

# MAINE STATE LEGISLATURE

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**Maine Dairy Promotion Board  
Financial Statements  
and Supplementary Information  
For the Year Ended  
December 31, 2018**



**AUSTIN ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

*Your Financial Team*

**Maine Dairy Promotion Board  
Financial Statements  
and Supplementary Information  
For the Year Ended December 31, 2018**

Contents

	<u>Page</u>
Independent Auditor's Report	
Management's Discussion and Analysis	1 - 2
Financial Statements	
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Net Position	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 10
Supplementary Information	
Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual	11 - 12
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	i - ii
Response to Questions Posed by the USDA Dairy Division	iii



**AUSTIN ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

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, which comprise the statement of net position as of December 31, 2018 and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended and the related notes to the financial statements.

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

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 opinion.



**Basis for Qualified Opinion**

As explained in Note 7 to the financial statements, Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, is effective for fiscal years beginning after June 15, 2014. Accounting principles generally accepted in the United States of America require that employers who participate in multiple-employer defined benefit pension plans account for pensions under the provisions of this statement. The effects on the accompanying financial statements of the failure to record the pension liability and expense have not been determined.

**Opinions**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Maine Dairy Promotion Board as of December 31, 2018, and the changes in its net assets and its cash flows 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 6, 2019 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.



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AUSTIN ASSOCIATES, P.A.

Certified Public Accountants

March 6, 2019



## 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, 2018. 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, 2018 was \$205,507, an increase of \$41,870 over last year as a result of this year's operations.

Milk tax revenues were \$490,363 or 79.50% 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 revenues, 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 increased by \$21,108. This increase was primarily due to an increase in cash of \$19,091, an increase in accounts receivable of \$1,139, and an increase in the Certificates of Deposit of \$878. The main reason for the increase in current assets was due to the current year operating surplus.

Non-current assets remained the same as all fixed assets are fully depreciated.

**Liabilities**

Current liabilities decreased by \$20,763. This decrease was due primarily to a \$11,428 decrease in accounts payable, a decrease in accrued expenses of \$17,105 and an increase in payable to Maine Dairy and Nutrition Council of \$7,770. The main reason for the decrease in current liabilities was due to the decrease in accounts payable and accrued expenses.

Maine Dairy Promotion Board has no long-term debt.

**Net Position**

Net investment in capital assets remained the same as all assets are fully depreciated.

Unrestricted net position items are available to finance day-to-day operations without constraints established by debt covenants or other legal requirements. In 2018, unrestricted net position items increased by \$41,643.

**Milk Tax Revenues**

Milk tax revenues decreased from \$501,522 in 2017 to \$490,363 in 2018. This decrease of \$11,159 represents 2.32% of operating revenues. The decrease was due to an decrease in overall milk production.

**Supplemental Funding Revenue**

Maine Dairy Promotion Board received a total of \$125,200 in 2018 from Dairy Management, Inc. (DMI) for implementing activities supporting the 2018 DMI unified marketing plan.

**Operating Expenses**

Operating expenses went from \$567,260 in 2017 to \$574,925 in 2018. The budget for expenses was increased over the 2017 budgeted amounts; expenses were under budget due to conservative spending by the program managers.

**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, 2018**

**ASSETS**

**Current Assets**

Cash	\$ 111,571
Certificates of Deposit	71,127
Milk tax receivable	<u>52,767</u>
Total current assets	235,465

**Non-Current Assets**

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

**Total Assets**

\$ 235,465

**LIABILITIES AND NET POSITION**

**Current Liabilities**

Accounts payable	\$ 5,763
Accrued payroll	4,929
Accrued vacation	9,564
Due to Maine Dairy and Nutrition Council	<u>9,702</u>
Total liabilities	29,958

**Net Position-Unrestricted**

205,507

**Total Liabilities and Net Position**

\$ 235,465

The accompanying notes are an integral part of these statements.

**Maine Dairy Promotion Board**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2018**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Totals</u>
<b>Operating Revenues</b>			
Milk tax	\$ 490,363	\$ -	\$ 490,363
Supplemental funding	-	125,200	125,200
Interest income	1,021	-	1,021
Other income	211	-	211
Net assets released from restrictions	<u>125,200</u>	<u>(125,200)</u>	<u>-</u>
Total operating revenues	616,795	-	616,795
<b>Operating Expenses</b>			
Advertising and communications	191,220	-	191,220
Salaries	101,610	-	101,610
Registration fees and dues	125,000	-	125,000
Payroll taxes and employee benefits	71,351	-	71,351
Promotional activities and supplies	49,668	-	49,668
Professional fees	8,148	-	8,148
Board of directors' expenses	6,518	-	6,518
Rent	16,418	-	16,418
Telephone and internet	2,449	-	2,449
Office supplies	692	-	692
Equipment purchase and repair	940	-	940
Educational seminars	501	-	501
Miscellaneous	67	-	67
Postage	152	-	152
Insurance	<u>191</u>	<u>-</u>	<u>191</u>
Total operating expenses	<u>574,925</u>	<u>-</u>	<u>574,925</u>
<b>Change in Net Position</b>	41,870	-	41,870
<b>Total Net Position, January 1, 2018</b>	<u>163,637</u>	<u>-</u>	<u>163,637</u>
<b>Total Net Position, December 31, 2018</b>	<u><u>\$ 205,507</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 205,507</u></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, 2018**

**Cash Flows from Operating Activities**

Cash received from milk tax	\$ 611,514
Cash received from DMI	125,200
Cash received from other operating revenue	211
Cash received from interest income	1,021
Cash payments to suppliers for goods and services	(484,743)
Cash transferred to Maine Dairy and Nutrition Council	(122,458)
Cash payments to employees and professional contractors for services	<u>(110,776)</u>
Net cash provided by operating activities	19,969

**Cash Flows from Investing Activities**

Reinvestment in Certificates of Deposit	<u>(878)</u>
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**Net Increase in Cash and Cash Equivalents** 19,091

**Cash and Cash Equivalents, January 1, 2018** 92,480

**Cash and Cash Equivalents, December 31, 2018** \$ 111,571

**Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities**

Change in net position	\$ 41,870
Adjustment to reconcile change in net position to net cash provided by operating activities	
Increase in accounts receivable	(1,138)
Decrease in accounts payable	(11,428)
Increase in accrued payroll	706
Decrease in accrued vacation	(17,811)
Increase in amounts due to Maine Dairy and Nutrition Council	<u>7,770</u>
Total adjustments	<u>(21,901)</u>

**Net Cash Provided by Operating Activities** \$ 19,969



**NOTE 1: Reporting Entity**

The Maine Milk Committee was established in 1953 operating as an agency with the Maine Department of Agriculture, later becoming the Maine Dairy Promotion Board (the Board). As of July 1, 1996 the Maine State Legislature made the board a public body, corporate and political, and a public instrumentality of the state of Maine. 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 Maine 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 Board 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 statements. 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 \$-0- as of December 31, 2018.

**Restricted:** This category represents the net assets of the Board, which are restricted by external parties (creditors, grantors, contributors or laws and regulations). There were no restricted net assets at December 31, 2018.

**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 2016, 2017 and 2018 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, 2018 was \$7,373.

## 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, 2018.

## NOTE 4: Milk Tax Receivable

At December 31, 2018, the Board has receivable balances for dairy assessments totaling \$52,767. 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 Promotion Board as a quasi-governmental agency at the same time as Maine Dairy and Nutrition Council. The Maine Dairy Promotion Board was created to promote the welfare and prosperity of the dairy industry of the state by fostering promotional, educational, advertising and research programs to increase demand for dairy products.

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, 2018, the Board was fully reimbursed for payroll. In addition, Maine Dairy Promotion Board funds Maine Dairy & Nutrition Council in part, with two-cents per hundredweight of milk produced in Maine. This amount is transferred monthly to the Maine Dairy & Nutrition Council (see Note 2). During the year, the Board collected \$612,653 from the 10-cent assessment per hundredweight of milk produced in Maine. \$122,289 was transferred to Maine Dairy and Nutrition Council.

At December 31, 2018, the Board had a payable of \$9,702 to Maine Dairy Nutrition Council for the dairy assessments.

**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. The rent is \$1,083 per month. The total amount of rent expense for the year amounted to \$13,000.

The Promotion Board and the Nutrition Council also share a vehicle that is leased from the state of Maine on a month-to-month basis. The rent is a flat rate of \$135 per month plus mileage. The Maine Dairy Promotion Board pays the entire lease. The total amount of lease expense for the year amounted to \$3,418.

**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 28.81% to a confidential employees' retirement account and 24.01% to all other employees' retirement accounts. During the year ended December 31, 2018, the Board contributed \$30,880 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.

GASB Statement No. 68 is effective for fiscal years beginning after June 15, 2014. The statement establishes accounting and financial reporting standards and focuses on pension obligation, changes in the obligation and attribution of pension expense. It requires participants in a cost-sharing multiple employer defined

benefit pension plan such as the MPERS plan to record their proportionate share of the plan's net pension liability (total pension liability minus plan assets at market value), pension expense, and deferred positions.

The statement also requires greatly expanded plan and employer disclosures, including a description of the plan and significant assumptions, the policy for determining contributions, the discount rate and key rate assumptions, a sensitivity analysis of the impact on liabilities of a one percentage point increase and decrease in the discount rate, changes in the net plan liability for the past ten (10) years, current period pension expense, a schedule of deferred outflows/inflows of resources, and other measurement and actuarial data.

Management has determined that it is impractical to gather this information from MPERS for the year ended December 31, 2018 and, therefore, the required accounting and financial reporting including disclosures has not been presented in these financial statements

#### **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, 2018 through March 6, 2019, 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, 2018**

	Actual	Budget	Variance/ Favorable (Unfavorable)
<b>Operating Revenues</b>			
Milk tax	\$ 490,363	\$ 500,000	\$ (9,637)
Supplemental funding	125,200	125,200	-
Interest income	1,021	850	171
Other income	211	25	186
Total operating revenues	616,795	626,075	(9,280)
<b>Operating Expenses</b>			
National implementation funding	159,812	156,250	(3,562)
Fuel Up to Play 60			
Communications & training	220	200	(20)
Dairy Optimization	11,621	12,000	379
GenYOUth funds	8,000	8,000	-
Farmer activation	630	600	(30)
National events and other	3,011	3,700	689
NFL asset management	184	1,000	816
Rewards (Prizes)	3,103	3,000	(103)
Youth engagement	2,906	3,000	94
School stakeholder engagement	1,185	1,000	(185)
Integrated communications			
Consumer communications/support	14,110	13,750	(360)
Dairy farmer relations	12,205	6,500	(5,705)
General communications/support	3,291	3,000	(291)
Nutrition affairs			
Child health	7,521	9,500	1,979
Culinary applications	697	800	103
Dairy's role in the diet	2,689	4,000	1,311
Farm to fork	1,569	2,500	931
Hunger	5,017	5,000	(17)
Travel and training	3,118	2,500	(618)
Board relations	6,518	6,500	(18)

(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, 2018**

	<u>Actual</u>	<u>Budget</u>	Variance/ Favorable <u>(Unfavorable)</u>
<b>Operating Expenses (Continued)</b>			
Personnel			
Dental insurance	\$ 601	\$ 640	\$ 39
Health insurance	23,167	24,225	1,058
Life insurance	901	1,094	193
Maine State Retirement	30,880	29,641	(1,239)
Payroll taxes	3,392	2,800	(592)
Retiree health insurance	11,743	12,000	257
Salaries	101,610	111,833	10,223
Staff development	501	750	249
Workers' compensation	666	800	134
General and administrative			
Communications	2,449	2,500	51
Office supplies and administration	856	1,020	164
Memberships and fees	-	45	45
UDIA dues	125,000	125,000	-
Computer expenses	650	1,200	550
Repairs and maintenance	10	25	15
Equipment lease	281	300	19
Insurance	191	200	9
Bank service charges	54	80	26
Computer technical support	615	1,000	385
Legal and accounting	6,000	6,100	100
Payroll processing fee	1,034	925	(109)
Website design and maintenance	499	200	(299)
Rent	13,000	13,000	-
Vehicle lease	3,418	3,800	382
Total operating expenses	<u>574,925</u>	<u>581,978</u>	<u>7,053</u>
Change in Net Assets	41,870	44,097	2,227
Total Net Position, January 1, 2018	<u>163,637</u>	<u>163,637</u>	<u>-</u>
Total Net Position, December 31, 2018	<u>\$ 205,507</u>	<u>\$ 207,734</u>	<u>\$ 2,227</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**

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, which comprise the statement of net position as of December 31, 2018, and the related statement of revenue, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements, which collectively comprise Maine Dairy Promotion Board's basic financial statements, and have issued our report thereon dated March 6, 2019.

***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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Austin Associates P.A.*

AUSTIN ASSOCIATES, P.A.  
Certified Public Accountants

Auburn, Maine  
March 6, 2019





**AUSTIN ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

**RESPONSE TO QUESTIONS POSED BY THE USDA DAIRY DIVISION**

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, 2018, of the Maine Dairy Promotion Board.

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

1. Is the Board engaged in dairy product promotion, research or nutrition education? **YES**
2. Are the Board's activities financed primarily (more than 50%) by dairy producers, either individually or through cooperative association? **YES**
3. Does the Board use a brand name or trade name in its advertising and promotion of dairy products? **NO**
4. Does the Board use funds for the purpose of influencing the governmental policy or actions? **NO**
5. Does the Board 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 PA*

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AUSTIN ASSOCIATES, P.A.  
Certified Public Accountants

Auburn, Maine  
March 6, 2019