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February 6, 2014

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 period January 1, 2012 to December 31, 2012. Per the auditors' opinion, the audit was conducted in accordance with auditing standards generally accepted in the United States of America and the financial statements included in the report present fairly, in all material respects, the assets and net assets of the Indiana Dairy Industry Development Board as of December 31, 2012, and its revenues and expenses and changes in net assets for the year 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, 2012 and 2011**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT.....	1
FINANCIAL STATEMENTS	
Statements of Assets and Net Assets – Cash Basis.....	3
Statements of Revenues, Expenses and Change in Net Assets – Cash Basis.....	4
Notes to Financial Statements.....	5



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Indiana Dairy Industry Development Board
Indianapolis, Indiana

We have audited the accompanying financial statements of the Indiana Dairy Industry Development Board (IDIDB), which comprise the statements of assets and net assets – cash basis as of December 31, 2012 and 2011, and the related statements of revenues, expenses and change in net assets – cash basis 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 the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditors' Responsibility

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 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 auditor considers 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.



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Opinion

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, 2012 and 2011, and its revenues and expenses and changes in net assets for the years then ended, in accordance with the cash basis of accounting described in Note 1 to the financial statements.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes the basis of accounting. The financial statements are prepared on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

CliftonLarsonAllen LLP

Indianapolis, Indiana
July 15, 2013

INDIANA DAIRY INDUSTRY DEVELOPMENT BOARD
STATEMENTS OF ASSETS AND NET ASSETS –
CASH BASIS
December 31, 2012 and 2011

	ASSETS	
	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash	\$ <u>310,365</u>	\$ <u>303,661</u>
TOTAL ASSETS	<u>\$ 310,365</u>	<u>\$ 303,661</u>
	NET ASSETS	
NET ASSETS		
Unrestricted	\$ <u>310,365</u>	\$ <u>303,661</u>
TOTAL NET ASSETS	<u>\$ 310,365</u>	<u>\$ 303,661</u>

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

INDIANA DAIRY INDUSTRY DEVELOPMENT BOARD
STATEMENTS OF REVENUES, EXPENSES
AND CHANGE IN NET ASSETS – CASH BASIS
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
REVENUES		
Assessments	\$ 3,801,941	\$ 3,417,893
Interest income	<u>27</u>	<u>27</u>
Total revenues	<u>3,801,968</u>	<u>3,417,920</u>
EXPENSES		
Allocations	3,775,423	3,376,726
Operational expenses		
Management fees:		
Personnel expenses	1,193	1,313
Occupancy	<u>4,000</u>	<u>8,000</u>
Total management fees	5,193	9,313
Office supplies	-	45
Postage	150	769
Newsletter	965	487
Insurance - building, bond, equipment	718	718
Board travel	3,486	3,636
Professional fees	8,855	9,240
Other expenses	<u>474</u>	<u>212</u>
Total operational expenses	<u>19,841</u>	<u>24,420</u>
Total expenses	<u>3,795,264</u>	<u>3,401,146</u>
CHANGE IN NET ASSETS – CASH BASIS	6,704	16,774
NET ASSETS, BEGINNING OF YEAR	<u>303,661</u>	<u>286,887</u>
NET ASSETS, END OF YEAR	<u>\$ 310,365</u>	<u>\$ 303,661</u>

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

INDIANA DAIRY INDUSTRY DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

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 Revenues, 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 Revenues, 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, 2012 and 2011

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 July 15, 2013, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2012, but prior to July 15, 2013 that provided additional evidence about conditions that existed at December 31, 2012, have been recognized in the financial statements for the year ended December 31, 2012. Events or transactions that provided evidence about conditions that did not exist at December 31, 2012 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, 2012.

NOTE 2 – CONCENTRATIONS

For the years ended December 31, 2012 and 2011, 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, 2012 and 2011. 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

IDIDB maintains 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, 2012 and 2011 of \$6,086 and \$9,313, 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, 2012 and 2011 were \$2,510,686 and \$2,358,696, 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.