

State of Illinois
ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
FINANCIAL AUDIT AND COMPLIANCE
EXAMINATION
For the Two Years Ended June 30, 2015

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 Two Years Ended June 30, 2015

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AGENCY OFFICIALS

Board of Directors at June 30, 2015

President* – Phillip Nelson, Director of the Illinois Department of Agriculture

Secretary – Karen McNaught, Designee of Attorney General

Treasurer – Elizabeth Turner, Designee of State Treasurer

Director – Keith A. Fannig, Designee of Illinois Department of Financial and Professional Regulation

Director** – Laura A. Cadagin, Chief Financial Officer of the Illinois Department of Agriculture

(* Phillip Nelson resigned on September 24, 2015 and Warren Goesch assumed the role of Acting Director of the Illinois Department of Agriculture on September 25, 2015. Raymond Poe was named Acting Director of the Department on November 16, 2015.)

(**Laura Cadagin departed from the Illinois Department of Agriculture on December 30th, 2015. Richard Campbell was hired as the Chief Fiscal Officer of the Illinois Department of Agriculture on January 4, 2016)

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

Corporation offices are located at:

State Fairgrounds
801 E. Sangamon Ave.
Springfield, IL 62702

MANAGEMENT ASSERTION LETTER

January 28, 2016

Sikich LLP
3201 West White Oaks Dr., Suite 102
Springfield, IL 62704

Ladies and Gentlemen:

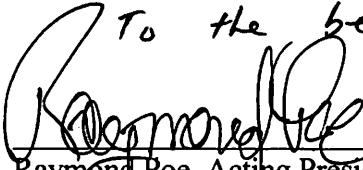
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Grain Insurance Corporation (Corporation). We are responsible for and we have established and maintained 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, 2015. Based on this evaluation, we assert that during the years ended June 30, 2015 and June 30, 2014, the Corporation has materially complied with the assertions below.

- A. The Department 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 Department 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 Department 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 Department 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 Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

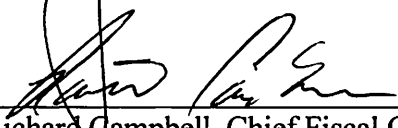
Yours very truly,

Illinois Grain Insurance Corporation

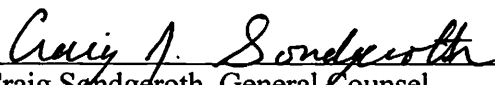
To the best of our knowledge



Raymond Poe, Acting President



Richard Campbell, Chief Fiscal Officer



Craig Sondgeroth, General Counsel

STATE OF ILLINOIS
 ILLINOIS GRAIN INSURANCE CORPORATION
 (A COMPONENT UNIT OF THE STATE OF ILLINOIS)
 FINANCIAL AUDIT AND COMPLIANCE
 EXAMINATION
 For the Two Years Ended June 30, 2015

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.

ACCOUNTANT'S REPORT

The Independent Accountant's Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u> <u>Report</u>	<u>Prior</u> <u>Report</u>
Findings	4	4
Repeated findings	3	1
Prior recommendations implemented or not repeated	1	1

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2015-001	11	Grain Insurance Reserve Fund not funded	Significant Deficiency and Noncompliance
2015-002	12	Untimely deposits of cash receipts	Significant Deficiency and Noncompliance
2015-003	13	Cooperative agreements with federal licensees' did not include all required statements	Significant Deficiency and Noncompliance
2015-004	15	Weaknesses and errors in reports submitted to the Illinois Office of the Comptroller	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

A Failure to include all fees in the Fee Imposition Report

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with representatives of the Corporation at an exit conference on January 20, 2016. Attending were:

Illinois Grain Insurance Corporation

Gary Shadid, Illinois Department of Agriculture, Chief Internal Auditor
Grant Hammer, Illinois Department of Agriculture, Chief of Staff
Craig Sondgeroth, Illinois Department of Agriculture, General Counsel
Rick Boyd, Illinois Department of Agriculture, Bureau of Warehouses Chief
Stuart Selinger, Illinois Department of Agriculture, Bureau of Warehouses Supervisor

Office of the Auditor General

Paul Usherwood, Audit Manager
Elvin Lay, Senior Audit Manager
Joseph H. Gudgel, IT Audit Manager

Sikich LLP – Special Assistant Auditors

Amy L. Sherwood, Partner
Ryan Randolph, Senior Accountant

Responses to the recommendations were provided by Gary Shadid, in correspondence dated January 20, 2016.

**INDEPENDENT ACCOUNTANT’S REPORT ON STATE COMPLIANCE AND
ON INTERNAL CONTROL OVER COMPLIANCE**

Honorable Frank J. Mautino
Auditor General
State of Illinois

Mr. Raymond Poe
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 two years ended June 30, 2015. 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.

Our examination was conducted 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 compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2015. However, the results of our procedures disclosed instances of noncompliance with the 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 items 2015-001 through 2015-004.

Internal Control

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 to determine the examination procedures that are appropriate in the circumstances 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings as items 2015-001 through 2015-004 that we consider to be significant deficiencies.

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

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

Sikich LLP

Springfield, Illinois
January 28, 2016

INDEPENDENT AUDITOR'S 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 Frank J. Mautino
Auditor General
State of Illinois

Mr. Raymond Poe
Acting President of the Board of Directors
Illinois Grain Insurance Corporation

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2015 and June 30, 2014 and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated January 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sikich LLP

Springfield, Illinois
January 28, 2016

SCHEDULE OF FINDINGS

CURRENT FINDINGS – STATE COMPLIANCE

2015-001 FINDING (Grain Insurance Reserve Fund not funded)

The Illinois Grain Insurance Corporation (Corporation) did not fund 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 the General Revenue Fund that was borrowed prior to June 30, 2003. The Corporation has not established the \$2,000,000 Grain Insurance Reserve Fund as required by the Grain Code after repayment of funds owed the General Revenue Fund.

The Grain Code (240 ILCS 40/30-25) states, “Upon payment in full of all money that has been transferred to the (Grain Insurance Reserve) 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 Reserve) 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 Insurance) Corporation within 60 days of payment in full of all money transferred to the (Grain Insurance Reserve) Fund as set forth above in this Section 30-25.”

In response to this finding in the previous engagement, the Corporation stated it would address the non-funding of the Grain Insurance Reserve Fund at its annual 2014 board meeting. Based upon the recommendations derived at that board meeting, funding would either be sought from the Office of Management and Budget or legislative relief would be sought to alleviate the statutory requirement. Regarding the ongoing noncompliance, the Corporation stated the funding for the Grain Insurance Reserve Fund has not been requested.

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. 2015-001, 2013-001, 11-1, 09-1, 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.

CORPORATION RESPONSE

The Corporation agrees with the finding. The Board of Directors of the Illinois Grain Insurance Corporation (IGIC), with input from the IGIC Advisory Committee, will address the non-funding of the Grain Insurance Reserve Fund at its annual board meeting to be held by April 30, 2016. Based on the recommendations of the Board, funding will be sought from the Governor’s Office of Management and Budget (GOMB) or legislative relief will be sought to alleviate the statutory requirement. Upon the decision/recommendation of the IGIC Board of Directors, the corrective action will be initiated.

2015-002 FINDING (Untimely deposits of cash receipts)

The Illinois Grain Insurance Corporation (Corporation) did not deposit receipts in a timely manner.

During receipt testing auditors identified 4 of 40 (10%) receipts tested totaling \$115,126 were not deposited within the timelines outlined by the State Officers and Employees Money Disposition Act (30 ILCS 230/1). Deposits were between 1 and 4 days late.

The Corporation has adopted the cash deposit criteria stated in the State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2). The Act requires agencies to deposit cash receipts into the State Treasury within 24 hours of receipt by the agency. Some exceptions to this rule exist. Receipts between \$500 and \$10,000 can be deposited within 48 hours. Single item receipts of more than \$10,000 must be deposited the same day received. Amounts of \$500 or less can be held until the next 1st or 15th day of the month before deposit. In cases where compliance with these requirements is not possible, the Comptroller and Treasurer have joint authority to allow deposit extensions.

In response to this finding from the previous engagement, the Corporation stated individuals responsible for the deposit of cash receipts would receive training to ensure the requirements of the Act were understood and followed. The Corporation would rely on Bureau of Warehouse staff to monitor the timeliness of cash deposits by support staff to further demonstrate compliance. The Corporation stated staff shortages and turnover prevented them from making all deposits in a timely manner during the current engagement period.

The untimely deposit of funds collected reduces the amount available to pay current costs and results in noncompliance with State statute. (Finding Code No. 2015-002, 2013-002)

RECOMMENDATION

We recommend the Corporation implement procedures to ensure compliance with the Act and deposits of cash receipts are made timely.

CORPORATION RESPONSE

The Corporation agrees with the finding. The Corporation experienced a vacancy that has been filled. The Corporation will comply with the State Officers and Employees Money Disposition Act. Bureau of Warehouses' employees responsible for deposit of cash receipts will receive training to ensure that the requirements of the Act are understood and complied with. Bureau management staff will monitor the timeliness of cash deposits by support personnel to further demonstrate compliance.

2015-003 FINDING (Cooperative agreements with federal licensees' did not include all required statements)

The Illinois Grain Insurance Corporation (Corporation) did not ensure all the required statements were included in cooperative agreements in its administration of federal licensees' participation in the Illinois Grain Insurance Fund (Fund).

Federally licensed warehouses are not required to have a state license to conduct business in Illinois. However, if a federal licensee wishes to participate in the Illinois Grain Insurance Fund, they must sign a cooperative agreement with the Illinois Department of Agriculture (Department) on behalf of the Corporation and agree to subject themselves to the Grain Code (240 ILCS 40/30-10(c)).

The Grain Code (240 ILCS 40/30-10(c)) states, "(1) A federal warehouseman may participate in the Fund. If a federal warehouseman chooses to participate in the Fund, it shall to the extent permitted by federal law: ... (D) execute a cooperative agreement between itself and the Department. (2) The cooperative agreement shall, at a minimum, provide each of the following to the extent permitted by federal law: (A) Authorization for the Department to obtain information about federal warehouseman including, but not limited to, bushel capacity of storage space, financial stability, and examinations performed by employees of the United States Department of Agriculture. (B) That the federal warehouseman submits itself to the jurisdiction of the Department and that it agrees to be subject to and bound by this Code and deemed a licensee under this Code. (C) That in the event of a failure of the federal warehouseman, the Department shall have authority to seize, liquidate, and collect upon all grain assets, collateral, and guarantees relating to the federal warehouseman as in the case of any other licensee."

During testing of the 15 existing cooperative agreements, auditors found the standard cooperative agreement failed to contain provisions (B) and (C), as noted above, in all 15 of the cooperative agreements. Those provisions are required by the Grain Code to be included in the cooperative agreements with federally licensed warehouses.

In response to this finding from the previous engagement, the Corporation stated it would revise the cooperative agreements to include all of the requirements outlined in the Grain Code. Upon review and approval of the revisions by the Corporation's Board of Directors, the Corporation would execute revised cooperative agreements with the federal warehouse licensees participating in the fund. The Corporation would then review the status of federal licensees doing business in Illinois for accuracy on a quarterly basis. Regarding the current noncompliance, the Corporation indicated the Department's Bureau of Warehouse staff has worked with the Legal staff to draft a revised cooperative agreement, but the revised cooperative agreement has not yet been implemented.

Failing to include the required provisions in the cooperative agreements prevents the Corporation from disclosing the duties and responsibilities of both the Corporation and the federal licensee, and could result in confusion and misunderstandings between the two parties. (Finding Code No. 2015-003, 2013-003)

RECOMMENDATION

We recommend the Corporation implement a revised cooperative agreement which includes all of the requirements outlined in the Grain Code.

CORPORATION RESPONSE

The Corporation agrees with the finding and has implemented the recommendation.

FINDING

(Weaknesses and errors in reports submitted to the Illinois Office of the Comptroller)

Weaknesses existed and errors were found in reports submitted by the Illinois Grain Insurance Corporation (Corporation) to the Illinois Office of the Comptroller (Comptroller) during the engagement period.

Auditors tested the quarterly Report of Receipts and Disbursements for Locally Held Funds (Form C-17s) submitted to the Comptroller for fiscal years 2014 and 2015 for both of the Corporation's locally held funds. Auditors also tested the Quarterly Summary of Accounts Receivable – Accounts Receivable Accounting Report (Form C-97) and the Quarterly Summary of Accounts Receivable – Aging of Total Gross Receivables Report (Form C-98) filed by the Corporation during the engagement period. The following weaknesses and errors were noted:

- All of the Form C-17s filed in fiscal years 2014 and 2015, 16 in total, did not contain documentation of a supervisory review being performed prior to submission to the Comptroller's Office.
- One of 8 (13%) Form C-97s filed in fiscal year 2015 listed the incorrect amount of accounts receivable at the end of the period. The amount listed on the Form C-97 was \$814 higher than accounts receivable at the end of the reporting period according to Corporation records.
- Two of 8 (25%) Form C-98s filed in fiscal year 2015 classified amounts incorrectly on the aging schedule. One Form C-98 classified \$1,666 as over 1 year past due rather than 181 days to 1 year past due, and another Form C-98 classified \$2,127 as 1-30 days past due rather than 31-90 days past due.
- One of 8 (13%) Form C-98s filed in fiscal year 2015 listed \$814 in past due receivables; however, the \$814 was collected during the reporting period.

The Statewide Accounting Management System (SAMS) (Procedure 33.13.20) requires each agency to prepare one Form C-17 for every locally held fund it maintains. When the reports are completed, they should be submitted to the agency official responsible for approving them. After the official has reviewed and signed the reports, they are submitted to the Office of the Comptroller for processing. The reports are due by the last day of the month following the quarter end.

The Statewide Accounting Management System (SAMS) (Procedure 26.30.10) requires agencies to file quarterly accounts receivable information with the Comptroller. This is accomplished by completing a Quarterly Summary of Accounts Receivable – Accounts Receivable Activity report (Form C-97) and Aging of Total Gross Receivables report (Form C-98), which are prepared and submitted to the Comptroller each quarter.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) (Act) requires all state agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds applicable to operations are properly recorded to permit the preparation of reliable financial and statistical reports. The Act also requires agencies to maintain accountability over the State's resources and that funds held outside the State Treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist.

The Corporation stated the issues noted were due to oversight and preparing the reports prior to the finalization of the accounting records for the period.

Preparing the reports prior to the completion of the reporting period increases the risk of omitting receipts or disbursements and presenting inaccuracies to the Comptroller. Failure to ensure a supervisory review of the Form C-17 could lead to errors going undetected and inaccurate financial reporting. Failure to file accurate reports to the Comptroller's Office is noncompliance with SAMS and leads to inaccurate reporting. (Finding Code No. 2015-004)

RECOMMENDATION

We recommend the Corporation prepare the quarterly reports after the completion of the quarter based upon balances reported in the Corporation's accounting records. We also recommend the Corporation ensure a supervisory review of the quarterly reports is performed and documented prior to the submission of the form to the Comptroller.

CORPORATION RESPONSE

The Corporation agrees with the finding and has implemented the recommendation.

PRIOR FINDINGS NOT REPEATED

A. **FINDING** (Failure to include all fees in the Fee Imposition Report)

During the previous engagement, the Illinois Grain Insurance Corporation failed to include all fees collected in the 2013 Agency Fee Imposition Report submitted to the Illinois Office of the Comptroller (Comptroller).

Testing performed on the 2014 Agency Fee Imposition Report rendered no exceptions. As a result, the prior finding was not repeated. (Finding Code No. 2013-004)

STATE OF ILLINOIS
ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
FINANCIAL AUDIT AND COMPLIANCE
EXAMINATION
For the Two Years Ended June 30, 2015

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) (Corporation) was performed by Sikich LLP.

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

INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

Mr. Raymond Poe
Acting President of the Board of Directors
Illinois Grain Insurance Corporation

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements 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, 2015 and June 30, 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Corporation as of June 30, 2015 and June 30, 2014, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Corporation has omitted a management's discussion and analysis section that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audits for the years ended June 30, 2015 and June 30, 2014 were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The accompanying Supplementary Information for State Compliance Purposes Schedules 1 through 4 and the Analysis of Operations Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Supplementary Information for State Compliance Purposes Schedules 1 through 4 for the years ended June 30, 2015 and June 30, 2014 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying Supplementary Information for State Compliance Purposes Schedules 1 through 4 for the years ended June 30, 2015 and June 30, 2014 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the years ended June 30, 2015 and June 30, 2014, in the accompanying Supplementary Information for State Compliance Purposes Schedules 1 through 4 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Corporation's basic financial statements as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated January 10, 2014, which contained an unmodified opinion on the Corporation's basic financial statements. The accompanying supplementary information for the year ended June 30, 2013 in Supplementary Information for State Compliance Purposes Schedules 1 through 4 is the responsibility of management and was derived from and relates directly to the underlying accounting and other

records used to prepare the June 30, 2013 financial statements. The accompanying supplementary information for the year ended June 30, 2013 Supplementary Information for State Compliance Purposes Schedules 1 through 4 has been subjected to the auditing procedures applied in the audit of the June 30, 2013 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2013 in the Supplementary Information for State Compliance Purposes Schedules 1 through 4 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

The accompanying supplementary information in the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2016 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corporation's internal control over financial reporting and compliance.

Restricted Use of this Auditor's Report

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, the Board of Directors and Corporation management and is not intended to be and should not be used by anyone other than these specified parties.



Springfield, Illinois
January 28, 2016

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, 2015 and 2014

Statement of Net Position
June 30, 2015
(Expressed in Thousands)

Assets		
Cash and Cash Equivalents	\$	7,426
Other Receivables		4
Total Assets	\$	<u>7,430</u>
Net Position		
Restricted for Environmental and Business Regulation	\$	<u>7,430</u>
Total Net Position	\$	<u>7,430</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, 2015 and 2014

Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2015
(Expressed in Thousands)

Operating Revenues	
Charges for Services	\$ 181
Total Operating Revenues	<u>181</u>
Operating Expenses	
Environmental and Business Regulation	<u>12</u>
Operating Income	169
Nonoperating Revenues	
On Behalf Contribution	12
Recovery on Claims Paid	16
Interest and Investment Income	1
Total Nonoperating Revenues	<u>29</u>
Transfers	
Transfer Out	<u>(50)</u>
Change in Fund Net Position	148
Net Position July 1, 2014	<u>7,282</u>
Net Position June 30, 2015	<u>\$ 7,430</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, 2015 and 2014

Statement of Cash Flows
For the Year Ended June 30, 2015
(Expressed in Thousands)

Cash flows from operating activities:	
Cash received for fees and other	\$ 179
Net cash provided by operating activities	<u>179</u>
Cash flows from investing activities:	
Interest and dividends on investments	<u>1</u>
Net cash provided by investing activities	<u>1</u>
Cash flows from other non-capital financing activities:	
Recovery on claims paid	<u>16</u>
Net cash provided by other non-capital financing activities	<u>16</u>
Net increase in cash and cash equivalents	<u>196</u>
Cash and cash equivalents at beginning of year	<u>7,230</u>
Cash and cash equivalents at end of year	<u><u>\$ 7,426</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 169
Adjustments to reconcile operating income to net cash provided by operating activities:	
On behalf expenses	12
Changes in assets and liabilities:	
Accounts receivable	<u>(2)</u>
Net cash provided by operating activities	<u><u>\$ 179</u></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, 2015 and 2014

Statement of Net Position
June 30, 2014
(Expressed in Thousands)

Assets

Cash and Cash Equivalents	\$	7,230
Other Receivables		2
Due from Primary Government		50
Total Assets	\$	7,282

Net Position

Restricted for Environmental and Business Regulation		7,282
Total Net Position	\$	7,282

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, 2015 and 2014

Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2014
(Expressed in Thousands)

Operating Revenues	
Charges for Services	\$ 141
Total Operating Revenues	<u>141</u>
Operating Expenses	
Environmental and Business Regulation	<u>15</u>
Operating Income	126
Nonoperating Revenues	
On Behalf Contribution	15
Recovery on Claims Paid	7
Interest and Investment Income	1
Total Nonoperating Revenues	<u>23</u>
Change in Fund Net Position	149
Net Position July 1, 2013	<u>7,133</u>
Net Position June 30, 2014	<u>\$ 7,282</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, 2015 and 2014

Statement of Cash Flows
For the Year Ended June 30, 2014
(Expressed in Thousands)

Cash flows from operating activities:	
Cash received for fees and other	\$ 139
Net cash provided by operating activities	<u>139</u>
Cash flows from investing activities:	
Interest and dividends on investments	<u>1</u>
Net cash provided by investing activities	<u>1</u>
Cash flows from other non-capital financing activities:	
Recovery on claims paid	<u>7</u>
Net cash provided by other non-operating activities	<u>7</u>
Net increase in cash and cash equivalents	<u>147</u>
Cash and cash equivalents at beginning of year	<u>7,083</u>
Cash and cash equivalents at end of year	<u><u>\$ 7,230</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 126
Adjustments to reconcile change in net fund position to net cash provided by operating activities:	
On behalf expenses	15
Changes in assets and liabilities:	
Accounts receivable	<u>(2)</u>
Net cash provided by operating activities	<u><u>\$ 139</u></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)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. Organization

The Illinois Grain Insurance Corporation (Corporation) was established by the 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 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 statements of net position; revenues, expenses and changes in fund net position; and cash flows report the overall financial activity of the Corporation. The financial activities of the Corporation consist only of business-type activities that are primarily supported by charges for services and operating contributions.

The financial activities of the Corporation are recorded in 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. Due to the nature of the Corporation's financial activities reported in the accompanying financial statements, the Illinois Grain Insurance Fund has been classified as a proprietary fund (enterprise).

An enterprise fund accounts for resources obtained from fees charged to external users for goods or services.

c. Basis of Accounting and Measurement Focus

The Corporation's financial 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 liabilities are incurred, regardless of when the related cash flow takes place.

d. Cash and Cash Equivalents

Cash and 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 and cash equivalents consist of deposits to the Illinois Funds Money Market Fund and are stated at cost. For the purpose of the statements of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered cash and cash equivalents.

e. Judgments Awarded in Favor of the State

The Corporation has been awarded restitution from various individuals who violated State and/or federal criminal law. Their criminal violations led to their failure as licensed grain dealers and warehousemen, which in turn led to losses in the Illinois Grain Insurance Fund. These individuals were successfully prosecuted and ordered to pay restitution as part of their sentencing.

The Corporation accounts for amounts received regarding ordered restitution on a cash basis. Receipt of restitution is contingent upon the ability of the failed licensees to pay and upon the collection and remittance by State and/or Federal courts. As such, although an amount of restitution is ordered, the actual amount to be received is not readily determinable.

In both fiscal years 2015 and 2014, the Corporation received cash restitution totaling \$16 and \$7, respectively, (expressed in thousands).

f. Net Position

The Statement of Net Position reports \$7,430 and \$7,282 (expressed in thousands) of restricted net position for the years ending June 30, 2015 and June 30, 2014, respectively. The entire balance is restricted by enabling legislation.

g. Classification of Revenues

The Corporation has classified its revenues as either operating or non-operating. Operating 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.

Nonoperating revenues include interest income, recovery on claims paid, and on behalf contribution from the State of Illinois, Department of Agriculture (Department) for administrative support.

h. On Behalf Revenues and Expenses

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the Corporation reported a contribution of \$12 and \$15 (expressed in thousands) made by the Department of Agriculture in fiscal year 2015 and 2014, respectively. The Department's contribution is reported as nonoperating revenue as on behalf contribution with an equal and offsetting amount reported with environmental and business regulation expense.

3. Deposits

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

Cash and Cash Equivalent/ 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, 2015 and 2014 were classified as cash and cash equivalents and were with the Illinois Funds Money Market Fund held at U.S. Bank in Springfield, Illinois.

The monies invested by the individual participants of the Illinois Funds Money Market Fund are pooled together and invested in U.S. Government securities backed by the full faith and credit of the United States or those with an implied guarantee of the United States Government. In addition, monies are invested in collateralized repurchase agreements, commercial paper, and in U.S. Government money market mutual funds that invest in U.S. Government Securities and collateralized repurchase agreements.

The repurchase agreements are collateralized at 102% with U.S. Government securities and the collateral is checked daily to determine sufficiency.

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 is an external investment pool managed by the Illinois State Treasurer. The weighted average maturity for Illinois Funds was 40 days at June 30, 2015. 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 Corporation's investments are held in the State Investment Pool. As of June 30, 2015, the State Investment Pool (Illinois Funds) had a rating of AAAm 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, 2015 and 2014 are not subject to concentration of credit risk or custodial credit risk.

4. Intergovernmental Activity

Balances Due From Primary Government

Due from primary government represents amounts due from the Illinois Department of Agriculture's Grain Indemnity Trust Fund (Trust Fund). The Grain Code established the Grain Asset Preservation Account, an account within the Trust Fund, to be funded up to \$50 (expressed in thousands) via transfers of interest accrued within the Illinois Grain Insurance Fund. Such amounts were deemed a receivable from the Trust Fund at June 30, 2014, but subsequently considered a transfer by Corporation management in fiscal year 2015 and reclassified as a transfer out at June 30, 2015.

5. Collateral

The Grain Code requires licensees to maintain certain operating ratios in order to maintain or renew their licenses as grain dealers and/or warehousemen. From time to time, licensees may not be able to maintain the required ratios. The Illinois Grain Code requires the Department to require collateral from the licensee specific to the deficiency. The collateral is not included in the Corporation's financial statements. However, its disclosure is important because, should a failure occur, a licensee's collateral would be used to offset any deficiencies before using Corporation funds to offset a deficiency. Collateral may be posted using cash or cash equivalents, certificates of deposit, irrevocable letter of credit, or any other property acceptable to the Department to the extent there is equity in the property.

At June 30, 2015 and 2014, the Department held the following collateral posted by licensees (amounts expressed in thousands):

	<u>2015</u>	<u>2014</u>
Cash	\$ 135	\$ 122
Certificates of Deposit	<u>56</u>	<u>110</u>
Total Collateral	<u>\$ 191</u>	<u>\$ 232</u>

Maturities of CDs held at June 30, 2015 and June 30, 2014 ranged from 09/21/2013 to 08/31/2015.

STATE OF ILLINOIS
ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
FINANCIAL AUDIT AND COMPLIANCE
EXAMINATION
For the Two Years Ended June 30, 2015

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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.

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

- Fiscal Schedules and Analysis:
 - Comparative Schedule of Revenues
 - Explanation of Significant Variations in Expenses
 - Explanation of Significant Variations in Revenues
 - Analysis of Accounts Receivable

- Analysis of Operations (Unaudited):
 - Agency Functions and Planning Program (Unaudited)
 - Schedule of Grain Dealers and Grain Warehouses (Unaudited)

The independent auditor's report, which covers the Supplementary Information for State Compliance Purposes states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditor's opinion, it is fairly stated, in all material respects in relation to the basic financial statements as a whole from which it has been derived. The independent auditor's report also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
COMPARATIVE SCHEDULE OF REVENUES
Years Ended June 30, 2015, 2014, and 2013

SCHEDULE 1

Illinois Grain Insurance Fund - #1205

	2015	2014	2013	Increase/(Decrease)	
				2014 to 2015	2013 to 2014
Assessment fees	\$ 177,675	\$ 137,343	\$ 105,404	\$ 40,332	\$ 31,939
Penalties	750	1,500	2,000	(750)	(500)
Recovery of claims	15,596	6,738	6,840	8,858	(102)
Printer fees	2,700	2,500	2,700	200	(200)
On behalf contribution	11,782	14,571	14,239	(2,789)	332
Interest income	1,238	1,197	5,286	41	(4,089)
Total revenue	<u>\$ 209,741</u>	<u>\$ 163,849</u>	<u>\$ 136,469</u>	<u>\$ 45,892</u>	<u>\$ 27,380</u>

STATE OF ILLINOIS
ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
EXPLANATION OF SIGNIFICANT VARIATIONS IN EXPENSES
June 30, 2015, 2014, and 2013
(Expressed in thousands)

SCHEDULE 2

	2015	2014	Increase (Decrease)
On behalf employee expenses	\$ 12	\$ 15	\$ (3)
Total Expenses	\$ 12	\$ 15	\$ (3)

	2014	2013	Increase (Decrease)
Claims expense	\$ -	\$ 160	\$ (160)
On behalf employee expenses	15	14	1
Total Expenses	\$ 15	\$ 174	\$ (159)

During fiscal year 2013, the Corporation incurred expenditures for claims related to a grain elevator failure in the amount of \$160. During fiscal years 2014 and 2015, there were no expenditures incurred for claims.

STATE OF ILLINOIS
ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
EXPLANATION OF SIGNIFICANT VARIATIONS IN REVENUES
Years Ended June 30, 2015, 2014, and 2013
(Expressed in thousands)

SCHEDULE 3

	2015	2014	Increase (Decrease)
Dealer and warehouse assessments	\$ 178	\$ 138	\$ 40
	\$ 178	\$ 138	\$ 40

	2014	2013	Increase (Decrease)
Dealer and warehouse assessments	\$ 138	\$ 105	\$ 33
	\$ 138	\$ 105	\$ 33

Dealer and warehouse assessments are a function of requests for new licenses and increases in permanent, temporary, and emergency storage licenses. These vary based upon the business climate and the size and storage needs of the industry.

	2015	2014	Increase (Decrease)
Recovery of claims	\$ 16	\$ 7	\$ 9
	\$ 16	\$ 7	\$ 9

	2014	2013	Increase (Decrease)
Recovery of claims	\$ 7	\$ 7	\$ -
	\$ 7	\$ 7	\$ -

Changes in recovery of claims are attributable to collections the Corporation receives for restitutions that arrive unsolicited from the court system.

EXPLANATION OF SIGNIFICANT VARIATIONS IN REVENUES - Cont.

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Interest income	\$ 1	\$ 1	\$ -
	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Interest income	\$ 1	\$ 5	\$ (4)
	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ (4)</u>

Changes in interest income are attributable to changes in interest rates.

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Penalties	\$ 1	\$ 2	\$ (1)
	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ (1)</u>

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Penalties	\$ 2	\$ 2	\$ -
	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ -</u>

Changes in penalties are attributable to the amount of violations committed by grain companies during the year.

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Printer fees	\$ 3	\$ 3	\$ -
	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ -</u>

	<u>2014</u>	<u>2013</u>	<u>Increase (Decrease)</u>
Printer fees	\$ 3	\$ 3	\$ -
	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ -</u>

STATE OF ILLINOIS
 ILLINOIS GRAIN INSURANCE CORPORATION
 (A COMPONENT UNIT OF THE STATE OF ILLINOIS)
ANALYSIS OF ACCOUNTS RECEIVABLE
 June 30, 2015, 2014, and 2013
 (Expressed in thousands)

SCHEDULE 4

	2015	2014	2013
Receivables	\$ 4	\$ 2	\$ -
Due from primary government	-	50	50
Totals	\$ 4	\$ 52	\$ 50
Estimated Collectible	\$ 4	\$ 52	\$ 50

In fiscal year 2015, a transfer out to the Illinois Department of Agriculture was recorded to reclassify the due from primary government balance. The due from primary government was recorded as a result of prior year transfers to

STATE OF ILLINOIS
ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
AGENCY FUNCTIONS AND PLANNING PROGRAM
For the Two Years Ended June 30, 2015
(Unaudited)

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 Grain Code (240 ILCS 40/1) (Code). 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, 801 E. Sangamon Ave., Springfield, Illinois. At June 30, 2015, the Corporation operated under the direction of the following Board of Directors:

Board member and President

Phillip Nelson, Director of the Illinois Department of Agriculture *

Board member and Secretary

Karen McNaught, Designee of Attorney General

Board member and Treasurer

Elizabeth Turner, Designee of State Treasurer

Board member

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

Board member

Laura A. Cadagin, Chief Fiscal Officer, Illinois Department of Agriculture **

(* Phillip Nelson resigned on September 24, 2015 and Warren Goesch assumed the role of Acting Director of the Illinois Department of Agriculture on September 25, 2015. Raymond Poe was named Acting Director of the Department on November 16, 2015.)

(**Laura Cadagin departed from the Illinois Department of Agriculture on December 30th, 2015. Richard Campbell was hired as the Chief Fiscal Officer of the Illinois Department of Agriculture on January 4, 2016)

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

Fiscal support to carryout 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 Department's Grain Indemnity Trust Fund when the Director of the Department determines it necessary in order to compensate claimants in accordance with the Code. The assessments are collected from grain dealers, warehousemen, grain sellers and lenders as established in the Code.

Operating programs of the Corporation are specified by the Code. These operating programs have been established adequately by the Corporation in order to meet its defined goals and objectives. A system for monitoring the programs of the Code has also been developed by the Corporation.

STATE OF ILLINOIS
 ILLINOIS GRAIN INSURANCE CORPORATION
 (A COMPONENT UNIT OF THE STATE OF ILLINOIS)
SCHEDULE OF GRAIN DEALERS AND GRAIN WAREHOUSES
 For the Years Ended June 30, 2015 and 2014
 (Unaudited)

	Fiscal Year 2015	Fiscal Year 2014
Active dealers/warehouses - beginning of year	258	268
Add: new dealer/warehouses	3	3
Less: closed or insolvent dealers/warehouses	11	13
Active dealers/warehouses - end of year	250	258