



STATE OF INDIANA
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August 19, 2009

Debra L. Berry, Administrator
Indiana Dairy Industry Development Board
9360 Castlegate Drive
Indianapolis, IN 46256

Dear Ms. Berry:

We have received the audit report prepared by Clifton Gunderson LLP, Independent Public Accountants, for the periods January 1, 2007 to December 31, 2007 and January 1, 2008 to December 31, 2008. 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 financial condition of the Indiana Dairy Industry Development Board as of December 31, 2007 and December 31, 2008, respectively, and the results of its operations for the periods then ended, on the basis of accounting described in the reports.

The Independent Public Accountants' reports are 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, 2007 and 2006**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Assets and Net Assets - Cash Basis	2
Statements of Revenue, Expenses and Change in Net Assets - Cash Basis	3
Notes to Financial Statements	4



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 (Board) as of December 31, 2007 and 2006, 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 Board'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 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, 2007 and 2006, 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.

Clifton Gunderson LLP

Indianapolis, Indiana
August 4, 2008

INDIANA DAIRY INDUSTRY DEVELOPMENT BOARD
STATEMENTS OF ASSETS AND NET ASSETS -
CASH BASIS
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ <u>359,089</u>	\$ <u>140,957</u>
TOTAL ASSETS	<u>\$ 359,089</u>	<u>\$ 140,957</u>
NET ASSETS		
NET ASSETS		
Unreserved, undesignated	\$ <u>359,089</u>	\$ <u>140,957</u>
TOTAL NET ASSETS	<u>\$ 359,089</u>	<u>\$ 140,957</u>

These financial statements should be read only in connection with
the notes to financial statements.

INDIANA DAIRY INDUSTRY DEVELOPMENT BOARD
STATEMENTS OF REVENUE, EXPENSES
AND CHANGE IN NET ASSETS - CASH BASIS
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
REVENUE		
Assessments	\$ 3,524,020	\$ 3,195,596
Interest income	<u>3,019</u>	<u>1,587</u>
Total revenue	<u>3,527,039</u>	<u>3,197,183</u>
 EXPENSES		
Allocations	<u>3,296,230</u>	<u>3,211,703</u>
 Operational expenses		
Management fees:		
Personnel expenses	683	3,304
Occupancy	<u>4,000</u>	<u>4,000</u>
Total management fees	4,683	7,304
Office supplies	25	-
Postage	49	81
Newsletter	1,919	1,255
Insurance - building, bond, equipment	652	978
Board travel	2,050	1,345
Professional fees	3,150	3,000
Other expenses	<u>149</u>	<u>-</u>
Total operational expenses	<u>12,677</u>	<u>13,963</u>
 Total expenses	<u>3,308,907</u>	<u>3,225,666</u>
 CHANGE IN NET ASSETS - CASH BASIS	218,132	(28,483)
 NET ASSETS, BEGINNING OF YEAR	<u>140,957</u>	<u>169,440</u>
 NET ASSETS, END OF YEAR	<u>\$ 359,089</u>	<u>\$ 140,957</u>

These financial statements should be read only in connection with
the notes to financial statements.

INDIANA DAIRY INDUSTRY DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Indiana Dairy Industry Development Board (Dairy Development Board) 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 the Dairy Development Board of its powers constitutes an essential government function. The Dairy Development Board 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

The Dairy Development Board's accounts are maintained on a cash basis, and the Statements of Revenue and Expenses and Change in Net Assets - cash basis reflects 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, or results of operations in conformity with generally accepted accounting principles.

USE OF ESTIMATES

The preparation of financial statements requires the Dairy Development Board 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

The Dairy Development Board 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 the Dairy Development Board. The Dairy Development Board 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 as allocations when remitted. Revenue is recognized when the funds are received.

INDIANA DAIRY INDUSTRY DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

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.

RECLASSIFICATIONS

Certain items have been reclassified in the 2006 statement of revenue, expenses and change in net assets to conform to the 2007 presentation. The reclassifications had no effect on the previously reported revenues, expenses or changes in net assets.

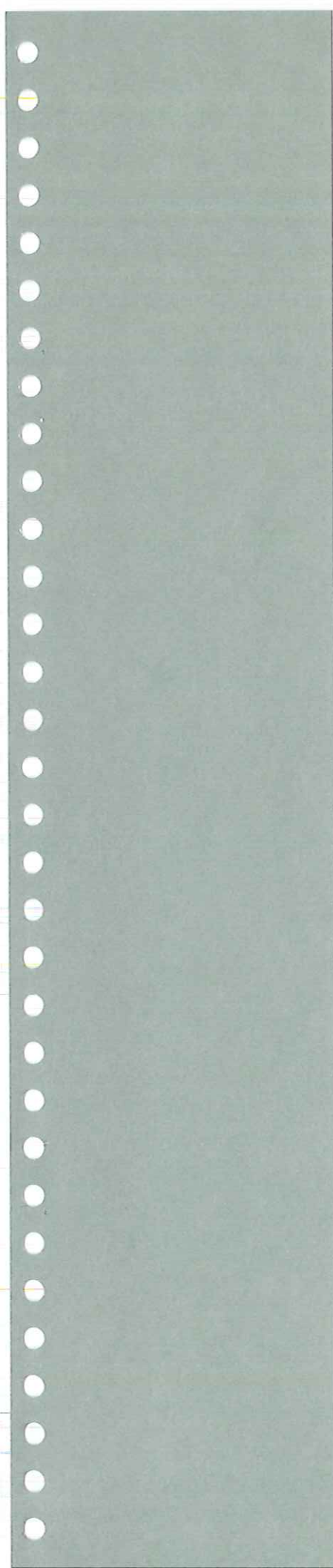
NOTE 2 - CONCENTRATIONS

For the years ended December 31, 2007 and 2006, the Dairy Development Board received 99% of its revenue from assessments imposed on milk producers as discussed in Note 1. The Board maintains its checking account in one financial institution located in Indianapolis, Indiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2007 and 2006, the Board's uninsured cash balance was approximately \$259,100 and \$41,000, respectively.

NOTE 3 – RELATED PARTY TRANSACTIONS

In August 2004, the Dairy Development Board entered into an agreement with Milk Promotion Services of Indiana, Inc. to provide administrative and management services. The agreement requires the Dairy Development Board to comply with the state statute as discussed in Note 1. Management fees for the years ended December 31, 2007 and 2006 of \$4,683 and \$7,304, respectively, were paid to Milk Promotion Services of Indiana, Inc. Allocations paid to Milk Promotion Services of Indiana, Inc. for the years ended December 31, 2007 and 2006 were \$2,342,790 and \$2,372,169, respectively. The Dairy Development Board also has some common board members with the Milk Promotion Services of Indiana, Inc. but not more than fifty percent of control (in accordance with state statute).

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



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

**FINANCIAL STATEMENTS
December 31, 2008 and 2007**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Assets and Net Assets - Cash Basis	2
Statements of Revenue, Expenses and Change in Net Assets - Cash Basis	3
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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 (Board) as of December 31, 2008 and 2007, 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 Board'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, 2008 and 2007, 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.

Clifton Gunderson LLP

Indianapolis, Indiana
February 23, 2009

INDIANA DAIRY INDUSTRY DEVELOPMENT BOARD
STATEMENTS OF ASSETS AND NET ASSETS -
CASH BASIS
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ <u>474,870</u>	\$ <u>359,089</u>
TOTAL ASSETS	\$ <u>474,870</u>	\$ <u>359,089</u>
NET ASSETS		
NET ASSETS		
Unrestricted	\$ <u>474,870</u>	\$ <u>359,089</u>
TOTAL NET ASSETS	\$ <u>474,870</u>	\$ <u>359,089</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

INDIANA DAIRY INDUSTRY DEVELOPMENT BOARD
STATEMENTS OF REVENUE, EXPENSES
AND CHANGE IN NET ASSETS - CASH BASIS
Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
REVENUE		
Assessments	\$ 3,273,488	\$ 3,524,020
Interest income	<u>3,717</u>	<u>3,019</u>
Total revenue	<u>3,277,205</u>	<u>3,527,039</u>
 EXPENSES		
Allocations	<u>3,146,824</u>	<u>3,296,230</u>
Operational expenses		
Management fees:		
Personnel expenses	1,397	683
Occupancy	<u>4,819</u>	<u>4,000</u>
Total management fees	6,216	4,683
Office supplies	-	25
Postage	29	49
Newsletter	1,398	1,919
Insurance - building, bond, equipment	652	652
Board travel	1,655	2,050
Professional fees	4,650	3,150
Other expenses	<u>-</u>	<u>149</u>
Total operational expenses	<u>14,600</u>	<u>12,677</u>
Total expenses	<u>3,161,424</u>	<u>3,308,907</u>
 CHANGE IN NET ASSETS	115,781	218,132
 NET ASSETS, BEGINNING OF YEAR	<u>359,089</u>	<u>140,957</u>
 NET ASSETS, END OF YEAR	<u>\$ 474,870</u>	<u>\$ 359,089</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

INDIANA DAIRY INDUSTRY DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Indiana Dairy Industry Development Board (Dairy Development Board) 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 the Dairy Development Board of its powers constitutes an essential government function. The Dairy Development Board 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

The Dairy Development Board's accounts are maintained on a cash basis, and the Statements of Revenue and Expenses and Change in Net Assets - cash basis reflects 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, or results of operations in conformity with generally accepted accounting principles.

USE OF ESTIMATES

The preparation of financial statements requires the Dairy Development Board 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

The Dairy Development Board 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 the Dairy Development Board. The Dairy Development Board 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 as allocations when remitted. Revenue is recognized when the funds are received.

INDIANA DAIRY INDUSTRY DEVELOPMENT BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

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.

NOTE 2 - CONCENTRATIONS

For the years ended December 31, 2008 and 2007, the Dairy Development Board received 99% of its revenue from assessments imposed on milk producers as discussed in Note 1. The Dairy Development Board maintains its checking account in one financial institution located in Indianapolis, Indiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 and \$100,000 at December 31, 2008 and 2007, respectively. At December 31, 2008 and 2007, the Board's uninsured cash balances were approximately \$224,900 and \$259,100, respectively.

NOTE 3 – RELATED PARTY TRANSACTIONS

In August 2004, the Dairy Development Board entered into an agreement with Milk Promotion Services of Indiana, Inc. (MPSI) to provide administrative and management services. The agreement requires the Dairy Development Board to comply with the state statute as discussed in Note 1. Management fees for the years ended December 31, 2008 and 2007 of \$5,396 and \$4,683, respectively, were paid to MPSI. Allocations paid to MPSI for the years ended December 31, 2008 and 2007 were \$2,184,843 and \$2,342,790, respectively. The Dairy Development Board 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.