Wyoming State Treasurer’s Office. Detailed information on the State Treasurer’s pooled cash is available from that Office. Earnings from the cash are credited monthly to the Council, utilizing a formula based on the average daily balance.

Assessments: The Council receives \$1 per head on all Wyoming cattle sold. Fifty cents of each dollar collected is remitted to the Cattlemen’s Beef Promotion and Research Board. The Council is economically dependent on receipts related to the beef checkoff assessments, which account for 99.0% of the Council’s total receipts.

State of origin assessment: The Council receives assessments directly from other qualified state beef councils according to the Beef Promotion and Research Order, Section 1260.172(5), which describes ‘state of origin’ as the state in which cattle were located for the 30 days prior to the date cattle were sold. If cattle were shipped from one state to another and sold in less than 30 days, the state of origin is the state from which the cattle were originally shipped and not the state in which the cattle were sold. The Council deposits state of origin assessments through the Wyoming Department of Agriculture to prevent assessment of the 3% charge being assessed by the Wyoming Livestock Board on funds not collected by brand inspectors.

Risk management: The Council is included in the State of Wyoming self-insurance funds for liability claims and employee medical coverage.

WYOMING BEEF COUNCIL

NOTES TO FINANCIAL STATEMENTS

Note 2. Related-Party Transactions

The Council pays for services provided by the State of Wyoming for State warehouse, central duplicating, electronic data processing, communications, postage, vehicle usage, and legal services. The total amount disbursed for these services was \$5,941 for the year ended June 30, 2016.

In addition, the Council reimbursed the Wyoming Livestock Board (the "Board") for collection and administrative costs incurred by the Board in collecting assessments other than state of origin assessments. The reimbursement was 3% of the assessments collected each month through June 30, 2016, and was remitted the month following collection of the assessment. The total amount disbursed to the Board was \$24,697 for the year ended June 30, 2016.

Note 3. Compensated Absences

The Council provides vacation to its employees up to a maximum of 48 days. There is not a maximum accrual for sick leave; however, upon separation, the maximum sick leave an employee can be paid for is 60 days. In addition, employees who have accrued at least 60 months of continuous service earn longevity on their accrued vacation and sick leave. The amount of longevity earned is equal to the monthly equivalent (rounded up) of the employee's total vacation and sick leave hours (subject to the maximum accruals) multiplied by the dollar amount of longevity earned by the employee (\$40 per month for each 60 months of continuous service). At June 30, 2016, the liability for vested vacation, sick leave, and longevity is \$13,294, \$14,772, and \$646, respectively.

Note 4. Related Party Lease

The State of Wyoming has a lease agreement with the Wyoming Stock Growers Association under an operating lease agreement for office space occupied by the Council, which will expire on June 30, 2017. The lease requires an annual rental payment to be paid in advance each July in the amount of \$11,338 during the year ending June 30, 2016 and \$11,678 during the year ending June 30, 2017. The lease is cancelable by either party upon 90 days written notice of termination. Total rent paid for the year ended June 30, 2016 was \$11,338.

WYOMING BEEF COUNCIL

NOTES TO FINANCIAL STATEMENTS

Note 5. Retirement Commitments

All Council full-time or regular part-time employees participate in the Wyoming Retirement System (the "System"), a cost-sharing multiple-employer public employee defined benefit, contributory retirement plan. Benefits are established by State Statutes.

All Council full-time or regular part-time employees are eligible to participate in the System. Employees who retire at age 60 with four years of credited service are entitled to a retirement benefit according to predetermined formulas and allowed to select one of seven optional methods for receiving benefits. Early retirement is allowed provided the employee has completed four years of service and attained age 50, but will result in a reduction of benefits based on the length of time remaining to normal retirement age. The System also provides death and disability benefits. Benefits are established by State Statutes. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Wyoming Retirement System, 6101 Yellowstone Road, Suite 500, Cheyenne, Wyoming 82002, or by calling (307) 777-7691.

The System statutorily required that 16.62% of the covered employee's salary be contributed to the plan, with employees paying 2.055% of covered employee's salary and the Council paying 14.565%. Effective July 1, 2016, the Council decreased contributions to 14.315%, with the employees of the Council responsible for the remaining 2.305%.

The contribution requirement for the years ended June 30, 2016, 2015, and 2014 was \$11,534, \$12,047, and \$13,498, respectively.

Governmental accounting standards require the System to report its net pension liability, the total pension liability less the amount of the System's fiduciary net position. The total pension liability is based on actuarial valuations required to be performed at least every two years. As of December 31, 2015, the System's fiscal year end, the System has reported a net pension liability of \$2,329,347,821. The Council's proportionate share of the net pension liability, which is based upon actual historical Council contributions to the System, is approximately \$93,000. This amount, which has been presented for informational purposes, is not a current liability and is expected to decrease over time with normal contribution rates.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the Council
Wyoming Beef Council
Cheyenne, Wyoming

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Assets and Fund Balance Resulting from Cash Receipts and Disbursements and the Statement of Cash Receipts and Disbursements of the Wyoming Beef Council (the "Council") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated October 3, 2016.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Council's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "McGee, Hearne & Paiz, LLP". The signature is written in a cursive, flowing style.

Cheyenne, Wyoming
October 3, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Members of the Council
Wyoming Beef Council
Cheyenne, Wyoming

We have audited, in accordance with auditing standards generally accepted in the United States of America, the Statement of Assets and Fund Balance Resulting from Cash Receipts and Disbursements and the Statement of Cash Receipts and Disbursements of the Wyoming Beef Council (the "Council") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated October 3, 2016.

In connection with our audit, nothing came to our attention that caused us to believe that (i) the Council was not in compliance with the provisions of the Beef Promotion and Research Act of 1985 (the "Act") and the Beef Promotion and Research Order (the "Order") relative to the use of funds collected by the Council insofar as they relate to accounting matters, or (ii) the Council failed to accurately allocate expenses that it shared with any entity or funding source in a manner that complies with the Act and the Order. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Members and management of the Council and the Beef Promotion and Research Board and is not intended to be, and should not be, used by anyone other than those specified parties.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
October 3, 2016