

# MAINE STATE LEGISLATURE

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**Maine Dairy Promotion Board  
Financial Statements  
And Supplementary Information  
For the Year Ended  
December 31, 2014**



**AUSTIN ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

**JUN 15 2015**



AUSTIN ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS

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March 11, 2015

To the Board of Directors  
Maine Dairy Promotion Board

We have audited the financial statements of Maine Dairy Promotion Board for the year ended December 31, 2014, and have issued our report thereon dated March 11, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 11, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Maine Dairy Promotion Board are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no significant estimates affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 11, 2015.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

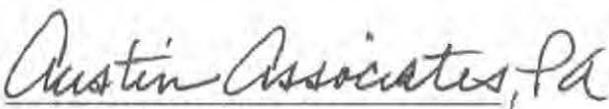
*Other Audit Findings or Issues* We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Maine Dairy Promotion Board and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Austin Associates, P.A.  
Certified Public Accountants



**Maine Dairy Promotion Board  
Financial Statements  
And Supplementary Information  
For the Year Ended December 31, 2014**

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**AUSTIN ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

March 11, 2015

To the Board of Directors  
Maine Dairy Promotion Board

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Maine Dairy Promotion Board as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Board, as of December 31, 2014, 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.

## Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information included herewith 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, 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 to management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Information

The supplementary information listed in the table of contents 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. Such 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 supplementary information listed in the table of contents 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 March 11, 2015 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Board's internal control over financial reporting and compliance.



AUSTIN ASSOCIATES, P.A.

Certified Public Accountants



AUSTIN ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS

## Management's Discussion and Analysis

The discussion and analysis of Maine Dairy Promotion Board's (the Board) financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2014. The intent of this discussion and analysis is to provide citizens, taxpayers, and other interested parties with an overview of our financial performance, from management's viewpoint. The detail and more in-depth analysis are provided in the auditor's reports and financial statements. The readers should also review the basic financial statements and notes to enhance their understanding of the Board's financial position.

### Financial Highlights

The Board's net position as of December 31, 2014 was \$114,815, a decrease of \$19,327 over last year as a result of this year's operations.

Milk tax revenues were \$479,594 or 87.97% of all revenues.

The Board does not have any long-term liabilities.

## Overview of the Basic Financial Statements

This section of the annual report consists of the basic financial statements and the notes to the financial statements.

### Basic Financial Statements

The statement of net position presents the Board's assets and liabilities, with the difference between the two reported as net position. The statement of net position provides information about the nature and amount of investments in resources (assets), and the obligations to creditors and others (liabilities). Net position increases when revenues exceed expenses. The statement of revenue, expenses and changes in net position reports the revenues and expenses during the period indicated. The statement of cash flows provides information about the Board's cash receipts and payments from operations, as well as funds provided and used in investing and financing activities.

### Notes to the Financial Statements

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



## Financial Analysis

### Assets

Current assets decreased by \$11,697. This decrease was primarily due to a decrease in cash of \$14,620, an increase in accounts receivable of \$2,286, an increase in the Certificates of Deposit of \$302, and an increase in receivables from Maine Dairy and Nutrition Council of \$335. The main reason for the decrease in current assets was due to the current year operating deficit.

Non-current assets decreased by \$2,473 due to an increase in accumulated depreciation of \$2,473.

### Liabilities

Current liabilities increased by \$5,156. This increase was due primarily to a \$3,122 increase in accounts payable, and an increase in accrued expenses of \$2,034. The main reason for the increase in current liabilities was due to the increase in accounts payable and accrued expenses. The to/from Maine Dairy Nutrition Council totals were combined and resulted in a receivable for the Board.

Maine Dairy Promotion Board has no long-term debt.

### Net Position

Net investment in capital assets decreased by \$2,473 due to depreciation expense.

Unrestricted net position items are available to finance day-to-day operations without constraints established by debt covenants or other legal requirements. In 2014, unrestricted net position items decreased by \$39,327.

Restricted net position totaled \$20,000 and was available to finance expenses to promote dairy optimization.

### Operating Revenue

Operating revenues decreased from \$484,668 in 2013 to \$480,162 in 2014. This decrease of \$4,526 represents 0.94% of operating revenues. The decrease was due to a decrease in milk production, and thus a decrease in milk tax revenue.

### Supplemental Funding Revenue

Maine Dairy Promotion Board received a total of \$65,000 in 2014 from Dairy Management, Inc. (DMI) for implementing activities supporting the 2014 DMI unified marketing plan.

### Operating Expenses

Operating expenses went from \$566,196 in 2013 to \$564,489 in 2014. The budget for expenses was increased over the 2013 budgeted amounts; however, expenses were under budget due to programs that were not implemented from the unified marketing plan. These programs were required to be budgeted for under the plan, but were not deemed to be appropriate for programs for Maine and, thus, were not implemented.

### Contacting Maine Dairy Promotion Board's Financial Management

This financial report is designed to provide citizens and taxpayers with a general overview of the Promotion Board's finances and to reflect on the Board's accountability for the monies it receives. Questions about this report or requests for additional information should be directed to Maine Dairy Promotion Board, 333 Cony Road, Augusta, Maine 04330. The Board can also be reached by phone at (207) 287-3621.



**Maine Dairy Promotion Board**  
**Statement of Net Position**  
**December 31, 2014**

**ASSETS**

**Current Assets**

Cash	\$ 8,621
Certificates of Deposit	89,207
Milk tax receivable	51,987
Due from Maine Dairy and Nutrition Council	<u>1,759</u>
Total current assets	<u>151,574</u>

**Non-Current Assets**

Equipment	32,856
Less - Accumulated depreciation	<u>29,204</u>
Total non-current assets	<u>3,652</u>

**Total Assets**

\$ 155,226

**LIABILITIES AND NET POSITION**

**Current Liabilities**

Accounts payable	\$ 8,450
Accrued payroll	3,288
Accrued vacation	<u>28,674</u>
Total liabilities	40,412

**Net Position**

Unrestricted	91,162
Net investment in capital assets	3,652
Restricted net assets	<u>20,000</u>
Total net position	<u>114,814</u>

**Total Liabilities and Net Position**

\$ 155,226



**Maine Dairy Promotion Board**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2014**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Totals</u>
<b>Operating Revenue</b>			
Milk tax	\$ 479,594	\$ -	\$ 479,594
Supplemental funding		65,000	65,000
Interest income	370	-	370
Other income	198	-	198
Net assets released from restrictions	<u>45,000</u>	<u>(45,000)</u>	<u>-</u>
Total revenues	525,162	20,000	545,162
<b>Operating Expenses</b>			
Advertising	187,555	-	187,555
Salaries	106,103	-	106,103
Registration fees and dues	103,287	-	103,287
Payroll taxes and employee benefits	50,722	-	50,722
Promotional activities and supplies	76,461	-	76,461
Professional fees	7,284	-	7,284
Board of Director's expenses	7,241	-	7,241
Travel expenses	4	-	4
Rent	19,255	-	19,255
Communications	1,393	-	1,393
Office supplies	735	-	735
Equipment purchase and repair	820	-	820
Depreciation	2,473	-	2,473
Educational seminars	669	-	669
Miscellaneous	81	-	81
Postage	228	-	228
Insurance	<u>178</u>	<u>-</u>	<u>178</u>
Total operating expenses	<u>564,489</u>	<u>-</u>	<u>564,489</u>
<b>Change in Net Position</b>	(39,327)	20,000	(19,327)
<b>Total Net Position, January 1, 2014</b>	<u>134,142</u>	<u>-</u>	<u>134,142</u>
<b>Total Net Position, December 31, 2014</b>	<u>\$ 94,815</u>	<u>\$ 20,000</u>	<u>\$ 114,815</u>

The accompanying notes are an integral part of these statements.



**Maine Dairy Promotion Board**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2014**

**Cash Flows from Operating Activities**

Cash received from milk tax	\$ 586,106
Cash received from DMI	65,000
Cash received from other operating revenue	198
Cash received from interest income	370
Cash payments to suppliers for goods and services	(443,464)
Cash transferred to Maine Dairy and Nutrition Council	(118,794)
Cash payments to employees and professional contractors for services	<u>(103,734)</u>
Net cash used in operating activities	(14,318)

**Cash Flows from Investing Activities**

Reinvestment of Certificates of Deposit	<u>(302)</u>
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**Net Decrease in Cash and Cash Equivalents** (14,620)

**Cash and Cash Equivalents, January 1, 2014** 23,241

**Cash and Cash Equivalents, December 31, 2014** \$ 8,621

**Reconciliation of Change in Net Position to Net Cash Used in Operating Activities**

Change in net position \$ (19,328)

Adjustment to reconcile change in net position to net cash used in operating activities

Depreciation	2,473
Increase in accounts receivable	(2,286)
Increase in accounts payable	3,122
Increase in accrued payroll	516
Increase in accrued vacation	1,518
Decrease in amounts due to Maine Dairy and Nutrition Council	<u>(333)</u>
Total adjustments	<u>5,010</u>

**Net Cash Used in Operating Activities** \$ (14,318)



**NOTE 1: Reporting Entity**

Maine Dairy Promotion Board (the Board) was established by the Maine State Legislature as of July 1, 1996 as a public body, corporate and political, and a public instrumentality of the state of Maine. Prior to that time, the Board operated as an agency within the Maine Department of Agriculture. The mission of the Board is to promote the prosperity and welfare of the Maine dairy industry by sponsoring promotion, education, advertising and research programs.

The Board is charged with the responsibility of promoting milk and other dairy products and the consumption of milk and other dairy products to Maine consumers. The Board is engaged in dairy product promotion and nutrition education through various advertising and promotion programs, school nutrition education programs, school food service programs, and retail marketing programs. The Board does not use a brand name or trade name in its advertising and promotion programs nor does it use funds for the purpose of influencing governmental policy or actions.

Operations of the Board are funded entirely with self-generated revenues, financed by dairy producers from assessments collected by dealers and/or processors who buy milk directly from producers or through cooperative associations.

**NOTE 2: Summary of Accounting Policies****Basis of Presentation**

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, requires that governments' proprietary activities apply all applicable GASB pronouncements as well as the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. The primary objective of this statement is to incorporate applicable guidance from those FASB and AICPA pronouncements into the state and local government accounting and financial reporting standards. The Council follows the provisions of GASB Statement No. 34.

**Fund Accounting**

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statement. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The transactions of the Board are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position.

Revenues are recognized in the accounting period when they are earned and expenses are recognized when the related liability is incurred.



Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### Assessments

The principal operating revenue of the Board derives from assessments on Maine dairy producers. Since 1983, the Maine dairy producers have funded the Maine dairy industry promotion program with a 10-cent assessment rate per hundredweight on all milk produced in Maine. The Board transfers two cents of the 10-cent assessment to Maine Dairy and Nutrition Council (see Note 5). Revenue is reported net of the two-cent transfer.

### Budget Practices

An annual budget is prepared by management and approved by the Board of Directors. The budget is prepared according to generally accepted accounting principles (GAAP), except that the funding for capital acquisitions are considered to be expenses and depreciation is excluded from budget expenses.

### Deposits

Cash and cash equivalents include demand deposits, savings accounts, and money market accounts. The Board considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments, if any, are reported at fair value, except the investments with a remaining maturity at time of purchase of one year or less are reported at amortized cost.

### Property and Equipment

Purchased property and equipment are recorded at cost. Depreciation of equipment assets is calculated using the straight-line method over the estimated

lives of the equipment, which is estimated at 5 years.

### Net Position

Net position comprises the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net position is generally classified in the following components:

#### Investment in capital assets, net of related debt:

Consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Net investment in capital assets amounted to \$3,652 as of December 31, 2014.

Restricted: This category represents the net assets of the Board, which are restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted: Consists of all other net position items that are not included in the other categories previously mentioned.

### Income Taxes

The Board is a not-for profit organization exempt from income taxes under Section 501(C) (6) 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 Board 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 Board 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 2012, 2013 and 2014 are subject to examination by the IRS, generally for three years after they were filed.

### Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and



disclosures. Accordingly, actual results could differ from those estimates.

### Advertising

Advertising and promotion costs are expensed as incurred. Advertising expense for the year ended December 31, 2014 was \$10,039.

### NOTE 3: Cash and Cash Equivalents

The Board's cash is categorized to give an indication of the level of risk assumed by the Board at year-end. These categories are defined as follows:

Category 1: Insured or collateralized with securities held by the Board or by its agent in the Board's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the Board's name.

Category 3: Uninsured and uncollateralized. This also includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Board's name.

The total amount of the Board's cash balances were included in Category 1, insured by the FDIC at December 31, 2014.

### NOTE 4: Milk Tax Receivable

At December 31, 2014, the Board has receivable balances for dairy assessments totaling \$51,987. The Board has not established an allowance for doubtful accounts as management believes that all receivables are collectible.

### NOTE 5: Related Party

The Maine State Legislature established Maine Dairy and Nutrition Council as a quasi-governmental

agency at the same time as Maine Dairy Promotion Board. Maine Dairy and Nutrition Council was created to provide 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 interest of all the people of the State by strengthening and preserving the dairy industry.

Because of the closely related missions of both Maine Dairy Promotion Board and Maine Dairy and Nutrition Council, the two entities share staff, equipment and office space. Separate records are maintained for the two entities. However, Maine Dairy and Nutrition Council reimburses the Board for its share of payroll costs. At December 31, 2014, the Board has a receivable balance for payroll of \$11,491. In addition, Maine Dairy and Nutrition Council is funded, in part, with two-cents per hundredweight of milk produced in Maine. This amount is transferred monthly to the Maine Dairy Promotion Board (see Note 2). During the year, the Board collected \$598,390 from the 10-cent assessment per hundredweight of milk produced in Maine. \$118,795 was transferred to Maine Dairy and Nutrition Council.

At December 31, 2014, the Board had a payable of \$9,732 to Maine Dairy Nutrition Council for the dairy assessments. The net payroll receivable and assessment payable resulted in a receivable from Maine Dairy and Nutrition Council for \$1,759.

### NOTE 6: Operating Leases

Maine Dairy Promotion Board and Maine Dairy Nutrition Council share office space that is leased on a month-to-month basis from the Maine Department of Agriculture. Maine Dairy Promotion Board pays for the entire rental space. The rent is \$1,083 per month. The total amount of rent expense for the year amounted to \$13,000.



**NOTE 7: Pension Plan**

As defined in the legislation that established Maine Dairy Promotion Board as a public instrumentality, all current and future employees have full rights and benefits under the Maine Public Employees Retirement System (MainePERS). Employees contribute to MainePERS, an agent multiple-employer public retirement system that acts as a common investment and administrative agent for public school teachers, state employees and political subdivisions. Employees are required to contribute 7.65% of their annual salary to the system. The Board contributes 18.43% to fund the employees' retirement accounts. During the year ended December 31, 2014, the Board contributed \$21,548 into the plan.

The MainePERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046.

**NOTE 8: Contingencies and Commitments****Insurance**

The Board is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Board contracts with an insurance company for coverage of the above-mentioned exposures. Settled claims have not exceeded commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

**NOTE 9: Subsequent Events**

The Board has evaluated events, if any, that have occurred subsequent to December 31, 2014 through March 11, 2015, 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.



**Maine Dairy Promotion Board**  
**Statement of Revenues, Expenses and Changes in Net Position--Budget and Actual**  
**For the Year Ended December 31, 2014**

	<u>Actual</u>	<u>Budget</u>	<u>Variance/ Favorable (Unfavorable)</u>
<b>Operating Revenue</b>			
Milk tax	\$ 479,594	\$ 477,600	\$ (1,994)
Supplemental funding	65,000	65,000	-
Interest income	370	350	(20)
Other income	198	25	(173)
Total revenues	545,162	542,975	(2,187)
<b>Operating Expenses</b>			
Multi media advertising	10,039	10,000	(39)
National implementation funding	146,869	151,500	4,631
New England Dairy Promotion Board	10,000	10,000	-
UMP Programs			
Fuel Up to Play 60	65,492	69,550	4,058
Health & Wellness/Optimize Dairy	10,000	30,000	20,000
Board relations	7,241	7,250	9
Crisis preparedness	-	5,000	5,000
Dairy farmer image	12,582	13,500	918
Issues management	428	2,000	1,572
Producer relations and communication	2,348	8,000	5,652
Industry relations	6,258	6,000	(258)
Personnel			
Dental insurance	630	650	20
Health insurance	18,633	18,700	67
Life insurance	777	770	(7)
Maine State Retirement	21,548	21,220	(328)
Payroll taxes	2,693	2,725	32
Retiree health insurance	5,693	5,700	7
Salaries	106,103	104,100	(2,003)
Staff development	669	875	206
Workers' Compensation	748	800	52

(Continued on Next Page)



**Maine Dairy Promotion Board**  
**Statement of Revenues, Expenses and Changes in Net Position--Budget and Actual**  
**For the Year Ended December 31, 2014**

	<u>Actual</u>	<u>Budget</u>	Variance/ Favorable <u>(Unfavorable)</u>
<b>Operating Expenses (Continued)</b>			
General and Administrative			
Communications	\$ 1,393	\$ 1,700	\$ 307
Office supplies and administration	971	1,350	379
Memberships and fees	120	110	(10)
UDIA dues	103,167	103,166	(1)
Computer expenses	521	1,000	479
Repairs and maintenance	-	50	50
Equipment lease	299	300	1
Insurance	178	200	22
Bank service charges	78	85	7
Computer technical support	688	850	162
Legal and accounting	6,000	6,350	350
Payroll processing fee	541	550	9
Website design and maintenance	55	500	445
Rent	13,000	13,000	-
Vehicle lease	6,255	6,500	245
Depreciation	2,473	-	(2,473)
Total operating expenses	<u>564,490</u>	<u>604,051</u>	<u>39,561</u>
<b>Change in Net Assets</b>	<b>(19,328)</b>	<b>(61,076)</b>	<b>(41,748)</b>
<b>Total Net Position, January 1, 2014</b>	<u>134,142</u>	<u>134,142</u>	<u>-</u>
<b>Total Net Position, December 31, 2014</b>	<u><u>\$ 114,814</u></u>	<u><u>\$ 73,066</u></u>	<u><u>\$ (41,748)</u></u>





**AUSTIN ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

**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**

March 11, 2015

To the Board of Directors  
Maine Dairy Promotion Board

**Independent Auditor's Report**

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 of Maine Dairy Promotion Board, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated March 11, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Maine Dairy Promotion Board'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 Promotion Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Maine Dairy Promotion Board'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 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 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 Promotion Board'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 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.

*Austin Associates, PA*

AUSTIN ASSOCIATES, P.A.  
Certified Public Accountants





**AUSTIN ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

March 11, 2015

To the Board of Directors  
Maine Dairy Promotion Board

Additional information has been requested in connection with our audit, for the year ended December 31, 2014, of the Maine Dairy Promotion Board.

Our responses to questions posed by the USDA Dairy Division are as follows:

1. Is the Organization engaged in dairy product promotion, research or nutrition education? **YES**
2. Are the Organization's activities financed primarily (more than 50%) by dairy producers, either individually or through cooperative association? **YES**
3. Does the Organization use a brand name or trade name in its advertising and promotion of dairy products? **NO**
4. Does the Organization use funds for the purpose of influencing the governmental policy or actions? **NO**
5. Does the Organization have in place internal controls that provide reasonable assurance that funds, property and other assets are safeguarded against fraud, waste and unauthorized use? **YES**

Please contact us if we can be of further assistance in this matter.

AUSTIN ASSOCIATES, P.A.  
Certified Public Accountants