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January 22, 2013

George Brand, Chairman
Indiana Dairy Industry Development Board
9360 Castlegate Drive
Indianapolis, IN 46256

Dear Mr. Brand:

We have received the audit report prepared by CliftonLarsonAllen LLP, Independent Public Accountants, for the periods January 1, 2010 to December 31, 2010 and January 1, 2011 to December 31, 2011. Per the auditors' opinions, the audits were conducted in accordance with auditing standards generally accepted in the United States of America and the financial statements included in the reports present fairly the assets and net assets of the Indiana Dairy Industry Development Board as of December 31, 2010 and December 31, 2011, respectively, and its revenue and expenses and change in net assets for the years then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a public record.

STATE BOARD OF ACCOUNTS

**INDIANA DAIRY INDUSTRY
DEVELOPMENT BOARD
Indianapolis, Indiana**

**FINANCIAL STATEMENTS
December 31, 2011 and 2010**

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CliftonLarsonAllen

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Independent Auditor's Report

Board of Directors
Indiana Dairy Industry Development Board
Indianapolis, Indiana

We have audited the accompanying statements of assets and net assets - cash basis of the Indiana Dairy Industry Development Board (IDIDB) as of December 31, 2011 and 2010, and the related statements of revenue, expenses and change in net assets - cash basis for the years then ended. These financial statements are the responsibility of the IDIDB's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets of the Indiana Dairy Industry Development Board as of December 31, 2011 and 2010, and its revenue and expenses and change in net assets for the years then ended on the cash basis of accounting described in Note 1 to the financial statements.

CliftonLarsonAllen LLP

Indianapolis, Indiana
May 17, 2012

INDIANA DAIRY INDUSTRY DEVELOPMENT BOARD
STATEMENTS OF ASSETS AND NET ASSETS -
CASH BASIS
December 31, 2011 and 2010

	ASSETS	
	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash	\$ <u>303,661</u>	\$ <u>286,887</u>
TOTAL ASSETS	<u>\$ 303,661</u>	<u>\$ 286,887</u>
 NET ASSETS		
NET ASSETS		
Unrestricted	\$ <u>303,661</u>	\$ <u>286,887</u>
TOTAL NET ASSETS	<u>\$ 303,661</u>	<u>\$ 286,887</u>

The accompanying notes are an integral part of the financial statements.

INDIANA DAIRY INDUSTRY DEVELOPMENT BOARD
STATEMENTS OF REVENUE, EXPENSES
AND CHANGE IN NET ASSETS - CASH BASIS
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
REVENUE		
Assessments	\$ 3,417,893	\$ 3,407,793
Interest income	<u>27</u>	<u>26</u>
Total revenue	<u>3,417,920</u>	<u>3,407,819</u>
EXPENSES		
Allocations	3,376,726	3,391,808
Operational expenses		
Management fees:		
Personnel expenses	1,313	1,712
Occupancy	<u>8,000</u>	<u>-</u>
Total management fees	9,313	1,712
Office supplies	45	-
Postage	769	82
Newsletter	487	1,940
Insurance - building, bond, equipment	718	718
Board travel	3,636	3,341
Professional fees	9,240	2,400
Other expenses	<u>212</u>	<u>-</u>
Total operational expenses	<u>24,420</u>	<u>10,193</u>
Total expenses	<u>3,401,146</u>	<u>3,402,001</u>
CHANGE IN NET ASSETS - CASH BASIS	16,774	5,818
NET ASSETS, BEGINNING OF YEAR	<u>286,887</u>	<u>281,069</u>
NET ASSETS, END OF YEAR	<u><u>\$ 303,661</u></u>	<u><u>\$ 286,887</u></u>

The accompanying notes are an integral part of the financial statements.

INDIANA DAIRY INDUSTRY DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Indiana Dairy Industry Development Board (IDIDB) was created by state statute and is therefore a public body corporate and politic, and though it is separate from the state, the exercise by IDIDB of its powers constitutes an essential government function. IDIDB primarily collects milk producer assessments and distributes the funds to active, ongoing, qualified milk advertising programs (of the producer's choice) in Indiana as stated in code 7 U.S.C. 4505 and the regulations adopted under that law.

BASIS OF ACCOUNTING

IDIDB's accounts are maintained on a cash basis. The Statements of Revenue, Expenses and Change in Net Assets - Cash Basis reflect only cash received and disbursed. Therefore, receivables and payables, long-lived assets, accrued income and expenses, and amortization and depreciation, which may be material in amount, are not reflected in the accompanying financial statements which are not intended to present the financial position, results of operations or cash flows in conformity with generally accepted accounting principles.

USE OF ESTIMATES

The preparation of financial statements requires IDIDB to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INCOME TAXES

IDIDB is an instrument of state government and therefore is exempt from state and federal income taxes.

REVENUE RECOGNITION AND ALLOCATIONS

In accordance with applicable state statutes, for every 100 pounds of milk produced 15 cents must go to a qualified advertising program. Five cents of this is sent to the National Dairy Board and the remaining ten cents is sent to IDIDB. IDIDB remits these amounts, net of administrative expenses, to qualified programs (state or regional dairy product promotion, research or nutrition education program) of the producer's choice and are recognized in the accompanying Statements of Revenue, Expenses, and Change in Net Assets – Cash Basis as allocations, when remitted. Revenue is recognized when the funds are received.

INDIANA DAIRY INDUSTRY DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET ASSET CLASSIFICATION

All net assets are unrestricted and unreserved as the restrictions on uses are not narrower than the purpose of the fund itself. The purpose is defined as the collection of assessments on milk producers and allocations (less administrative fees) to qualified programs.

SUBSEQUENT EVENTS

Management evaluated subsequent events through May 17, 2012, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2011, but prior to May 17, 2012 that provided additional evidence about conditions that existed at December 31, 2011, have been recognized in the financial statements for the year ended December 31, 2011. Events or transactions that provided evidence about conditions that did not exist at December 31, 2011 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2011.

NOTE 2 – CONCENTRATIONS

For the years ended December 31, 2011 and 2010, IDIDB received 100% of its revenue from assessments imposed on milk producers as discussed in Note 1. IDIDB maintains its checking account in one financial institution located in Indianapolis, Indiana. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits at December 31, 2011 and 2010. Periodically throughout the year, IDIDB's cash balances may exceed this FDIC insurance coverage limit; however, management does not anticipate non-performance by the institution.

NOTE 3 – RELATED PARTY TRANSACTIONS

In August 2004, IDIDB entered into an agreement with Milk Promotion Services of Indiana, Inc. (MPSI) to provide administrative and management services. The agreement requires IDIDB to comply with the state statute as discussed in Note 1. Management fees for the years ended December 31, 2011 and 2010 of \$9,313 and \$1,712, respectively, were paid to MPSI. Management fees and professional services expenses of \$4,000 and \$3,500, respectively, were incurred by IDIDB and due to MPSI in 2010 but were paid to MPSI in 2011. Allocations paid to MPSI for the years ended December 31, 2011 and 2010 were \$2,358,696 and \$2,318,686, respectively. IDIDB also has some common board members with the MPSI, but the common members do not constitute more than fifty percent of control (in accordance with state statute).

This information is an integral part of the accompanying financial statements.