

# MAINE STATE LEGISLATURE

The following document is provided by the  
**LAW AND LEGISLATIVE DIGITAL LIBRARY**  
at the Maine State Law and Legislative Reference Library  
<http://legislature.maine.gov/lawlib>



Reproduced from electronic originals  
(may include minor formatting differences from printed original)

Audited Financial Statements and  
Other Financial Information

Maine Dairy and Nutrition Council

December 31, 2023



*Proven Expertise & Integrity*

MAINE DAIRY AND NUTRITION COUNCIL

CONTENTS

DECEMBER 31, 2023

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 9
<u>BASIC FINANCIAL STATEMENTS</u>	
STATEMENT A - STATEMENT OF NET POSITION	10
STATEMENT B - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	11
STATEMENT C - STATEMENT OF CASH FLOWS	12
NOTES TO FINANCIAL STATEMENTS	13 - 31
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	32
SCHEDULE 1 - BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL OPERATIONS FUND	33
SCHEDULE 2 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	34
SCHEDULE 3 - SCHEDULE OF CONTRIBUTIONS	35
SCHEDULE 4 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - SET PLAN	36
SCHEDULE 5 - SCHEDULE OF CONTRIBUTIONS - OPEB - SET PLAN	37
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	38
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>	39 - 40



*Proven Expertise and Integrity*

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Maine Dairy and Nutrition Council  
Augusta, Maine

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the Maine Dairy and Nutrition Council, (a nonprofit organization) as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the Maine Dairy and Nutrition Council's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Maine Dairy and Nutrition Council as of December 31, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Maine Dairy and Nutrition Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Maine Dairy and Nutrition Council's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal controls relevant to the audit 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 Maine Dairy and Nutrition Council's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise doubt about the Maine Dairy and Nutrition Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information on pages 5 through 9 and 34 through 39 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 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 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.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Maine Dairy and Nutrition Council's basic financial statements. Such 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 such 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 Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024, on our consideration of the Maine Dairy and Nutrition Council internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to solely 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 the effectiveness of the Maine Dairy and Nutrition Council's 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 Maine Dairy and Nutrition Council's internal control over financial reporting and compliance.

*RHR Smith & Company*

Buxton, Maine  
September 26, 2024

**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2023**

**(UNAUDITED)**

The following management's discussion and analysis of Maine Dairy and Nutrition Council financial performance provides an overview of the Council's financial activities for the year ended December 31, 2023. Please read it in conjunction with the Council's financial statements.

**Financial Statement Overview**

The Maine Dairy and Nutrition Council's basic financial statements include the following components: 1) government-wide financial statements and 2) notes to the financial statements. This report also includes required supplementary information which consists of the general fund budgetary comparison schedule and pension schedules.

**Basic Financial Statements**

The basic financial statements include financial information in the government-wide financial statements. There are no fund financial statements as the Council only has one fund. These basic financial statements also include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements provide a broad view of the Council's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Council's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The Council's financial statements include the following three statements:

The Statement of Net Position - this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Activities - this statement presents information that shows how the government's net position changed during the period. All changes in 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.

The Statement of Cash Flows - this statement presents information on the effects changes in assets, deferred outflows of resources, liabilities, deferred inflows of resources and operations have on cash during the course of the fiscal year.

The above mentioned financial statements have been presented for the Council's type of activity:

- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Council include all funds.

Fund financial statements are not presented as all activity for the Council are proprietary in nature. The activity of the Council is presented for the following:

*Proprietary Funds:* The Council maintains one major proprietary fund. These funds are used to show activities that operate more like those of commercial enterprises. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Like the government-wide financial statements, proprietary fund financial statements use the accrual basis of accounting. No reconciliation is needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide Statements. The Notes to Financial Statements can be found following the Statement of Cash Flows.

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information, which includes a Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Operations Fund, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions, Schedule of Proportionate Share of the Net OPEB Liability - SET Plan, Schedule of Contributions - OPEB - SET Plan.

### **Financial Analysis**

Our analysis below focuses on the net position, and changes in net position of the Council's business-type activities. The Council's total net position increased by \$4,944 from a deficit of \$79,998 to a deficit of \$75,054.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased to a deficit balance of \$75,054 at the end of this year.

**Table 1**  
**Maine Dairy and Nutrition Council**  
**Net Position**  
**December 31,**

	<b>2023</b>	<b>2022 (Restated)</b>
<b>Assets:</b>		
Current Assets	\$ 67,140	\$ 92,496
Other Assets	8,188	7,077
Total Assets	75,328	99,573
<b>Deferred Outflows of Resources</b>		
Deferred Outflows Related to Pension	36,032	17,872
Deferred Outflows Related to OPEB	1,998	3,481
Total Deferred Outflows of Resources	38,030	21,353
<b>Liabilities:</b>		
Current Liabilities	9,778	8,529
Noncurrent Liabilities	160,601	165,469
Total Liabilities	170,379	173,998
<b>Deferred Inflows of Resources:</b>		
Deferred Inflows Related to Pension	15,727	25,240
Deferred Inflows Related to OPEB	2,306	1,686
Total Deferred Inflows of Resources	18,033	26,926
<b>Net Position (Deficit):</b>		
Unrestricted	(75,054)	(79,998)
Total Net Position (Deficit)	\$ (75,054)	\$ (79,998)

**Revenues and Expenses**

Revenues decreased by 0.33% and expenses decreased by 7.80%. The decrease in revenues was due to less grant revenue collected. The decrease in expenses was primarily due to program services.

**Table 2**  
**Maine Dairy and Nutrition Council**  
**Changes in Net Position**  
**For the Years Ended December 31,**

	<b>2023</b>	<b>2022</b>
Revenues		
Milk Tax	\$ 196,615	\$ 195,267
Grant revenue	-	1,995
Other income	36	44
Total Revenues	196,651	197,306
Expenses		
Program Services	144,006	155,870
Management and General	47,701	52,062
Total Expenses	191,707	207,932
Change in Net Position (Deficit)	4,944	(10,626)
Net Position (Deficit) - January 1, Restated	(79,998)	(69,372)
Net Position (Deifict) - December 31	\$ (75,054)	\$ (79,998)

### **Budgetary Highlights**

There were no differences between the original and final budget for the general operations fund.

The general operations fund actual revenues were over budget due to milk tax - other. Expenses were under budget due to all expense categories being under budgeted amounts with the exception of board relations, life insurance, OPEB expense salaries and liability insurance.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

As of December 31, 2023, the Council had no capital assets.

#### **Debt**

At December 31, 2023, the Council had no outstanding debt.

## **Currently Known Facts, Decisions or Conditions**

### **Contacting the Council's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Council's Executive Director at 337 State Street, Suite 2, Augusta, Maine 04330.

## MAINE DAIRY AND NUTRITION COUNCIL

STATEMENT OF NET POSITION  
DECEMBER 31, 2023

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 67,140
Accounts receivable (net of allowance for uncollectibles)	8,188
Total current assets	<u>75,328</u>
TOTAL ASSETS	<u>\$ 75,328</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	36,032
Deferred outflows related to OPEB	1,998
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>38,030</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 113,358</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 3,322
Accrued payroll	5,670
Accrued compensated absences	786
Total current liabilities	<u>9,778</u>
Noncurrent liabilities:	
Accrued compensated absences	14,932
Net pension liability	133,947
Net OPEB liability	11,722
Total noncurrent liabilities	<u>160,601</u>
TOTAL LIABILITIES	<u>170,379</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	15,727
Deferred inflows related to OPEB	2,306
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>18,033</u>
NET POSITION (DEFICIT)	
Unrestricted	<u>(75,054)</u>
TOTAL NET POSITION (DEFICIT)	<u>(75,054)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)	<u>\$ 113,358</u>

See accompanying independent auditor's report and notes to financial statements.

## MAINE DAIRY AND NUTRITION COUNCIL

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services	Management and General	Totals
OPERATING REVENUES			
Milk Tax	\$ 196,615	\$ -	\$ 196,615
TOTAL OPERATING REVENUES	<u>196,615</u>	<u>-</u>	<u>196,615</u>
OPERATING EXPENSES			
Salaries	94,850	31,617	126,467
Payroll taxes and employee benefits	31,633	10,544	42,177
Educational programs and supplies	8,350	-	8,350
Professional fees	5,623	1,874	7,497
Travel expenses	1,851	617	2,468
Communications	1,529	510	2,039
Rent/Lease	-	281	281
Education seminars and training	170	-	170
Office supplies	-	1,977	1,977
Insurance	-	281	281
TOTAL OPERATING EXPENSES	<u>144,006</u>	<u>47,701</u>	<u>191,707</u>
OPERATING INCOME (LOSS)	<u>52,609</u>	<u>(47,701)</u>	<u>4,908</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	<u>36</u>	<u>-</u>	<u>36</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>36</u>	<u>-</u>	<u>36</u>
NET INCOME	<u>52,645</u>	<u>(47,701)</u>	<u>4,944</u>
NET POSITION (DEFICIT) - JANUARY 1,			<u>(79,998)</u>
NET POSITION (DEFICIT) - DECEMBER 31,			<u>\$ (75,054)</u>

See accompanying independent auditor's report and notes to financial statements.

## MAINE DAIRY AND NUTRITION COUNCIL

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from milk tax	\$ 195,504
Cash payments to suppliers for goods and services	(25,317)
Cash payments to employees	<u>(195,579)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(25,392)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>36</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>36</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25,356)
CASH AND CASH EQUIVALENTS - JANUARY 1	<u>92,496</u>
CASH AND CASH EQUIVALENTS - DECEMBER 31	<u>\$ 67,140</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 4,908
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(1,111)
(Increase) decrease in deferred outflows related to pension	(18,160)
(Increase) decrease in deferred outflows related to OPEB	1,483
Increase (decrease) in accounts payable	(2,254)
Increase (decrease) in accrued payroll	3,334
Increase (decrease) in accrued compensated absences	3,385
Increase (decrease) in deferred inflows related to pension	(9,513)
Increase (decrease) in deferred inflows related to pension	620
Increase (decrease) in net pension liability	(7,045)
Increase (decrease) in net OPEB liability	<u>(1,039)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (25,392)</u>

See accompanying independent auditor's report and notes to financial statements.

# MAINE DAIRY AND NUTRITION COUNCIL

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Reporting Entity**

Maine Dairy and Nutrition Council is a nonprofit organization exempt from income taxes. The Milk Advisory Committee was established in 1949, later becoming Maine Dairy and Nutrition Council (the Council) in 1975, operating as an agency within the Maine Department of Agriculture. As of July 1, 1996, the Maine Legislature made the Council a public body, corporate and political, and a public instrumentality of the State of Maine. The mission of the Council is to promote the prosperity and welfare of the Maine dairy industry by sponsoring nutrition education and research programs. The Council is charged with the responsibility of providing guidance in nutrition and nutrition education based on the concept of a balanced diet, including milk and its products in accordance with scientific recommendations, and to protect the interests of all the people of the state by strengthening and preserving the dairy industry. Operations of the Council are funded by milk assessments collected from dealers and producer-dealers of fluid milk. It is organized as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code and therefore, is exempt from federal income tax.

#### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The Council's 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 related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met. The Council follows the governmental model as defined by Governmental Accounting Standards Board (GASB) for accounting and financial reporting.

#### **Implementation of New Accounting Standards**

During the year ended December 31, 2023, the following statements of financial accounting standards issued by the Financial Accounting Standards Board became effective:

Statement No. 94 "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the

# MAINE DAIRY AND NUTRITION COUNCIL

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services and the prices or rates that can be charged for the services and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. Management has determined the impact of this Statement is not material to the financial statements. Statement No. 96 "Subscription-Based Information Technology Arrangements". This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 99 "Omnibus 2022". The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are to provide clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset and identification of lease incentives, clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset, clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA and recognition and measurement of a subscription liability, extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt, accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP), disclosures related to nonmonetary transactions, pledges of future revenues when resources are not received by the pledging government, clarification of provisions in Statement No. 34, Basic Financial Statements - and Management's

MAINE DAIRY AND NUTRITION COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discussion and Analysis - for State and Local Governments, as amended, related to the focus of the government-wide financial statements, terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and terminology used in Statement 53 to refer to resource flows statements. Management has determined the impact of this Statement is not material to the financial statements.

***Government-Wide and Fund Financial Statements***

The Council's basic financial statements include government-wide statements (reporting the Council as a whole).

The government-wide financial statements categorize primary activities as business-type.

In the government-wide Statement of Net Position, the business-type activities columns are (a) presented on a consolidated basis by column and (b) are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Council's net position is reported in one-part, unrestricted net position.

**Measurement Focus - Basic Financial Statements**

1. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Nonoperating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

MAINE DAIRY AND NUTRITION COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Business-type activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Budget**

The Council's policy is to adopt an annual budget for operations. The budget is presented on the accrual basis of accounting which is consistent with generally accepted accounting principles.

The following procedures are followed in establishing budgetary data reflected in the financial statements:

1. Early in the second half of the year the Council prepares a budget for the fiscal year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Directors was called for the purpose of adopting the proposed budget after notice of the meeting was given.
3. The budget was adopted subsequent to passage by the Board of Directors.

**Deposits and Investments**

The Council's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Council's policy to value investments at fair value. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. None of the Council's investments are reported at amortized cost. The Council's Treasurer is authorized by State Statutes to invest all excess funds in the following:

MAINE DAIRY AND NUTRITION COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposit and other evidence of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Money market mutual funds

**Receivables**

Receivables include amounts due from governmental agencies and local businesses. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. The allowance for uncollectible accounts is estimated to be \$0 as of December 31, 2023. Accounts receivable netted with allowances for uncollectible accounts were \$8,188 for the year ended December 31, 2023.

**Long-term Obligations**

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in government-wide statements. The long-term obligations consist of accrued compensated absences, net pension liability and net OPEB liability.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the State Employee and Teacher (SET) Plan and additions to/deductions from the SET Plan's fiduciary net position have been determined on the same basis as they are reported by the SET Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Post-Employment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the State Employee and Teacher (SET) Plan and additions

MAINE DAIRY AND NUTRITION COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

to/deductions from the SET Plan's fiduciary net position have been determined on the same basis as they are reported by the SET Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislations adopted by the Council or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Council has deferred amounts related to pensions and OPEB that qualify for reporting in this category. These items are reported in the statement of net position.

In addition to liabilities, the statement of financial position and or balance sheet will at times 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 period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred amounts related to pensions and OPEB qualify for reporting in this category. Deferred amounts related to pensions and OPEB are reported only in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Program Revenues**

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services or privileges provided; operating or capital grants and contributions, including special assessments).

MAINE DAIRY AND NUTRITION COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Operating/Nonoperating Proprietary Fund Revenues**

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Encumbrance Accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end. The Council does not utilize encumbrance accounting for its general fund.

**Use of Estimates**

During the preparation of the Council's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Council's investment policies, which follow state statutes, authorize the Council to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. These investment policies apply to all Council funds.

**Deposits:**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Council will not be able to recover its deposits. The Council does not have a policy covering custodial credit risk for deposits. However, the Council maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At December 31, 2023, the Council's cash and cash equivalents and restricted cash balances amounting to \$67,140 were comprised of deposits of \$63,381. All deposits were fully insured by federal depository insurance and therefore not exposed to custodial credit risk.

MAINE DAIRY AND NUTRITION COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	<u>\$ 63,381</u>

**Investments:**

Custodial credit risk for investments is that, in the event of failure of the counterparty, the Council will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Currently, the Council does not have a policy for custodial credit risk for investments.

Interest rate risk – is the risk that changes in interest rates will adversely affect the fair value of an investment. The Council does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from fluctuations in interest rates.

At December 31, 2023, the Council has \$0 in investments.

Credit risk – Statutes for the State of Maine authorize the Council to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other states and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Council does not have an investment policy on credit risk. Generally, the Council invests excess funds in various certificates of deposit.

NOTE 3 - OTHER LONG-TERM OBLIGATIONS

The following is a summary of changes in the other long-term obligations for the year ended December 31, 2023:

	<u>Balance 1/1/23 (Restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, 12/31/23</u>	<u>Due within one year</u>
Accrued compensated absences	\$ 12,333	\$ 3,385	\$ -	\$ 15,718	\$ 786
Net pension liability	140,992	31,046	(38,091)	133,947	-
Net OPEB liability	12,761	-	(1,039)	11,722	-
	<u>\$ 153,753</u>	<u>\$ 34,431</u>	<u>\$ (39,130)</u>	<u>\$ 161,387</u>	<u>\$ 786</u>

## MAINE DAIRY AND NUTRITION COUNCIL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

#### NOTE 3 - OTHER LONG-TERM OBLIGATIONS (CONTINUED)

Refer to Notes 4, 6 and 7 for more detailed information regarding other long-term obligations.

#### NOTE 4 - ACCRUED COMPENSATED ABSENCES

The Council's policies regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. As of December 31, 2023, the Council's liability for compensated absences is \$15,718.

#### NOTE 5 - LEASES

Maine Dairy and Nutrition Council and Maine Dairy Promotion Board shared office space that was leased on a month-to-month basis from the Maine Department of Agriculture through May 2022. As of January 1, 2016, the Maine Dairy Promotion Board took over the rent expense. The lease was \$1,083 per month. Because the lease was budgeted and paid for by the Maine Dairy Promotion Board, no amounts were recognized on the Council's financial statements. Beginning on May 1, 2022, Maine Dairy and Nutrition Council, Maine Dairy Promotion Board and an unrelated third party entered into a three-year lease agreement for shared office space with an option to renew for an additional two years. Per the agreement, Maine Dairy Promotion Board and Maine Dairy and Nutrition Council are responsible for 54% of the total lease expense, of which Maine Dairy Promotion Board agrees to pay on behalf of both entities. During the first year of the lease, the lease calls for monthly payments of \$2,383 of which Maine Dairy Promotion Board pays \$1,287, during year two, the lease calls for monthly payments of \$2,455, of which Maine Dairy Promotion Board will pay \$1,326, and during year three, the lease calls for monthly payments of \$2,528, of which Maine Dairy Promotion Board will pay \$1,365. Because Maine Dairy Promotion Board budgets for and expends the entire amounts related to the lease, no amount are shown in the Council's financial statements related to the right-of-use asset, lease liability, or related expenses; however, it is possible the Council could be liable in the event of default. At December 31, 2023, in accordance with GASB 87 - *Leases*, recorded on the Maine Dairy Promotion Board's financial statements was a right-of-use asset related to the lease of \$20,645 and a lease liability totaling \$21,065.

# MAINE DAIRY AND NUTRITION COUNCIL

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

### NOTE 6 - DEFINED BENEFIT PENSION PLAN

#### MAINE PUBLIC EMPLOYEES' RETIREMENT SYSTEM

##### **Plan Description**

All schoolteachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the Council to establish and amend benefit provisions to the State Legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at [www.maineopers.org](http://www.maineopers.org) or by contacting the System at (207) 512-3100.

##### **Benefits Provided**

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The Council to establish and amend benefit provisions rests with the State Legislature. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for State employees and teachers). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members. As of December 31, 2023, there were 239 employers, including the State of Maine, participating in the plan.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The

MAINE DAIRY AND NUTRITION COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 3.88%.

**Contributions**

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Council's plan members are required to contribute 7.65% of their compensation to the retirement system. The Unit's payroll for employees covered by this program was approximately \$117,306 for the year ended December 31, 2023. Title 5 of the Maine Revised Statutes Annotated requires the State to contribute 14.29% of the Unit's contractually required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability (UAL). Contributions paid by the State were approximately Pension on-behalf Expense was \$0.00 for the year ended December 31, 2023. Title 5 of the Maine Revised Statutes Annotated also requires the Council to contribute at an actuarially determined normal cost rate of 3.84%, which totaled \$25,578 for 2023.

**Pension Liabilities**

At December 31, 2023, the Council reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Council. The amount recognized by the Council as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Council were as follows:

Council's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the Council		<u>133,947</u>
Total	\$	<u>133,947</u>

The net pension liability was measured as of December 31, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Council's proportion of the net pension liability was based on a projection of the Council's long-term share of contributions to the pension plan relative to the projected contributions of all participating school units and the State

MAINE DAIRY AND NUTRITION COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

actuarially determined. At December 31, 2023, the Council's proportion was 0.28798%, which was a decrease of 0.00158% from its proportion measured as of June 30, 2022.

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2023, the Council recognized net pension revenue of \$7,608. At December 31, 2023, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SET Plan	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,454	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	10,298
Changes in proportion and differences between contributions and proportionate share of contributions	<u>28,578</u>	<u>5,429</u>
Total	<u>\$ 36,032</u>	<u>\$ 15,727</u>

\$28,578 for the SET plan was reported as deferred outflows of resources related to pensions resulting from Council contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

MAINE DAIRY AND NUTRITION COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	SET Plan
Year ended June 30:	
2024	\$ (7,291)
2025	(12,070)
2026	10,586
2027	501
2028	-
Thereafter	-

**Actuarial Methods and Assumptions**

The collective total pension liability for the Plan was determined by an actuarial valuation as of December 31, 2023, using the following methods and assumptions applied to all periods included in the measurement:

*Actuarial Cost Method*

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his or her expected future salary. The normal cost for each employee is the product of his or her pay and his or her normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., actual decreases or increases in liabilities and/or in assets which differ from the actuarial assumptions, affect the unfunded actuarial accrued liability.

*Asset Valuation Method*

The actuarial valuation employs a technique for determining the actuarial value of assets which reduces the impact of short-term volatility in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

MAINE DAIRY AND NUTRITION COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Amortization*

The net pension liability of the State Employee and Teacher Retirement Plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements.

Significant actuarial assumptions employed by the actuary for funding purposes as of December 31, 2023 are as follows:

*Investment Rate of Return* - 6.50% per annum for the year ended December 31, 2023 and 2022, compounded annually.

*Salary Increases, Merit and Inflation* - state employees, 3.26% - 9.43%; teachers, 2.80% - 13.03%

*Mortality Rates* - For the plan, the rates are based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC\_2020 model.

*Cost of Living Benefit Increases* - 2.20% per annum for the year ended December 31, 2023.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as December 31, 2023 are summarized in the following table.

MAINE DAIRY AND NUTRITION COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	SET Plan	
	Target Allocation	Long-term Expected Real Rate of Return
Public equities	30.0%	6.0%
US Government	7.5%	2.3%
Private equity	15.0%	7.6%
Real assets:		
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural resources	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	7.2%
Diversifiers	10.0%	5.9%

*Discount Rate*

The discount rate used to measure the collective total pension liability was 6.50% for 2023. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability as of June 30, 2023 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.75% for the PLD Consolidated Plan.

	1% Decrease	Discount Rate	1% Increase
<u>SET Plan:</u>			
Discount rate	5.50%	6.50%	7.50%
Council's proportionate share of the net pension liability	\$ 235,490	\$ 133,947	\$ 48,727

MAINE DAIRY AND NUTRITION COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Changes in Net Pension Liability**

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of December 31, 2023 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended December 31, 2023 with the following exceptions.

*Differences between Expected and Actual Experience*

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resource. For 2017 through 2023, this was three years for the SET Plan.

*Differences between Expected and Actual Investment Earnings*

Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

*Changes in Assumptions*

Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended December 31, 2023 valuation were based on the results of an actuarial experience study for the period of July 1, 2015 through June 30, 2020. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Please refer to the Actuarial Methods and Assumptions section for information relating to the use of assumptions.

MAINE DAIRY AND NUTRITION COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 6 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions*

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

**Pension Plan Fiduciary Net Position**

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2023 Annual Comprehensive Financial Report available online at [www.mainebers.org](http://www.mainebers.org) or by contacting the System at (207) 512-3100.

NOTE 7 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE EMPLOYEE AND TEACHER PLAN

**Plan Description**

All School teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's (MainePERS) State Employee and Teacher (SET) Plan. The teacher's program is a multi-employer cost-sharing plan with a special funding situation, established by the Maine State Legislature. The State of Maine is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the State Legislature. As of December 31, 2023, there were 234 employers, including the State of Maine, participating in the plan. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial and actuarial information for the SET Plan. That report may be obtained online at [www.mainebers.org](http://www.mainebers.org) or by contacting the System at (800) 451-9800.

MAINE DAIRY AND NUTRITION COUNCIL

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 7 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

**Benefits Provided**

The Group Life Insurance Plan (the Plan) provides basic group life insurance benefits, during retirement, to retirees who participated in the Plan prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

**OPEB Liabilities and OPEB Expense**

At June 30, 2024, the District reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the District. The total portion of the net OPEB liability that was associated with the District were as follows:

Council's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the Council		<u>11,722</u>
Total	\$	<u>11,722</u>

NOTE 8 - RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Council carries commercial insurance.

Based on the coverage provided by the commercial insurance purchased, the Council is not aware of any material actual or potential claim liabilities which should be recorded at December 31, 2023. There were no significant reductions in insurance coverage from that of the prior year. Settled claims have not exceeded insurance coverage for any of the past four years.

## MAINE DAIRY AND NUTRITION COUNCIL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

#### NOTE 9 - RELATED PARTY

The Maine State Legislature established Maine Dairy Promotion Board as a quasi-governmental agency at the same time as Maine Dairy and Nutrition Council. Maine Dairy Promotion Board was created to promote the prosperity and welfare of the dairy industry of the state by fostering promotional, educational, advertising and research programs. Because of the closely related missions of both Maine Dairy and Nutrition Council and Maine Dairy Promotion Board, the two entities share staff, equipment and office space. Separate records are maintained for the two entities. However, Maine Dairy and Nutrition Council reimburses Maine Dairy Promotion Board for its share of payroll costs. In addition, Maine Dairy and Nutrition Council is funded, in part, with two-cents per hundredweight of milk produced in Maine that is transferred monthly from the Maine Dairy Promotion Board (see Note 2). During the year, the Maine Dairy Promotion Board collected revenue of \$538,412 from the 10-cent assessment per hundredweight of milk produced in Maine. During the year, \$108,113 was transferred to Maine Dairy and Nutrition Council from these assessments.

#### NOTE 10 - INCOME TAXES

The Council is a not-for profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and, therefore, no provision for income taxes has been made. The Council does not believe it has done anything during the past year that would jeopardize its tax-exempt status at either the state or federal level. The Council reports its activities to the IRS in an annual information return. These filings are subject to review by the tax authorities and the federal income tax returns for 2021, 2022 and 2023 are subject to examination by the IRS, generally for three years after they were filed.

#### NOTE 11 - RESTATEMENT

In 2023 management decided to include the financial statement note disclosures required to be in compliance with GASB 68 (pension) and GASB 75 (other post-employment benefits). The Council's total pension liability, pension expense and deferred position decreased net position by \$148,380. The Council's total OPEB liability, pension expense and deferred position decreased net position by \$10,966. Beginning net position decreased a total of \$159,326 from \$79,328 to a deficit of \$79,998.

#### NOTE 12 - SUBSEQUENT EVENTS

The Council has evaluated events, if any, that have occurred subsequent to December 31, 2023 through September 26, 2024, the date the financial statements were available to be issued, and included information in the notes to the financial statements related to any identifiable events, if necessary.

## Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Budgetary Basis - Budget and Actual - General Operations Fund
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions – Pension
- Schedule of Proportionate Share of the Net OPEB Liability - SET Plan
- Schedule of Contributions - OPEB - SET Plan
- Notes to Required Supplementary Information

## MAINE DAIRY AND NUTRITION COUNCIL

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 BUDGET AND ACTUAL - GENERAL OPERATIONS FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2023

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>OPERATING REVENUES</b>				
Milk tax-20% from Maine Dairy	\$ 109,100	\$ 109,100	\$ 108,113	\$ (987)
Milk Tax-other	85,500	85,500	88,502	3,002
<b>TOTAL OPERATING REVENUES</b>	<u>194,600</u>	<u>194,600</u>	<u>196,615</u>	<u>2,015</u>
<b>OPERATING EXPENSES</b>				
Integrated communications				
Black Bear	5,750	5,750	5,750	-
Board relations	5,500	5,500	6,315	(815)
Personnel				
Dental Insurance	701	701	672	29
Health Insurance	34,513	34,513	32,561	1,952
Life Insurance	1,321	1,321	1,338	(17)
Medicare insurance	1,762	1,762	1,606	156
Retiree health insurance	11,032	11,032	10,561	471
Retirement contributions	29,350	29,350	28,468	882
Pension expense (revenue)	-	-	(34,717)	34,717
OPEB expense (revenue)	-	-	1,064	(1,064)
Salaries	121,493	121,493	126,466	(4,973)
Professional dues and memberships	200	200	170	30
Workers compensation	625	625	624	1
Administrative and General				
Communications	2,600	2,600	2,039	561
Office expense	550	550	530	20
Postage and shipping	300	300	200	100
Bank service charges	25	25	-	25
Computer tech support	750	750	461	289
Payroll processing fee	650	650	637	13
Liability insurance	200	200	281	(81)
Equipment leasing	300	300	281	19
Professional services	6,500	6,500	6,400	100
<b>TOTAL OPERATING EXPENSES</b>	<u>224,122</u>	<u>224,122</u>	<u>191,707</u>	<u>32,415</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(29,522)</u>	<u>(29,522)</u>	<u>4,908</u>	<u>34,430</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	45	45	36	(9)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>45</u>	<u>45</u>	<u>36</u>	<u>(9)</u>
<b>NET INCOME (LOSS)</b>	<u>(29,477)</u>	<u>(29,477)</u>	<u>4,944</u>	<u>34,421</u>
<b>NET POSITION (DEFICIT) - JANUARY 1 RESTATED</b>			<u>(79,998)</u>	
<b>NET POSITION (DEFICIT) - DECEMBER 31</b>			<u>\$ (75,054)</u>	

See accompanying independent auditor's report and notes to financial statements.

## MAINE DAIRY AND NUTRITION COUNCIL

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST 10 FISCAL YEARS\*

	2023	2022	2021	2020	2019	2018	2017
<u>SET Plan:</u>							
Unit's proportion of the net pension liability	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
Unit's proportionate share of the net pension liability	\$ 133,947	\$ 140,992	\$ 98,833	\$ 188,309	\$ 184,979	\$ 177,823	\$ 187,649
State's proportionate share of the net pension liability associated with the Unit	-	-	-	-	-	-	-
Total	<u>\$ 133,947</u>	<u>\$ 140,992</u>	<u>\$ 98,833</u>	<u>\$ 188,309</u>	<u>\$ 184,979</u>	<u>\$ 177,823</u>	<u>\$ 187,649</u>
Unit's covered payroll	\$ 121,431	\$ 119,881	\$ 119,746	\$ 116,325	\$ 116,214	\$ 108,722	\$ 108,722
Unit's proportionate share of the net pension liability as a percentage of its covered payroll	110.31%	117.61%	82.54%	161.88%	159.17%	163.56%	172.59%
Plan fiduciary net position as a percentage of the total pension liability	85.79%	90.90%	81.03%	84.52%	85.17%	80.78%	76.21%

\* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditor's report and notes to financial statements.

MAINE DAIRY AND NUTRITION COUNCIL

SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS\*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>SET Plan:</u>							
Contractually required contribution	\$ 28,578	\$ 29,967	\$ 29,523	\$ 29,313	\$ 29,656	\$ 30,880	\$ 28,122
Contributions in relation to the contractually required contribution	<u>(28,578)</u>	<u>(29,967)</u>	<u>(29,523)</u>	<u>(29,313)</u>	<u>(29,656)</u>	<u>(30,880)</u>	<u>(28,122)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 117,306	\$ 121,431	\$ 119,881	\$ 119,746	\$ 116,325	\$ 116,214	\$ 108,722
Contributions as a percentage of covered payroll	24.36%	24.68%	24.63%	24.48%	25.49%	26.57%	25.87%

\* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditor's report and notes to financial statements.

MAINE DAIRY AND NUTRITION COUNCIL

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 SET PLAN  
 LAST 10 FISCAL YEARS\*

	2023	2022	2021	2020	2019	2018	2017
<u>SET Life Insurance:</u>							
Proportion of the net OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unit's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Unit	11,722	12,761	10,694	12,285	11,499	11,201	11,076
Total	<u>\$ 11,722</u>	<u>\$ 12,761</u>	<u>\$ 10,694</u>	<u>\$ 12,285</u>	<u>\$ 11,499</u>	<u>\$ 11,201</u>	<u>\$ 11,076</u>
Covered payroll	\$ 121,431	\$ 119,881	\$ 119,746	\$ 116,325	\$ 116,214	\$ 108,722	\$ 108,722
Proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	52.30%	62.90%	55.40%	49.51%	49.22%	48.04%	47.29%

\* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditor's report and notes to financial statements.

MAINE DAIRY AND NUTRITION COUNCIL

SCHEDULE OF CONTRIBUTIONS - OPEB - SET PLAN  
LAST 10 FISCAL YEARS\*

	2023	2022	2021	2020	2019	2018	2017
<u>SET Life Insurance:</u>							
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 117,306	\$ 121,431	\$ 119,881	\$ 119,746	\$ 116,325	\$ 116,214	\$ 108,722
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

See accompanying independent auditor's report and notes to financial statements.

MAINE DAIRY AND NUTRITION COUNCIL

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31,2023

**Changes of Assumptions**

MEPERS SET Plan:

There was a change to the annual salary increases, including inflation, to state employees, 3.26% - 9.43% per year from state employees, 2.75% - 11.48%.

MEPERS SET OPEB Plan:

There have been no changes in actuarial assumptions since the last measurement date.



*Proven Expertise & Integrity*

INDEPENDENT AUDITORS 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

Board of Directors  
Maine Dairy and Nutrition Council  
Augusta, Maine

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 business-type activities, each major fund, and the aggregate remaining fund information of Maine Dairy and Nutrition Council as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Maine Dairy and Nutrition Council' basic financial statements, and have issued our report thereon dated September 26, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Maine Dairy and Nutrition 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Maine Dairy and Nutrition Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Maine Dairy and Nutrition 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 over financial reporting 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 Maine Dairy and Nutrition 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*. We noted certain other matters that we reported to management of the Maine Dairy and Nutrition Council in a separate letter dated August 15, 2024.

### Purpose of the 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RHR Smith & Company*

Buxton, Maine  
September 26, 2024