

COLORADO BEEF COUNCIL AUTHORITY

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2017



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CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 and 2
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MANAGEMENT'S DISCUSSION AND ANALYSIS <i>(Required Supplementary Information)</i>	3 - 5
---	-------

FINANCIAL STATEMENTS	
Balance Sheets	6
Statements of Revenues, Expenses, and Changes in Fund Net Position	7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 13

COMPLIANCE MATTERS AND INTERNAL CONTROL OVER FINANCIAL REPORTING	
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14 and 15
Independent Auditor's Report on Compliance	16

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Colorado Beef Council Authority
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the Colorado Beef Council Authority (the "Authority"), which comprise the Balance Sheet as of June 30, 2017, the related Statements of Revenues, Expenses, and Changes in Fund Net Position and Cash Flows for the year then ended, and the related notes to the financial statements.

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 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 Authority'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 Authority'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 Authority as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Other Auditors

The financial statements of the Authority, as of and for the year ended June 30, 2016, were audited by other auditors whose report, dated September 28, 2016, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 5, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 required supplementary 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 managements' 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2017 on our consideration of the Authority'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 the effectiveness of the Authority's 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 Authority'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 the Beef Promotion and Research Order relative to the use of funds collected by the Authority insofar as they relate to accounting matters, we have also issued our report dated October 4, 2017 on our consideration of the Authority'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.



Cheyenne, Wyoming
October 4, 2017

COLORADO BEEF COUNCIL AUTHORITY

Management's Discussion and Analysis (unaudited)

June 30, 2017 and 2016

Management of the Colorado Beef Council Authority (the "Authority") offers readers of the basic financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended June 30, 2017 and 2016. Readers are encouraged to consider this information presented here in conjunction with the Authority's financial statements.

Financial Highlights

- The assets of the Authority exceeded its liabilities by \$1,977,769 and \$1,842,117 at June 30, 2017 and 2016, respectively.
- The Authority's cash and cash equivalents balance was \$378,955 and \$163,744 at June 30, 2017 and 2016, respectively, representing an increase of \$215,211 from June 30, 2016 to June 30, 2017.
- The Authority's total liability balance was \$271,795 and \$246,342 at June 30, 2017 and 2016, respectively, representing an increase of \$25,453 from June 30, 2016 to June 30, 2017.
- Fiscal year ended June 30, 2017 total net revenues of \$1,528,696 were more than the net revenues of \$1,395,107 from the immediately preceding year.
- The Authority's net investment in capital assets at June 30, 2017 was \$24,441.
- Total change in fund net position was an increase of \$135,652 for the year ended June 30, 2017.

Overview of the Financial Statements

This discussion and analysis is intended as an introduction to the Authority's basic financial statements. The basic financial statements contain Management's Discussion and Analysis, Balance Sheets, and related Statements of Revenues, Expenses, and Changes in Fund Net Position, and Cash Flows, and the related notes to the financial statements.

The Balance Sheets include all of the Authority's assets and liabilities, with the difference between the two reported as net position. The Statements of Revenues, Expenses, and Changes in Fund Net Position, and Cash Flows, present information showing how the Authority's net position and cash flows changed during the most recent fiscal year.

The related notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The Authority's function is to promote, stabilize, and protect the beef industry in the state of Colorado by utilizing funding provided by the national checkoff program on all Colorado cattle sold or originating in the state of Colorado. The overall revenue increase is a direct result of favorable moisture over this past year, as producers have started to rebuild their herds.

The following schedule presents condensed Balance Sheet information as of June 30, 2017, 2016, and 2015:

	As of June 30,		
	2017	2016	2015
Current assets, excluding short-term investments	\$ 726,218	\$ 487,591	\$ 673,570
Short-term investments	1,498,905	1,600,868	1,350,709
Capital assets, net	24,441	-	-
Total assets	2,249,564	2,088,459	2,024,279
Total current liabilities	271,795	246,342	260,402
Net investment in capital assets	24,441	-	-
Unrestricted fund net position	1,953,328	1,842,117	1,763,877
Total fund net position	\$ 1,977,769	\$ 1,842,117	\$ 1,763,877

Short-term investments decreased \$101,963 from June 30, 2016 to June 30, 2017. These changes are partially related to the transfer of funds between cash and short-term investments.

The following schedule presents condensed Statements of Revenues, Expenses, and Changes in Fund Net Position information for the years ended June 30, 2017, 2016, and 2015:

	Year ended June 30,		
	2017	2016	2015
Operating revenues	\$ 1,528,696	\$ 1,395,107	\$ 1,360,482
Operating expenses:			
Beef promotion and programs	729,486	656,989	680,462
Salaries	333,988	366,497	369,408
Collection fees	91,221	83,086	81,106
Insurance and pension	74,385	65,692	87,774
Other	173,079	151,366	149,969
Total operating expenses	\$ 1,402,159	\$ 1,323,630	\$ 1,368,719
Operating income (loss)	126,537	71,477	(8,237)
Non-operating revenue	9,115	6,763	6,910
Change in fund net position	135,652	78,240	(1,327)
Beginning fund net position	1,842,117	1,763,877	1,765,204
Ending fund net position	\$ 1,977,769	\$ 1,842,117	\$ 1,763,877

Financial Analysis

As the Authority completed the fiscal year, its net position was \$135,652 more than the previous year's ending balance. This increase was due to higher cattle numbers than projected from the prior year.

Budgetary Highlights

The Authority ended the fiscal year with a net position of \$1,977,769.

Economic Factors and Next Year's Budget Rates

The 2017-2018 budget has been approved at \$1,460,025.

Request for Information

This financial report is designed to provide a general overview for all those with an interest in the Authority's finances. Questions concerning the information provided in the report, or requests for additional financial information, should be addressed to the Colorado Beef Council Authority, 789 Sherman Street, Suite 105, Denver, Colorado 80203.

COLORADO BEEF COUNCIL AUTHORITY

BALANCE SHEETS

June 30, 2017 and 2016

	2017	2016
Current Assets		
Cash and cash equivalents (Note 2)	\$ 378,955	\$ 163,744
Short-term investments (Note 2)	1,498,905	1,600,868
Accounts receivable	347,263	323,847
Total current assets	2,225,123	2,088,459
Capital Assets		
Office equipment	53,867	26,790
Leasehold improvements	13,209	13,209
Total capital assets	67,076	39,999
Accumulated depreciation	(42,635)	(39,999)
Capital assets, net	24,441	-
Total assets	2,249,564	2,088,459
Current Liabilities		
Accounts payable	253,285	237,553
Accrued vacation	16,423	8,789
Other accruals	2,087	-
Total current liabilities	271,795	246,342
Fund Net Position		
Net investment in capital assets	24,441	-
Unrestricted	1,953,328	1,842,117
Total fund net position	1,977,769	1,842,117
Total liabilities and fund net position	\$ 2,249,564	\$ 2,088,459

See Notes to Financial Statements.

COLORADO BEEF COUNCIL AUTHORITY

**STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION**

Years Ended June 30, 2017 and 2016

	2017	2016
Operating Revenues		
Check-off assessments, net	\$ 1,528,696	\$ 1,395,107
Operating Expenses		
Beef promotion and programs (Note 5)	729,486	656,989
Salaries	333,988	366,497
Collection fees	91,221	83,086
Insurance and pension (Note 3)	74,385	65,692
Rent (Note 5)	46,862	46,304
Payroll taxes	24,692	27,931
Other employee expenses	39,020	18,799
Board expenses	15,328	11,680
Professional fees	15,535	16,115
Postage	4,396	4,908
Telephone	4,883	4,639
Brand board	6,000	6,000
Repairs and maintenance	5,361	4,314
Computer and office supply	4,132	6,544
Miscellaneous	4,002	3,433
Depreciation	2,636	-
Dues and subscriptions	232	699
Total operating expenses	1,402,159	1,323,630
Operating Income	126,537	71,477
Nonoperating Revenues		
Interest income	9,115	6,608
Unrealized gain on investments	-	155
Total nonoperating revenues	9,115	6,763
Changes in Fund Net Position	135,652	78,240
Net Position, beginning of year	1,842,117	1,763,877
Net Position, end of year	\$ 1,977,769	\$ 1,842,117

See Notes to Financial Statements.

COLORADO BEEF COUNCIL AUTHORITY

STATEMENTS CASH FLOWS

Years Ended June 30, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Cash received from check-off assessments	\$ 1,505,280	\$ 1,380,243
Cash payments to suppliers	(1,035,607)	(948,310)
Cash payments to employees for services	(338,463)	(389,380)
Net cash provided by operating activities	131,210	42,553
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(27,077)	-
Cash Flows from Investing Activities		
Interest income	9,115	6,608
Sales of investments	1,701,963	1,250,000
Purchases of investments	(1,600,000)	(1,500,004)
Net cash provided by (used in) investing activities	111,078	(243,396)
Net increase (decrease) in cash and cash equivalents	215,211	(200,843)
Cash and cash equivalents, beginning of year	163,744	364,587
Cash and cash equivalents, end of year	\$ 378,955	\$ 163,744
Reconciliation of Operating Income		
to Net Cash Provided by Operating Activities		
Operating income	\$ 126,537	\$ 71,477
Adjustments to Reconcile Operating Income		
to Net Cash Provided by Operating Activities		
Depreciation expense	2,636	-
Changes in assets and liabilities		
(Increase) in accounts receivable	(23,416)	(14,864)
Increase (decrease) in accounts payable	15,732	(1,302)
Increase (decrease) in accrued vacation	7,634	(12,758)
Increase in other accruals	2,087	-
Net cash provided by operating activities	\$ 131,210	\$ 42,553
Noncash Transactions		
Unrealized gain on investments	\$ -	\$ (155)

See Notes to Financial Statements.

COLORADO BEEF COUNCIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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

Nature of operations and reporting entity: The Colorado Beef Council Authority (the “Authority”) was formed in 1965 as the Colorado Beef Board in accordance with the Promotion and Marketing Beef Act, which was approved April 23, 1965 and put into effect July 1, 1965. The Authority’s name was changed to the Colorado Beef Council in July 1985 with the passage of the Beef Board Bill.

In 1985, with the passage of the Beef Promotion and Research Act (BPRA) and the Beef Promotion and Research Order (BPRO), the Authority was authorized to become a qualified state council (QSBC) to collect the checkoff for the Cattlemen’s Beef Promotion and Research Board (CBB). QSBCs must have written procedures that ensure the proper collection of and compliance with the checkoff as prescribed by the BPRA, the BPRO, and the CBB.

The Authority’s programs are financed by the \$1 per head assessment on sales of Colorado domestic cattle. Revenue is collected as sales of cattle are brand inspected to the Authority by other states. The Authority is required to contribute to the CBB 50% of gross fees resulting from cattle sales. A portion of the remaining funds collected is remitted to the state of origin, while the remainder is retained by the Authority and used for promotion and research efforts in Colorado.

The Authority is an independent special authority. The Authority is controlled by a Board of Directors appointed by the Governor of Colorado, consisting of eight industry representatives from the cattle producer, feeder, dairy, livestock operations, and processing industries in Colorado. The State of Colorado exercises no other control over the Authority. The Authority is not financially accountable to any other organization, nor is it a component unit of another primary governmental entity.

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

Basis of accounting: The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America and are presented using the economic resources measurement focus and the accrual basis of accounting. As such, revenues are recognized when earned, and expenses are recognized when incurred. All assets and liabilities are included on the Balance Sheets. The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from check-off assessment and fee activities.

Cash and cash equivalents: All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents for purposes of the Statements of Cash Flows.

Short-term investments: Short-term investments consist of certificates of deposit having a maturity period of one year or less from the date of purchase and are recorded at amortized cost, which approximates market value.

Accounts receivable: Accounts receivable consist of check-off assessments collected subsequent to year end that are applicable to cattle sales in the current year. These receivables are considered fully collectable; therefore, an allowance for doubtful accounts is not necessary.

COLORADO BEEF COUNCIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Capital assets: All capital assets are recorded at historical cost when acquired. Assets with a unit cost exceeding \$5,000 are capitalized. Depreciation has been provided based on estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Office equipment	3 – 8 years
Leasehold improvements	5 years

Accrued vacation: Vacation benefits are accrued as a liability, as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate employees for the benefits. Vacation benefits accrue on the employee's employment anniversary date and must be used within one year from the date that it is accrued. Any unused time may not be carried over into future years.

Income taxes: The Authority's income is not subject to income taxes as provided in Section 115 of the Internal Revenue Code.

Tax spending and debt limitations: Colorado voters passed an amendment of the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The Authority believes it is not subject to the requirements of this amendment.

Budget and budgetary accounting: The Authority is exempt from Colorado budget law.

Risk management: The Authority 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 Authority carries commercial insurance to cover risks of loss that might occur, subject to nominal deductible amounts. Settled claims related to any of these risks have not exceeded commercial insurance coverage in the past three years.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Economic dependency: The majority of the Authority's revenues are from check-off assessments, which are directly related to the economic well-being of Colorado's cattle industry.

COLORADO BEEF COUNCIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash, Cash Equivalents, and Investments

The Authority's policies with respect to cash, cash equivalents, and investments have been established to comply with the policies outlined by the Agricultural Marketing Service (AMS) and the CBB.

All bank deposits (e.g., checking, savings, or certificates of deposit) must be established at financial institutions having Federal Deposit Insurance Corporation (FDIC) insurance.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by State regulators. Amounts on deposit in excess of Federal insurance levels must be collateralized. The eligible collateral is specified by PDPA. PDPA allows the institution to create a single collateral pool for all public funds.

The pool is maintained by another institution or held in trust for all the uninsured public deposits as a group. The State Regulatory Commission for banks is required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At June 30, 2017, the Authority's cash deposits had a book balance of \$378,955 and a corresponding bank balance of \$661,319. The difference between the book and bank balances is primarily due to outstanding checks not yet processed by the banks. Of the bank balance, \$250,000 was covered by FDIC and \$411,319 was collateralized under PDPA.

At June 30, 2016, the Authority's cash deposits had a book balance of \$163,744 and a corresponding bank balance of \$437,737. The difference between the book and bank balances is primarily due to outstanding checks not yet processed by the banks. Of the bank balance, \$250,000 was covered by FDIC and \$187,737 was collateralized under PDPA.

The Authority's investment policy also stipulates that investments may be in short-term, high-quality instruments that include U.S. government securities, U.S. government-only money market funds with a current rating from Moody's of Aaa or Standard & Poor's rating of AAAm, or bank repurchase agreements executed with a sound financial institution. Bank repurchase agreements must be collateralized by securities issued, fully insured or guaranteed by the U.S. Treasury, a U.S. government agency, or U.S. government-sponsored corporation.

Securities issued, fully insured or guaranteed by the following agencies/corporations, are acceptable investments provided the security has a maturity date of one year or less at the time of purchase. Declining-balance securities, such as mortgage-backed securities, are not acceptable.

- U.S. Treasury
- Federal Farm Credit Bank
- Federal Home Loan Bank
- Federal National Mortgage Association
- Federal Home Loan Mortgage Corporation
- Student Loan Marketing Association

These securities and the Government National Mortgage Association mortgage-backed securities are acceptable collateral for repurchase agreements purchased by the Authority, regardless of the length of maturity of the instrument, provided the market value of the collateral is at times at least 102% of the amount invested in the repurchase agreement.

COLORADO BEEF COUNCIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Investments: Investments are comprised of certificates of deposit and have remaining maturities of less than 12 months.

As a means of limiting its exposure to losses arising from rising interest rates, the Authority's investment policy limits its investments to maturities of less than one year.

As of June 30, 2017 and 2016, the Authority had the following short-term investments:

	June 30, 2017					Credit Rating
	Interest Rate	Less than 1 Year	1-5 Years	5-10 Years	>10 years	
Certificates of Deposit	0.75-1.15%	<u>\$ 1,498,905</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	Not Rated

	June 30, 2016					Credit Rating
	Interest Rate	Less than 1 Year	1-5 Years	5-10 Years	>10 years	
Certificates of Deposit	0.55-0.75%	<u>\$ 1,600,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	Not Rated

Note 3. Employee Benefits

Effective July 1, 2001, eligible employees are able to participate in the Simplified Employee Pension Plan, a defined contribution plan. Authority contributions are 10% of employee compensation with no employee match. The contributions may be amended at the discretion of the Authority's Board of Directors. Contributions made by the Authority were \$35,797 and \$33,312 for the years ended June 30, 2017 and 2016, respectively.

Note 4. Fund Net Position

Board designations: The Authority's Board of Directors has approved the establishment of a designated fund net position of \$500,000 as of June 30, 2017 and 2016, to be used as the Authority may deem necessary.

Unrestricted/Undesignated: Fund net position of \$1,453,328 and \$1,342,177 as of June 30, 2017 and 2016, respectively, is available for future budgeting within the various program areas. The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted fund net position is available.

COLORADO BEEF COUNCIL AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 5. Contracts and Commitments

As in prior fiscal years, the Authority has an agreement with the National Cattlemen's Beef Association (NCBA) to remit a portion of its net revenues to NCBA for advertising and program expenditures. Additionally, the Authority has the same type of agreement with the U.S. Meat Export Federation (USMEF). For fiscal years 2017 and 2016, the Authority made formal commitments of \$58,000 to NCBA, \$8,600 to USMEF, and \$36,600 to Colorado State University. These commitments were approved prior to the fiscal year end and are remitted to the various organizations in the subsequent period.

The Authority formally committed \$309,004 and \$154,302 through signed contracts as of June 30, 2017 and 2016, respectively, to various groups for advertising, promoting its product, and sponsoring various events over the next two fiscal years.

The Authority leases its business premises under a noncancelable operating lease, which was to expire in July 2013. The lease was amended in January 2013 for an additional 60-month period beginning August 1, 2013 and terminating July 31, 2018. The following is a summary of the minimum lease payments existing as of June 30, 2017:

Fiscal Year Ending June 30,	
2018	\$ 36,174
2019	<u>3,082</u>
	<u>\$ 39,256</u>

The Authority is also responsible for its ratable share of expenses for maintenance of the common areas within the building. Rent expense under the operating lease was \$46,862 and \$46,304 for the years ended June 30, 2017 and 2016.

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

Board of Directors
Colorado Beef Council Authority
Denver, Colorado

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 financial statements of the Colorado Beef Council Authority (the "Authority"), which comprise the Balance Sheet as of June 30, 2017, the related Statements of Revenue, Expenses, and Changes in Fund Net Position and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 4, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 Authority'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 results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cheyenne, Wyoming
October 4, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors
Colorado Beef Council Authority
Denver, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America, the Balance Sheet and the Statements of Revenues, Expenses, and Changes in Fund Net Position and Cash Flows of the Colorado Beef Council Authority (the "Authority") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 4, 2017.

In connection with our audit, nothing came to our attention that caused us to believe that (i) the Authority 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 Authority insofar as they relate to accounting matters, or (ii) that the Authority 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. Further, nothing came to our attention that caused us to believe the Authority was not in compliance with the provisions of the Beef Board Investment Policy for Qualified State Beef Councils dated March 14, 2016, which describes the type of instruments in which the Authority may invest. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above referenced conditions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the Board of Directors and management of the Authority, the Cattlemen's Beef Promotion and Research Board, the U.S. Department of Agriculture, and the State of Colorado 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 4, 2017