

McGladrey & Pullen

Certified Public Accountants

State of Illinois
Illinois Grain Insurance Corporation
(A Component Unit of the State of Illinois)

Financial Audit and Compliance Examination

For the Years Ended June 30, 2007 and 2006

Performed As Special Assistant Auditors for
the Auditor General, State of Illinois

State of Illinois
Illinois Grain Insurance Corporation
(A Component Unit of the State of Illinois)

Financial Audit and Compliance Examination
For the Years Ended June 30, 2007 and 2006

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State of Illinois
Illinois Grain Insurance Corporation
(A Component Unit of the State of Illinois)

Financial Audit and Compliance Examination
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State of Illinois
Illinois Grain Insurance Corporation
(A Component Unit of the State of Illinois)

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Agency Officials

Board of Directors at June 30, 2007

President - Charles Hartke, Director of the Department of Agriculture

Secretary - Karen McNaught, Designee of Attorney General

Treasurer - Ed Buckles, Designee of State Treasurer

Director - Keith A. Fanning, Designee of Department of Financial and Professional Regulation

Director - Laura Lanterman, Chief Fiscal Officer of the Department of Agriculture

The Illinois Department of Agriculture provided the personnel necessary to operate the Illinois Grain Insurance Corporation.

Agency offices are located at:

Illinois Department of Agriculture
State Fairgrounds
Springfield, Illinois

March 26, 2008

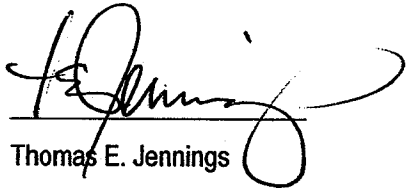
McGladrey & Pullen, LLP
Certified Public Accountants
20 North Martingale Road, Suite 500
Schaumburg, Illinois 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Illinois Grain Insurance Corporation (A Component Unit of the State of Illinois). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Corporation's compliance with the following assertions during the two-year period ended June 30, 2007. Based on this evaluation, we assert that during the years ended June 30, 2007 and June 30, 2006, the Corporation has materially complied with the assertions below.

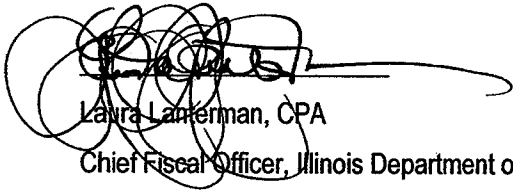
- A. The Corporation has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Corporation has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Corporation has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Corporation are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the Corporation on behalf of the State or held in trust by the Corporation have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,



Thomas E. Jennings

Acting President, Illinois Grain Insurance Corporation



Laura Lanterman, CPA

Chief Fiscal Officer, Illinois Department of Agriculture

State of Illinois
Illinois Grain Insurance Corporation
(A Component Unit of the State of Illinois)

Financial Audit and Compliance Examination
For the Years Ended June 30, 2007 and 2006

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANTS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	2	3
Repeated findings	2	1
Prior recommendations implemented or not repeated	1	6

Details of findings are presented in a separately tabbed report section.

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (<i>GOVERNMENT AUDTING STANDARDS</i>)		
07-1	11	Financial Statements Not Prepared in Accordance with Generally Accepted Accounting Principles
FINDINGS (STATE COMPLIANCE)		
07-2	12	Grain Insurance Reserve Fund Not Funded
PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)		
07-3	13	No Supervisory Review of Monthly Bank Reconciliations

State of Illinois
Illinois Grain Insurance Corporation
(A Component Unit of the State of Illinois)

Financial Audit and Compliance Examination
For the Years Ended June 30, 2007 and 2006

COMPLIANCE REPORT - Continued

EXIT CONFERENCE

The Agency waived having an exit conference on March 17, 2008. Responses to the recommendations were provided by Laura Lanterman in a letter dated March 17, 2008.

McGladrey & Pullen

Certified Public Accountants

Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes

Honorable William G. Holland
Auditor General
State of Illinois, and

Mr. Thomas E. Jennings,
Acting President of the Board of Directors,
Illinois Grain Insurance Corporation

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Illinois Grain Insurance Corporation's (a component unit of the State of Illinois) (Corporation) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the years ended June 30, 2007 and June 30, 2006. The management of the Corporation is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Corporation's compliance based on our examination.

- A. The Corporation has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Corporation has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Corporation has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Corporation are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Corporation on behalf of the State or held in trust by the Corporation have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Corporation's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Corporation's compliance with specified requirements.

In our opinion, the Corporation complied, in all material respects, with the requirements listed in the first paragraph of this report during the years ended June 30, 2007 and June 30, 2006. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as findings 07-1 and 07-2.

As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

Internal Control

The management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Corporation's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

Our consideration of internal control over compliance with the requirements listed in the first paragraph of this report was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency and a material weakness.

A control deficiency in an entity's internal control over compliance 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 noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance as described in the accompanying schedule of findings as finding 07-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings, we consider finding 07-1 to be a material weakness.

As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

The Corporation's response to the finding identified in our examination is described in the accompanying schedule of findings. We did not examine the Corporation's response and, accordingly, we express no opinion on it.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities and the major fund of the Corporation as of and for the years ended June 30, 2007 and June 30, 2006, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 26, 2008. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Corporation. The 2007 and 2006 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2007 and June 30, 2006, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States, the Corporation's basic financial statements for the years ended June 30, 2005 and June 30, 2004. In our report dated December 9, 2005, we expressed an unqualified opinion on the respective financial statements of the governmental activities, and the major fund. In our opinion, the 2005 and 2004 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2005 and June 30, 2004, taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Schaumburg, Illinois
March 26, 2008

McGladrey & Pullen

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*

Honorable William G. Holland
Auditor General
State of Illinois, and

Mr. Thomas E. Jennings,
Acting President of the Board of Directors,
Illinois Grain Insurance Corporation

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities and the major fund of the State of Illinois, Illinois Grain Insurance Corporation (a component unit of the State of Illinois) (Corporation), as of and for the years ended June 30, 2007 and June 30, 2006, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated March 26, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in finding 07-1 in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, the significant deficiency described above as finding 07-1 in the schedule of findings we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of 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*.

We have also conducted a State compliance examination of the Corporation as required by the Illinois State Auditing Act. The results of that examination have been reported to management and are included in the Compliance Report section of this report as listed in the table of contents.

We also noted certain matters which we have reported to management of the Corporation in a separate letter dated March 26, 2008.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Schaumburg, Illinois
March 26, 2008

State of Illinois
Illinois Grain Insurance Corporation
(A Component Unit of the State of Illinois)

Financial Audit and Compliance Examination
For the Years Ended June 30, 2007 and 2006

Current Findings – Government Auditing Standards

07-1 Finding: Financial Statements Not Prepared in Accordance with Generally Accepted Accounting Principles

The Illinois Grain Insurance Corporation did not prepare its financial statements in accordance with generally accepted accounting principles.

When presented with the draft financial statements prepared by the Corporation, we noted that the Corporation overstated its beginning fund balance for the Illinois Grain Insurance Fund by \$447,000 and understated Charges for Services by \$447,000 in its Statement of Governmental Revenues, Expenditures and Changes in Fund Balance for the year ended June 30, 2006.

Generally accepted accounting principles require that all assets, liabilities, revenues and expenditures of the Corporation be accounted for and reported in its financial statements. Good internal controls would require that the Corporation use due care in preparing its financial statements and that those draft financial statements be properly reviewed by financial management.

Department personnel stated that the error was due to oversight in preparing the pencil copy of the draft report.

Complete and accurate financial reporting is essential to enable the Corporation's management and the Illinois Grain Insurance Corporation's Board of Directors, as well as other users of the Illinois Grain Insurance Corporation's financial statements, to have a clear understanding of the financial condition of the Illinois Grain Insurance Fund. Accurate financial statements are critical to effective oversight and management of Corporation operations. (Finding Code No. 07-1, 05-1 and 03-1)

Recommendation:

We recommend that the Corporation implement control procedures to ensure the accuracy of financial reporting including a proper and thorough review of the financial statements by financial management.

Agency Response:

The agency agrees with the finding. The agency notes that the fiscal year 2005 finding was corrected in that all necessary adjusting entries were made, and the trial balance and internal financial statements were correctly stated. The error was in preparation of draft schedules for the audit report. This oversight will be corrected in the current fiscal year.

State of Illinois
Illinois Grain Insurance Corporation
(A Component Unit of the State of Illinois)

Financial Audit and Compliance Examination
For the Years Ended June 30, 2007 and 2006

Current Findings – State Compliance

07-2 Finding: Grain Insurance Reserve Fund Not Funded

The Illinois Grain Insurance Corporation has not funded the \$2,000,000 Grain Insurance Reserve Fund as required by the Grain Code.

On April 5, 2005 the Corporation remitted the \$4,000,000 balance due to the General Revenue Fund that was borrowed prior to June 30, 2003. As of the end of our examination fieldwork on November 1, 2007, the Corporation had not established the \$2,000,000 Grain Insurance Reserve Fund required by the Grain Code.

The Grain Code (240 ILCS 40/30-25) states, "Upon payment in full of all money that has been transferred to the (Grain Insurance) Fund prior to June 30, 2003 from the General Revenue Fund...the State of Illinois shall remit \$2,000,000 to the Corporation to be held in a separate and discrete account to be used to the extent the assets in the (Grain Insurance) Fund are insufficient to satisfy claimants as payment of their claims become due..." "The remittance of the \$2,000,000 reserve shall be made to the (Illinois Grain) Corporation within 60 days of payment in full of all the money transferred to the (Grain Insurance) Fund as set forth above in this Section 30-25."

Examination of the monthly bank statements revealed that the Reserve Fund has been set up, but not funded. According to the April 10, 2007 Illinois Grain Insurance Corporation Board of Directors Minutes, the Office of Management and Budget had not released the appropriation of \$2,000,000, but had promised to do so prior to June 30, 2007. As of the end of the lapse period on August 31, 2007, the Office of Management and Budget had not released the \$2,000,000 appropriated in fiscal year 2007 to fund the Grain Insurance Reserve Fund.

The Corporation's management indicated the Grain Insurance Reserve Fund was not funded because the appropriation was reverted and not released prior to the end of the lapse period.

Failure to establish the Grain Insurance Reserve Fund decreases the insurance reserves the legislature mandated by State law to further insure grain farmers from the potential losses of failed grain warehouses and dealers. (Finding Code No.07-2, 05-2)

Recommendation:

We recommend the Corporation comply with the law by working with the Office of Management and Budget to obtain the necessary appropriation to fund the Grain Insurance Reserve Fund or seek legislative relief from the statutory requirement.

Agency Response:

The agency agrees with the finding and will request an appropriation to fund the Reserve Fund.

State of Illinois
Illinois Grain Insurance Corporation
(A Component Unit of the State of Illinois)

Financial Audit and Compliance Examination
For the Years Ended June 30, 2007 and 2006

Prior Findings Not Repeated – State Compliance

07-3 Finding: No Supervisory Review of Monthly Bank Reconciliations

During the prior audit period, upon examination of monthly bank reconciliations, we noted that there was no documentation of the preparer, the date of preparation, or reviewer. Good internal controls require documentation of preparer, date prepared, and supervisory review.

During our current audit period sample testing, we noted that monthly bank reconciliations had documentation of the preparer, the preparation date, and a supervisory review.

Status: Implemented (Finding Code No. 05-3)

State of Illinois
Illinois Grain Insurance Corporation
(A Component Unit of the State of Illinois)

Financial Audit and Compliance Examination
For the Years Ended June 30, 2007 and 2006

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the State of Illinois, Illinois Grain Insurance Corporation (a component unit of the State of Illinois) was performed by McGladrey & Pullen, LLP.

Based on their audit, the auditors expressed an unqualified opinion on the agency's basic financial statements.

SUMMARY OF FINDINGS

The auditors identified matters involving the Corporation's internal control over financial reporting that they considered to be significant deficiencies. The significant deficiencies are described in the accompanying Schedule of Findings on page 11 of this report, as finding 07-1, Financial Statements Not Prepared in Accordance with Generally Accepted Accounting Principles. The auditors also consider finding 07-1 to be a material weakness.

EXIT CONFERENCE

The Agency waived having an exit conference on March 17, 2008. Responses to the recommendations were provided by Laura Lanterman in a letter dated March 17, 2008.

McGladrey & Pullen

Certified Public Accountants

Independent Auditors' Report

Honorable William G. Holland
Auditor General
State of Illinois, and

Mr. Thomas E. Jennings,
Acting President of the Board of Directors,
Illinois Grain Insurance Corporation

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities and the major fund of the State of Illinois, Illinois Grain Insurance Corporation (a component unit of the State of Illinois) (Corporation), as of and for the years ended June 30, 2007 and June 30, 2006, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Corporation, as of June 30, 2007 and June 30, 2006, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Corporation has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2008, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Comptroller, agency management, and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Schaumburg, Illinois
March 26, 2008

State of Illinois
 Illinois Grain Insurance Corporation
 (A Component Unit of the State of Illinois)

Financial Audit and Compliance Examination
 For the Years Ended June 30, 2007 and 2006

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
 JUNE 30, 2007
 (Expressed in Thousands)

	Illinois Grain Insurance Fund	Adjustments	Statement of Net Assets
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and Cash Equivalents	\$ 6,633	\$ -	\$ 6,633
Other Receivables	4	-	4
Due from Primary Government	49	-	49
Total Assets	<u>\$ 6,686</u>	<u>\$ -</u>	<u>\$ 6,686</u>
Liabilities:			
Deferred Revenue	\$ 1	\$ -	\$ 1
Total Liabilities	<u>1</u>	<u>-</u>	<u>1</u>
Fund Balance/Net Assets:			
Unreserved Fund Balance	<u>6,685</u>	<u>(6,685)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 6,686</u>		
Net Assets:			
Restricted for Environmental and Business Regulation		<u>\$ 6,685</u>	<u>\$ 6,685</u>

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

State of Illinois
Illinois Grain Insurance Corporation
(A Component Unit of the State of Illinois)

Financial Audit and Compliance Examination
For the Years Ended June 30, 2007 and 2006

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO STATEMENT OF NET ASSETS
JUNE 30, 2007
(Expressed in Thousands)

Total Fund Balance - Governmental Fund	\$	6,685
--	----	-------

Amounts reported for governmental activities in
the Statement of Net Assets are different because:

Receipts that do not provide current financial
resources were deferred in the Illinois Grain
Insurance Fund but were recognized as
revenues in the Statement of Activities

-

Net Assets of Governmental Activities	\$	<u>6,685</u>
---------------------------------------	----	--------------

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

State of Illinois
 Illinois Grain Insurance Corporation
 (A Component Unit of the State of Illinois)

Financial Audit and Compliance Examination
 For the Years Ended June 30, 2007 and 2006

STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2007
 (Expressed in Thousands)

	Illinois Grain Insurance Fund	Adjustments	Statement of Activities
	<u> </u>	<u> </u>	<u> </u>
Expenditures/Expenses:			
Environmental and Business Regulation	\$ 23	\$ -	\$ 23
	<u> </u>	<u> </u>	<u> </u>
Program Revenues:			
Charges for Services	1,724	-	1,724
Operating Contributions	1	-	1
Total Program Revenues	<u>1,725</u>	<u>-</u>	<u>1,725</u>
Net Program Revenues			1,702
General Revenues:			
Interest and Investment Income	<u>311</u>	<u>-</u>	<u>311</u>
Excess of Revenues Over Expenditures	2,013	(2,013)	-
Change in Net Assets	-	2,013	2,013
Fund Balance/Net Assets, July 1, 2006	<u>4,672</u>	<u>-</u>	<u>4,672</u>
Fund Balance/Net Assets, June 30, 2007	<u>\$ 6,685</u>	<u>\$ -</u>	<u>\$ 6,685</u>

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

State of Illinois
Illinois Grain Insurance Corporation
(A Component Unit of the State of Illinois)

Financial Audit and Compliance Examination
For the Years Ended June 30, 2007 and 2006

RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUND TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007
(Expressed in Thousands)

Net Change in Fund Balance - Governmental Fund \$ 2,013

Amounts reported for governmental activities in
the Statement of Activities are different because:

Revenues in the Statement of Activities
that do not provide current financial resources
are deferred in the Illinois Grain Insurance Fund -

Prior year's receipts that did not provide current
financial resources were deferred in the Illinois
Grain Insurance Fund but were recognized as
revenues in the prior year's Statement of Activities -

Change in Net Assets of Governmental Activities \$ 2,013

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

State of Illinois
 Illinois Grain Insurance Corporation
 (A Component Unit of the State of Illinois)

Financial Audit and Compliance Examination
 For the Years Ended June 30, 2007 and 2006

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
 JUNE 30, 2006
 (Expressed in Thousands)

	<u>Illinois Grain Insurance Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets:			
Cash and Cash Equivalents	\$ 4,667	\$ -	\$ 4,667
Other Receivables	1	-	1
Due from Primary Government	7	-	7
Total Assets	<u>\$ 4,675</u>	<u>\$ -</u>	<u>\$ 4,675</u>
Liabilities:			
Deferred Revenue	\$ 1	\$ -	\$ 1
Due to Primary Government	2	-	2
Total Liabilities	<u>3</u>	<u>-</u>	<u>3</u>
Fund Balance/Net Assets:			
Unreserved Fund Balance (Deficit)	<u>4,672</u>	<u>(4,672)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 4,675</u>		
Net Assets:			
Restricted for Environmental and Business Regulation		<u>\$ 4,672</u>	<u>\$ 4,672</u>

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

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RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO STATEMENT OF NET ASSETS
JUNE 30, 2006
(Expressed in Thousands)

Total Fund Balance (Deficit) - Governmental Funds	\$	4,672
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Amounts reported for governmental activities in
the Statement of Net Assets are different because:

Receipts that do not provide current financial
resources were deferred in the Illinois Grain
Insurance Fund but were recognized as
revenues in the Statement of Activities

-

Net Assets of Governmental Activities	\$	<u>4,672</u>
---------------------------------------	----	--------------

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

State of Illinois
 Illinois Grain Insurance Corporation
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Financial Audit and Compliance Examination
 For the Years Ended June 30, 2007 and 2006

STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2006
 (Expressed in Thousands)

	Illinois Grain Insurance Fund	Adjustments	Statement of Activities
Expenditures/Expenses:			
Environmental and Business Regulation	\$ 17	\$ -	\$ 17
Program Revenues:			
Charges for Services	2,653	(447)	2,206
Operating Contributions	139	-	139
Total Program Revenues	<u>2,792</u>	<u>(447)</u>	<u>2,345</u>
Net Program Revenues			2,328
General Revenues:			
Interest and Investment Income	126	-	126
Excess of Revenues Over Expenditures	2,901	(2,901)	-
Change in Net Assets	-	2,454	2,454
Fund Balance/Net Assets, July 1, 2005	<u>1,771</u>	<u>447</u>	<u>2,218</u>
Fund Balance/Net Assets, June 30, 2006	<u>\$ 4,672</u>	<u>\$ -</u>	<u>\$ 4,672</u>

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

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RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUND TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006
(Expressed in Thousands)

Net Change in Fund Balance - Governmental Fund \$ 2,901

Amounts reported for governmental activities in
the Statement of Activities are different because:

Revenues in the Statement of Activities
that do not provide current financial resources
are deferred in the Illinois Grain Insurance Fund -

Prior year's receipts that provided current
financial resources were recognized as revenue in
the Illinois Grain Insurance Fund but were recognized
as revenues in the prior year's Statement of Activities (447)

Change in Net Assets of Governmental Activities \$ 2,454

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

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Financial Audit and Compliance Examination
For the Years Ended June 30, 2007 and 2006

Notes to the Financial Statements

1. ORGANIZATION:

The Illinois Grain Insurance Corporation (Corporation) was established by the Illinois Grain Code (Grain Code) (240 ILCS 40/1 et seq.) as a political subdivision, body politic and municipal corporation. The primary functions of the Corporation are specified in the Grain Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Corporation conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies:

a. The Reporting Entity

The Illinois Grain Insurance Corporation is a discretely presented component unit of the State of Illinois financial reporting entity. The Governmental Accounting Standards Board (GASB) has adopted Statement No. 14, as amended entitled "The Financial Reporting Entity", (GASB Statement 14) which establishes standards for defining and reporting on the financial reporting entity. The requirements of the statement apply at all levels to all state and local governments. Using the guidance provided in GASB Statement 14 regarding a) the definition of the component unit and b) financial accountability, there are no other state agencies, boards or commissions which were required to be included in the financial reporting entity of the Illinois Grain Insurance Corporation.

b. Basis of Presentation

The accompanying financial statements of the Illinois Grain Insurance Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed in pronouncements of the Governmental Accounting Standards Board ("GASB"). The financial activities of the Corporation are reported as a discretely presented component unit in the State of Illinois' Comprehensive Annual Financial report. For reporting purposes, the Corporation has combined the fund and government-wide financial statements.

The government-wide statement of net assets and statement of activities report the overall financial activity of the Corporation. The financial activities of the Corporation consist only of governmental activities, which are primarily supported by charges for services and operating contributions. The statement of activities demonstrates the degree to which direct expenses of a given function (i.e. environmental and business regulation) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all interest and investment income, are presented as general revenues.

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Illinois Grain Insurance Corporation
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For the Years Ended June 30, 2007 and 2006

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued:

The financial activities of the Corporation are recorded in one individual fund, the Illinois Grain Insurance Fund. The Illinois Grain Insurance Fund is a non-appropriated fund and is held locally. A fund is a separate accounting entity segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. The Corporation's financial activities reported in the accompanying financial statements have been classified as a special revenue fund.

A special revenue fund accounts for resources obtained from specific revenue sources that are legally restricted to expenditures for specified purposes.

c. Basis of Accounting and Measurement Focus

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if they are collected within sixty days of the end of the current fiscal year. Significant revenue sources which are susceptible to accrual include assessment fees, claim recoveries, and penalties and interest. Expenditures are recognized for liabilities that are normally paid with expendable available financial resources.

d. Budgets

A budget is not legally adopted.

e. Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with original maturities of three months or less. The Corporation's cash equivalents consist of deposits to the Illinois Funds Money Market Fund and Illinois Funds Prime Fund and are stated at cost.

f. Net Assets

The statement of net assets reports \$6,685 and \$4,672 (expressed in thousands) of restricted net assets for the years ending June 30, 2007 and June 30, 2006, respectively. The entire balance is restricted by enabling legislation.

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Financial Audit and Compliance Examination
For the Years Ended June 30, 2007 and 2006

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued:

g. Program Revenues

Program Revenues include the following:

Charges for Services

Assessment Fees - This revenue represents payment by grain dealers, warehousemen, grain sellers and lenders for their assessment as calculated and billed in accordance with the Illinois Grain Code.

Penalties – This revenue represents fines assessed for violations of open position limits and grain quantity violations. Fines may also be given for late payments of seller assessments.

Printer Fees – This revenue represents registration fees charged to approve printers of Price Later Contracts and Warehouse Receipts.

Operating Contributions

Recovery of Claims Paid – This revenue represents funds collected by the Illinois Department of Agriculture from cases for which a draw was previously paid by the Illinois Grain Insurance Fund to the Department's Grain Indemnity Trust Fund (#1116). Funds recovered from these cases may be deposited directly into the Illinois Grain Insurance Fund or deposited into the Grain Indemnity Trust Fund and subsequently transferred to the Illinois Grain Insurance Fund.

h. Environmental and Business Regulation

Environmental and Business Regulation Expenditures are comprised of the following:

Claims Expenditures

This expenditure account represents amounts paid to the Grain Indemnity Trust Fund for valid claims that have been made against the Illinois Grain Insurance Fund.

State law (240 ILCS 40/25-20(b)) requires the Corporation to transfer funds to the Grain Indemnity Trust Fund to compensate claimants, pay refunds, and fund the Grain Asset Preservation Account. Valid claims that have been made against the Corporation that have not yet been paid are recorded as claims payable due to the primary government.

State of Illinois
Illinois Grain Insurance Corporation
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Financial Audit and Compliance Examination
For the Years Ended June 30, 2007 and 2006

Notes to the Financial Statements

3. DEPOSITS:

For funds maintained outside the State Treasury (locally held funds), agencies have independent authority to manage their own cash. State law requires all fees assessed pursuant to 240 ILCS 40/5-30 be held in the Illinois Grain Insurance Fund.

Investments

By statute, the Corporation is authorized to invest in any securities guaranteed by the full faith and credit of the United States of America and other available bank investments constituting direct obligations of any bank as defined by the Illinois Banking Act and covered by federal depository insurance. In addition, the Corporation can invest in short-term obligations of certain corporations, short-term discount obligations of the Federal National Mortgage Association and Illinois Funds.

The Corporation's investments at June 30, 2007 and 2006 included the Illinois Funds Money Market Fund and the Illinois Funds Prime Fund. The Illinois Funds Money Market Fund and the Illinois Funds Prime Fund are held at U.S. Bank in Springfield, Illinois

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Corporation does not have a formal policy that addresses this type of investment risk.

The Illinois Funds Money Market Fund and the Illinois Funds Prime Fund are external investment pools managed by the Illinois State Treasurer. The weighted average maturity for Illinois Funds is 0.04 years. The Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in the Illinois Funds are valued at the Illinois Fund Money Market's share price, which is the price the investment could be sold for.

Credit Risk

Generally, credit risk is the risk that an issuer of a debt investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Corporation does not have a formal policy on limiting credit risk. However, the

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Notes to the Financial Statements

Corporation's investments are held in the State Investment Pool. As of year end, the State Investment Pool (Illinois Funds) had a rating of AAA from Standard and Poor's.

Concentration of Credit Risk and Custodial Credit Risk

Concentration risk is the risk of loss attributed to the concentration of an entity's investment in a single issuer. Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Corporation will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Corporation's investments at June 30, 2007 and 2006 are not subject to concentration of credit risk or custodial credit risk.

4. INTERGOVERNMENTAL ACTIVITY:

Balances Due from Primary Government

This represents monies due from the Illinois Department of Agriculture Grain Indemnity Trust Fund. The Corporation is allowed to recover funds from prior claims paid when such funds from failed elevators become available. These funds are recovered by the Grain Indemnity Trust fund and at that point are recorded as reimbursements due from primary government. The Corporation also funds the Grain Asset Preservation Account in the IDOA Grain Indemnity Trust Fund. Until expenses are incurred by the Corporation and paid by the agency, it is due from the primary government. There was \$49 thousand and \$7 thousand due from the primary government at June 30, 2007 and June 30, 2006, respectively.

5. SUBSEQUENT EVENT:

On September 11, 2007, the Illinois Department of Agriculture revoked the licenses of a grain dealer due to its failure. On December 11, 2007, the Corporation's Board of Directors authorized a transfer not to exceed \$2,850 (expressed in thousands) to the Indemnity Trust Account to pay claims relating to the failure.

On March 3, 2008, the Illinois Department of Agriculture revoked the licenses of a grain dealer due to its failure. The Corporation's management estimates approximately \$1,000 (expressed in thousands) will be transferred to the Indemnity Trust Account to pay claims relating to the failure.

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Financial Audit and Compliance Examination
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SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

- Introduction
- Comparative Schedule of Revenues
- Explanation of Significant Variations in Expenditures
- Explanation of Significant Variations in Revenues
- Analysis of Accounts Receivable
- Administrative Costs

- Analysis of Operations:

- Agency Functions and Planning Program
- Employees
- Schedule of Grain Dealers and Grain Warehouses (Unaudited)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the accountants' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**State of Illinois
Illinois Grain Insurance Corporation
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**Financial Audit and Compliance Examination
For the Years Ended June 30, 2007 and 2006**

Introduction

The State of Illinois, Illinois Grain Insurance Corporation (a component unit of the State of Illinois) (Corporation) was created on August 16, 1983 by the Illinois Grain Code (240 ILCS 40/1). The Corporation is located in the Department of Agriculture, State Fairgrounds, Springfield, Illinois.

The Corporation was created for the purpose of improving the economic stability of agriculture by establishing funds to pay grain producers and other claimants for losses incurred by the failure of a grain dealer or warehouseman.

The Corporation receives no appropriations and remits no deposits to the State Comptroller. As a result, no schedules of appropriations, schedules of cash receipts or reconciliation of cash receipts to deposits remitted to the State Comptroller are presented in the supplementary information.

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Financial Audit and Compliance Examination
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COMPARATIVE SCHEDULE OF REVENUES
 Years Ended June 30, 2007, 2006 and 2005

Illinois Grain Insurance Fund - #1205

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Increase/(Decrease) 2006 to 2007</u>	<u>Increase/(Decrease) 2005 to 2006</u>
Assessment Fees	\$ 1,712,594	\$ 2,645,193	\$ 2,054,958	\$ (932,599)	\$ 590,235
Penalties	9,250	6,250	21,750	3,000	(15,500)
Recovery of Claims	1,220	138,916	6,128	(137,696)	132,788
Printer Fees	1,800	2,200	2,200	(400)	-
Interest Income	311,100	126,033	46,133	185,067	79,900
Total Revenue	<u>\$ 2,035,964</u>	<u>\$ 2,918,592</u>	<u>\$ 2,131,169</u>	<u>\$ (882,628)</u>	<u>\$ 787,423</u>

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Explanation of Significant Variations in Expenditures
 (Expressed in Thousands)

The following is a detail comparison of expenditures for the years ended 2007 and 2006:

	Fiscal Year <u>2007</u>	Fiscal Year <u>2006</u>	Increase <u>(Decrease)</u>
Claims expenditure	\$ 0	\$ 0	\$0
Recovery expenditure	19	17	2
Refunds	<u>4</u>	<u>0</u>	<u>4</u>
Total expenditures	<u>\$23</u>	<u>\$17</u>	<u>\$6</u>

There was no significant change between fiscal years 2007 and 2006.

The following is a detail comparison of expenditures for the years ended 2006 and 2005:

	Fiscal Year <u>2006</u>	Fiscal Year <u>2005</u>	Increase <u>(Decrease)</u>
Claims expenditure	\$ 0	\$ 49	\$ (49)
Recovery expenditure	17	16	1
Refunds	<u>0</u>	<u>2</u>	<u>(2)</u>
Total expenditures	<u>\$17</u>	<u>\$67</u>	<u>\$(50)</u>

During fiscal year 2005, the Corporation processed claims related to Ty-Walk Liquid Sales, Inc.

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Financial Audit and Compliance Examination
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Explanation of Significant Variations in Revenues
 (Expressed in Thousands)

Assessments:

The following is a detailed comparison of assessment revenue for the years ended June 30, 2007 and 2006:

	Fiscal Year <u>2007</u>	Fiscal Year <u>2006</u>	Increase (Decrease)
Dealer and Warehouse Assessments	\$ 747	\$ 428	\$ 319
Grain Seller Assessment	707	2,072	(1,365)
Lender Assessment	<u>258</u>	<u>145</u>	<u>113</u>
Total assessment revenue	<u>\$ 1,712</u>	<u>\$ 2,645</u>	<u>\$ (933)</u>

Fiscal year 2006's Dealer and Warehouse Assessments represent only a portion of revenue from the assessments issued on April 1, 2005, as it overlapped two fiscal years. Fiscal year 2007's Dealer and Warehouse Assessments represent all revenue from the July 1, 2006 assessments. Grain Seller Assessments are issued when the Grain Insurance Fund balance is below \$3,000,000. During fiscal year 2007, the Grain Insurance Fund balance exceeded the \$3,000,000 threshold, therefore, assessments were ceased. The Lender Assessments varies from year to year based on general economic conditions and grain market conditions.

The following is a detailed comparison of assessment revenue for the years ended June 30, 2006 and 2005:

	Fiscal Year <u>2006</u>	Fiscal Year <u>2005</u>	Increase (Decrease)
Dealer and Warehouse Assessments	\$ 428	\$ 866	\$ (438)
Grain Seller Assessment	2,072	1,163	909
Lender Assessment	<u>145</u>	<u>26</u>	<u>119</u>
Total assessment revenue	<u>\$ 2,645</u>	<u>\$ 2,055</u>	<u>\$ 590</u>

On April 1, 2005, a Dealer and Warehouse Assessment were issued. The majority of this revenue was collected in fiscal year 2005. There were no assessments issued in fiscal year 2006. The revenue recognized in fiscal year 2006 represents the amount owed from the April 1, 2005 assessment. The Grain Seller Assessments are assessed when the Grain Insurance Fund balance is below \$3,000,000. Fiscal year revenue varies based on the timing of the assessment cycle. The Lender Assessments varies from year to year based on general economic conditions and grain market conditions.

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Financial Audit and Compliance Examination
 For the Years Ended June 30, 2007 and 2006

Explanation of Significant Variations in Revenues
 (Expressed in Thousands)

Recovery of claims:

The following is a comparison of revenue from recoveries of claims for fiscal years 2007 and 2006:

	Fiscal Year <u>2007</u>	Fiscal Year <u>2006</u>	Increase (Decrease)
Recovery of claims	<u>\$ 1</u>	<u>\$ 139</u>	<u>\$ (138)</u>

During fiscal year 2006, the Corporation received a payment for the bankruptcy of an elevator that had failed in fiscal year 2005.

The following is a comparison of revenue from recoveries of claims paid for fiscal years 2006 and 2005:

	Fiscal Year <u>2006</u>	Fiscal Year <u>2005</u>	Increase (Decrease)
Recovery of claims	<u>\$ 139</u>	<u>\$ 6</u>	<u>\$ 133</u>

During fiscal year 2006, the Corporation received a payment for the bankruptcy of an elevator that had failed in fiscal year 2005.

Interest Income:

The following is a comparison of interest income for fiscal years 2007 and 2006:

	Fiscal Year <u>2007</u>	Fiscal Year <u>2006</u>	Increase (Decrease)
Interest income	<u>\$311</u>	<u>\$126</u>	<u>\$185</u>

The significant increase in interest income between fiscal years 2007 and 2006 was due largely to an increase in the average monthly balance.

The following is a comparison of interest income for fiscal years 2006 and 2005.

	Fiscal Year <u>2006</u>	Fiscal Year <u>2005</u>	Increase (Decrease)
Interest income	<u>\$126</u>	<u>\$46</u>	<u>\$80</u>

The significant increase in interest income between fiscal years 2006 and 2005 was due largely to an increase in the average monthly balance.

State of Illinois
 Illinois Grain Insurance Corporation
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Financial Audit and Compliance Examination
 For the Years Ended June 30, 2007 and 2006

Analysis of Accounts Receivable
 (Expressed in Thousands)

Accounts receivable consist of assessment receivables and reimbursements due from the Grain Indemnity Trust Fund. A detailed description of the reimbursements due from the Grain Indemnity Trust Fund is provided in the notes to the basic financial statements.

	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2006</u>	
	<u>Amount</u>	<u>Age of Account</u>	<u>Amount</u>	<u>Age of Account</u>
Receivables				
Assessment Receivables	\$ 4	Current	\$ 1	Current
Reimbursement from Grain Indemnity Trust Fund	<u>0</u>		<u>0</u>	
Totals	<u>\$ 4</u>		<u>\$ 1</u>	
Estimated Collectible	<u>\$ 4</u>		<u>\$ 1</u>	

Changes in Accounts Receivable were not significant between fiscal years 2007 and 2006.

	<u>Fiscal Year 2006</u>		<u>Fiscal Year 2005</u>	
	<u>Amount</u>	<u>Age of Account</u>	<u>Amount</u>	<u>Age of Account</u>
Receivables				
Assessment Receivables Due from Grain Indemnity Trust Fund	\$ 1	Current	\$ 754	Current
	<u>0</u>		<u>234</u>	Current
Totals	<u>\$ 1</u>		<u>\$ 988</u>	
Estimated Collectible	<u>\$ 1</u>		<u>\$ 988</u>	

A subsequent assessment was issued on Grain Dealers and Warehouseman on April 1, 2005. At June 30, 2005 the \$754 thousand was not received. The assessment was collected in fiscal year 2006. The next assessment was not issued until fiscal year 2007. In fiscal year 2005, the Grain Indemnity Trust Fund held recovered funds that were due to the Grain Insurance Fund. The funds were repaid in fiscal year 2006.

Method of Collection

The Grain Insurance collects receivables through the Department of Agriculture's offset system.

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Administrative Costs

The Corporation did not have expenditures which would represent administrative costs. The State of Illinois, Illinois Department of Agriculture (Department) provided fiscal and administrative support to carry out the responsibilities of the Corporation. Department personnel indicated there are approximately six (6) Department employees who work on the Corporation fiscal and administrative functions.

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Agency Functions and Planning Program

The State of Illinois, Illinois Grain Insurance Corporation (a component unit of the State of Illinois) (Corporation) was created on August 16, 1983 by the Illinois Grain Code (240 ILCS 40/1). The Corporation was created for the purpose of improving the economic stability of agriculture by establishing funds to pay grain producers and other claimants for losses incurred by the failure of a grain dealer or warehouseman.

The Corporation is located in the State of Illinois, Illinois Department of Agriculture (Department), State Fairgrounds, Springfield, Illinois. At June 30, 2007, the Corporation operated under the direction of the following Board of Directors:

Board Member and President

Charles Hartke, Director of the Illinois Department of Agriculture

Board Member and Secretary

Karen McNaught, Designee of Attorney General

Board Member and Treasurer

Ed Buckles, Designee of State Treasurer

Board Member

Keith A. Fanning, Designee of Illinois Department of Financial and Professional Regulation

Board Member

Laura Lanterman, Chief Fiscal Officer, Illinois Department of Agriculture

The Board of Directors meets periodically to address the Corporation's operations.

Fiscal support to carry out the responsibilities of the Corporation is provided by the Department.

The primary functions of the Corporation are to make investments with funds assessed and collected by the Department and to transfer funds to the Grain Indemnity Trust Fund when the Director of the Department determines it necessary in order to compensate claimants in accordance with the Illinois Grain Code. The assessments are collected from grain dealers, warehousemen, grain sellers and lenders as established in the Illinois Grain Code (240 ILCS 40/5-30).

Operating programs of the Corporation are specified by the Illinois Grain Code (Grain Code). These operating programs have been established adequately by the Corporation in order to meet its defined goals and objectives. An adequate system for monitoring the programs of the Grain Code has been developed by the Corporation.

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Employees

The State of Illinois, Illinois Department of Agriculture provided the personnel necessary to operate the State of Illinois, Illinois Grain Insurance Corporation (A component unit of the State of Illinois).

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SCHEDULE OF GRAIN DEALERS AND GRAIN WAREHOUSES
(UNAUDITED)

	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2006</u>
Active Dealers/ Warehouses - beginning of year	358	385
Add: New dealer/ warehouses	4	4
Less: Closed or insolvent dealers/ warehouses	<u>(10)</u>	<u>(31)</u>
Active Dealers/ Warehouses - end of year	<u><u>352</u></u>	<u><u>358</u></u>