

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, 2013

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, 2013

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2013

AGENCY OFFICIALS

Board of Directors at June 30, 2013

President – Robert F. Flider, Director of the Illinois Department of Agriculture

Secretary – Karen McNaught, Designee of Attorney General

Treasurer – Elizabeth Turner, Designee of State Treasurer

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

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

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



**Office of the Director**

State Fairgrounds • P.O. Box 19281 • Springfield, IL 62794-9281 • 217/782-2172 • TDD 217/524-6858 • Fax 217/785-4505

January 10, 2014

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 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, 2013. Based on this evaluation, we assert that during the years ended June 30, 2013 and June 30, 2012, 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. 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.

Yours very truly,

Illinois Grain Insurance Corporation

Robert F. Flider, President

Raymond Watson, General Counsel

Laura Cadagin, CPA, Chief Fiscal Officer

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, 2013

**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 and on Internal Control Over Compliance does not contain scope limitations, disclaimers, or other significant non-standard language.

**SUMMARY OF FINDINGS**

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	4	2
Repeated findings	1	1
Prior recommendations implemented or not repeated	1	1

**SCHEDULE OF FINDINGS**

FINDINGS (STATE COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2013-001	10	Grain Insurance Reserve Fund not funded	Significant Deficiency and Noncompliance
2013-002	11	Untimely deposits of cash receipts	Significant Deficiency and Noncompliance

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2013-003	13	Weaknesses in the administration of federal licensees' participation in the fund	Significant Deficiency and Noncompliance
2013-004	15	Failure to include all fees in the Fee Imposition Report	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
A	16	Errors noted in assessment accounting system

**EXIT CONFERENCE**

The Corporation waived an exit conference in correspondence dated January 3, 2014. Responses to the recommendations were provided by Laura Cadagin in correspondence dated January 8, 2014.

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE AND  
ON INTERNAL CONTROL OVER COMPLIANCE

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

Mr. Robert F. Flider  
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, 2013. 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, 2013. 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 2013-001 through 2013-004.

### **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 our 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 2013-001 through 2013-004 that we consider to be significant deficiencies.

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

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.



Springfield, Illinois  
January 10, 2014

INDEPENDENT AUDITORS' 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. Robert F. Flider  
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, 2013 and June 30, 2012 and have issued our report thereon dated January 10, 2014.

### **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 opinion 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 10, 2014

**2013-001 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 to the General Revenue Fund that was borrowed prior to June 30, 2003. As of the end of our examination fieldwork, 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 money transferred to the (Grain Insurance) Fund as set forth above in this Section 30-25."

In response to this finding in the previous audit, the Corporation stated it would request the appropriation in future years. Regarding the Grain Insurance Reserve Fund not being funded during the audit period, the Corporation's management stated they did not request an appropriation in fiscal years 2012 and 2013 because of budgetary constraints on the General Revenue Fund, realizing that the funding was unattainable.

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. 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, 2014. Based on the recommendations of the Board, funding will again be sought from the Office of Budget and Management 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.

**2013-002 FINDING** (Untimely deposits of cash receipts)

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

During receipt testing we identified the following exceptions:

- Six of 40 (15%) receipts tested totaling \$95,932 were not deposited within the timelines adopted by the Corporation, which are those outlined by the State Officers and Employees Money Disposition Act (30 ILCS 230/1). The deposits were between 2 and 13 days late.
- One of 40 (3%) receipts tested totaling \$170 did not have adequate documentation to demonstrate the receipt was deposited timely. The Corporation could not provide documentation to show the date the check was received by the Corporation, thus we were unable to determine whether the check was deposited in a timely manner.

As stated above, 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. 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.

The Act also requires agencies to keep a detailed record of receipts that, at a minimum, indicate the date of the receipt, the source or payer, the purpose and the amount of the receipt to support each receipt transaction.

Management stated the Corporation reviewed the six receipts that were not deposited in a timely manner and determined all were associated with collateral required to be posted for examination or financial statement deficiencies. Because these are not routine deposits, staff reviews documentation to ensure the deficiency and collateral posting are in order before depositing the checks. Failure to date stamp documentation on a check was due to oversight.

Untimely deposit of funds collected reduces the amount available to pay current costs. Failure to maintain proper documentation of the date received could result in delays in depositing funds and deposit errors. (Finding Code No. 2013-002)

**RECOMMENDATION**

We recommend the Corporation comply with the Act by making timely deposits of cash receipts and documenting the receipt date and other details of the receipt.

## **CORPORATION RESPONSE**

The Corporation agrees with the finding. 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.

**2013-003 FINDING** (Weaknesses in the administration of federal licensees' participation in the fund)

The Illinois Grain Insurance Corporation (Corporation) had weaknesses 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 Corporation and agree to subject themselves to the Grain Code (240 ILCS 40/30-10(c)).

The Grain Code (Code) states, "...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: ... execute a cooperative agreement between itself and the Department. 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."

We noted the following weaknesses in the Corporation's administration of federal licensee's participation in the Fund during the audit period:

- The Corporation omitted the provisions outlined above from subsections A, B, and C of 240 ILCS 40/30-10(c)(2) in its cooperative agreements with federally licensed warehouses. Those provisions are required by the Grain Code to be included in cooperative agreements with federally licensed warehouses. None of the Corporation's 16 (0%) existing cooperative agreements contain these provisions.
- The Corporation's website listed a federal licensee as participating in the Fund before that licensee had signed a cooperative agreement with the Corporation. The licensee was listed as participating in the Fund at June 30, 2013, but the cooperative agreement was not signed until the end of September 2013.

Management attributed these weaknesses to:

- The Corporation used the Cooperative Agreements historically utilized for participation of Federal licensees without realizing necessary language was not included.
- A clerical error in the database resulted in the Corporation's website incorrectly indicating participation in the Fund.



- The licensee actually was participating in the Fund at June 30, 2013. The Cooperative Agreement could not be located, resulting in the execution of another agreement dated September 2013.

These weaknesses, if not corrected, can undermine the purpose of allowing federally licensed warehouses to participate in the Fund. 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. Failing to post accurate information on the website can mislead the public as to whether the grain of a federal licensee is protected by the Corporation. (Finding Code No. 2013-003)

### **RECOMMENDATION**

We recommend the Corporation revise its cooperative agreements to include all of the requirements outlined in the Grain Code. We also recommend the Corporation ensure the status of federal licensees doing business in Illinois is displayed accurately on the Corporation's website.

### **CORPORATION RESPONSE**

The Corporation agrees with the finding. The Corporation will revise the cooperative agreements to include all of the requirements outlined in the Grain Code. The revised agreements will be reviewed by the Illinois Department of Agriculture's legal department to ensure that all the requirements of the Grain Code are included within the revised agreements. The revised agreements will be presented to the Board of Director's of the Illinois Grain Insurance Corporation at the required annual meeting, to be held by April 30, 2014 for approval. Upon approval, the Corporation will execute revised cooperative agreements with federal warehouse licensees participating in the fund. The Corporation will review the status of federal licensees doing business in Illinois for accuracy on a quarterly basis.

**2013-004 FINDING** (Failure to include all fees in the Fee Imposition Report)

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

Newly licensed grain dealers and warehousemen are subject to three consecutive years of initial assessment fees. During our testing of the fiscal year 2013 Agency Fee Imposition Report, we noted the Corporation failed to report fees received from the 2<sup>nd</sup> and 3<sup>rd</sup> year initial assessments from newly licensed grain dealers and warehousemen. This omission caused the fees on the Agency Fee Imposition Report to be understated by \$12,039.

The State Comptroller Act (15 ILCS 405/16.2(a)) requires those agencies that impose fees to file the Agency Fee Imposition Report. The form shall list and describe the fees imposed by the Agency, the purpose of the fees, the amount of revenue generated by each fee, and the funds into which the fees are deposited.

Management attributed the omission of these fees to oversight.

Incorrect reporting of fees on the Agency Fee Imposition Report results in the Corporation providing inaccurate information on the Statewide Agency Fee Imposition Report submitted to the General Assembly. (Finding Code No. 2013-004)

**RECOMMENDATION**

The Corporation should implement procedures to ensure the accuracy of the Agency Fee Imposition Report prior to its submission to the Comptroller's Office, including a supervisory review to evaluate the completeness of all collected fees.

**CORPORATION RESPONSE**

The Corporation agrees with the finding. The Corporation will ensure the accuracy of the Agency Fee Imposition Report. The reconciliation of the report will be reviewed for accuracy by the Division Manager of the Illinois Department of Agriculture's Ag Industry Regulation Division prior to final submission of the report.

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

A. **FINDING** (Errors noted in assessment accounting system)

During the previous engagement, the Illinois Grain Insurance Corporation's (Corporation) accounting system had several errors relating to assessment receivables that required adjustments.

During the current engagement, our sample testing did not identify any errors in the Corporation's assessment receivables. (Finding Code No. 11-2)

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, 2013

**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 AUDITORS' REPORT

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

Mr. Robert F. Flider  
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, 2013 and June 30, 2012, 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 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 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 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 financial position of the Corporation as of June 30, 2013 and June 30, 2012, and the changes in financial position and cash flows 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.

#### ***Other Information***

Our audit was 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 5 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 5 is the responsibility of management and was derived from and relates 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 5 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 State Compliance Purposes Schedules 1 through 5 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, 2011 (not presented herein), and have issued our report thereon dated March 8, 2012, which contained an unmodified opinion on the Corporation's basic financial statements. The accompanying supplementary information for the year ended June 30, 2011 in Schedules 2, 3, 4, 5 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, 2011 financial statements. The accompanying supplementary information for the year ended June 30, 2011 in Schedules 2, 3, 4, 5 has been subjected to the auditing procedures applied in the audit of the June 30, 2011 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, 2011 in Schedules 2, 3, 4, 5 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 10, 2014 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 the 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.

*Sikich LLP*

Springfield, Illinois  
January 10, 2014

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

Financial Audit and Compliance Examination  
For the Year Ended June 30, 2013

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STATEMENT OF NET POSITION  
JUNE 30, 2013  
(Expressed in Thousands)

Assets:

Cash and Cash Equivalents	\$	7,083
Due from Primary Government		50
Total Assets		<u>7,133</u>

Net Position

Restricted for Environmental and Business Regulation		<u>7,133</u>
Total Net Position	\$	<u><u>7,133</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 Year Ended June 30, 2013

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013  
(Expressed in Thousands)

Operating Revenues	
Charges for Services	\$ 110
Total Operating Revenues	<u>110</u>
Operating Expenses	
Environmental and Business Regulation	<u>174</u>
Operating Income	(64)
Nonoperating Revenues	
On Behalf Contribution	14
Recovery on Claims Paid	7
Interest and Investment Income	5
Total Nonoperating Revenues	<u>26</u>
Change in Net Position	(38)
Net Position July 1, 2012	<u>7,171</u>
Net Position June 30, 2013	<u>\$ 7,133</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 Year Ended June 30, 2013

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STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Expressed in Thousands)

Cash flows from operating activities:	
Cash received for fees and other	\$ 112
Cash payments to suppliers for goods and services	(160)
Net cash used in operating activities	<u>(48)</u>
Cash flows from investing activities:	
Interest and dividends on investments	5
Net cash provided by investing activities	<u>5</u>
Cash flows from other non capital financing activities:	
Recovery on claims paid	7
Net cash provided by other non capital financing activities	<u>7</u>
Net decrease in cash and cash equivalents	<u>(36)</u>
Cash and cash equivalents at beginning of year	<u>7,119</u>
Cash and cash equivalents at end of year	<u>\$ 7,083</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ (64)
Adjustments to reconcile operating income to net cash provided by operating activities:	
On behalf expenses	14
Changes in assets and liabilities:	
Accounts receivable	<u>2</u>
Net cash used in operating activities	<u>\$ (48)</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 Year Ended June 30, 2012

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STATEMENT OF NET POSITION  
JUNE 30, 2012  
(Expressed in Thousands)

Assets:		
Cash and Cash Equivalents	\$	7,119
Other Receivables		2
Due from Primary Government		50
Total Assets		<u>7,171</u>
Net Position		
Restricted for Environmental and Business Regulation		<u>7,171</u>
Total Net Position	\$	<u><u>7,171</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 Year Ended June 30, 2012

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2012  
(Expressed in Thousands)

Operating Revenues	
Charges for Services	\$ 146
Total Operating Revenues	<u>146</u>
Operating Expenses	
Environmental and Business Regulation	<u>14</u>
Operating Income	132
Nonoperating Revenues	
On Behalf Contribution	14
Recovery on Claims Paid	6
Interest and Investment Income	5
Total Nonoperating Revenues	<u>25</u>
Change in Net Position	157
Net Position July 1, 2011	<u>7,014</u>
Net Position June 30, 2012	<u>\$ 7,171</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 Year Ended June 30, 2012

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STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2012  
 (Expressed in Thousands)

Cash flows from operating activities:	
Cash received for fees and other	\$ 147
Net cash provided by operating activities	<u>147</u>
Cash flows from investing activities:	
Interest and dividends on investments	5
Net cash provided by investing activities	<u>5</u>
Cash flows from other non capital financing activities:	
Recovery on claims paid	6
Net cash provided by other non capital financing activities	<u>6</u>
Net increase in cash and cash equivalents	<u>158</u>
Cash and cash equivalents at beginning of year	<u>6,961</u>
Cash and cash equivalents at end of year	<u>\$ 7,119</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 132
Adjustments to reconcile operating income to net cash provided by operating activities:	
On behalf expenses	14
Changes in assets and liabilities:	
Accounts receivable	2
Due from Primary Government	<u>(1)</u>
Net cash provided by operating activities	<u>\$ 147</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, 2013 and 2012

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 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"). In fiscal year 2013, the Illinois State Comptroller's Office deemed the Illinois Grain Insurance Corporation immaterial to the operations of the State and does not report it in the State's Comprehensive Annual Financial Report (CAFR).

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 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 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 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 2013 and 2012, the corporation received cash restitution totaling \$6 (expressed in thousands).

f. Net Position

The Statement of Net Position reports \$7,133 and \$7,171 (expressed in thousands) of restricted net position for the years ending June 30, 2013 and June 30, 2012, 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 \$14 and \$14 thousand made by the Department of Agriculture in fiscal year 2013 and 2012, 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 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, 2013 and 2012 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 37 days at June 30, 2013. 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 year-end, 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, 2013 and 2012 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 Illinois 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 have been deemed a receivable from the Trust Fund.

#### 5. Collateral

The Illinois Grain Code requires licensees 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. 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, 2013 and 2012, the department held the following collateral posted by licensees (amounts expressed in thousands):

	<u>2013</u>	<u>2012</u>
Cash	\$ 75	\$ 75
Certificates of Deposit	<u>79</u>	<u>27</u>
Total Collateral	<u>\$ 154</u>	<u>\$ 102</u>

Maturities of CDs held at June 30, 2013 and June 30, 2012 ranged from 08/04/2013 to 06/14/2014.

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, 2013

**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:
  - Introduction
  - 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 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 auditors' 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 accountants' 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)

Schedule 1

**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, 801 E. Sangamon Ave., State Fairgrounds, Springfield, Illinois 62702.

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.

STATE OF ILLINOIS  
 ILLINOIS GRAIN INSURANCE CORPORATION  
 (A COMPONENT UNIT OF THE STATE OF ILLINOIS)  
 COMPARATIVE SCHEDULE OF REVENUES  
 Years Ended June 30, 2013, 2012, and 2011

Schedule 2

Illinois Grain Insurance Fund - #1205

	<u>2013</u>	<u>2012</u>	<u>2011</u>	Increase/ (Decrease) 2012 to 2013	Increase/ (Decrease) 2011 to 2012
Assessment Fees	\$ 105,404	\$ 138,964	\$ 218,889	\$ (33,560)	\$ (79,925)
Penalties	2,000	3,750	1,000	(1,750)	2,750
Recovery of Claims	6,840	5,762	11,209	1,078	(5,447)
Printer Fees	2,700	2,700	2,700	-	-
On Behalf Contribution	14,239	14,054	12,550	185	1,504
Interest Income	5,286	5,093	7,992	193	(2,899)
 Total Revenue	 <u>\$ 136,469</u>	 <u>\$ 170,323</u>	 <u>\$ 254,340</u>	 <u>\$ (33,854)</u>	 <u>\$ (84,017)</u>

STATE OF ILLINOIS  
ILLINOIS GRAIN INSURANCE CORPORATION  
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)  
EXPLANATION OF SIGNIFICANT VARIATIONS IN EXPENSES  
For the Years ended June 30, 2013 and 2012  
(Expressed in Thousands)

Schedule 3

	Fiscal Year 2013	Fiscal Year 2012	Increase (Decrease)
Loss on Licensee Failure	\$ 160	\$ -	\$ 160
On Behalf Employee Expenses	14	14	-
<b>Total Expenses</b>	<b>\$ 174</b>	<b>\$ 14</b>	<b>\$ 160</b>

	Fiscal Year 2012	Fiscal Year 2011	Increase (Decrease)
On Behalf Employee Expenses	\$ 14	\$ 13	\$ 1
<b>Total Expenses</b>	<b>\$ 14</b>	<b>\$ 13</b>	<b>\$ 1</b>

During fiscal year 2013, the Corporation incurred expenses for claims related to a grain elevator failure in the amount of \$160,000. During fiscal years 2011 and 2012, there were no expenses incurred for claims.

On behalf employee expenses are an estimate of management time and associated expense provided by the Illinois Department of Agriculture. The expense varies based on staffing levels and annual salaries.

STATE OF ILLINOIS  
ILLINOIS GRAIN INSURANCE CORPORATION  
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)  
EXPLANATION OF SIGNIFICANT VARIATIONS IN REVENUES  
For the Years Ended June 30, 2013 and 2012  
(Expressed in Thousands)

Schedule 4

	Fiscal Year 2013	Fiscal Year 2012	Increase (Decrease)
Dealer and Warehouse Assessments	\$ 105	\$ 139	\$ (34)
Total Assessment Revenue	\$ 105	\$ 139	\$ (34)

	Fiscal Year 2012	Fiscal Year 2011	Increase (Decrease)
Dealer and Warehouse Assessments	\$ 139	\$ 219	\$ (80)
Total Assessment Revenue	\$ 139	\$ 219	\$ (80)

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

	Fiscal Year 2013	Fiscal Year 2012	Increase (Decrease)
Recovery of Claims	\$ 7	\$ 6	\$ 1

	Fiscal Year 2012	Fiscal Year 2011	Increase (Decrease)
Recovery of Claims	\$ 6	\$ 11	\$ (5)

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



STATE OF ILLINOIS  
 ILLINOIS GRAIN INSURANCE CORPORATION  
 (A COMPONENT UNIT OF THE STATE OF ILLINOIS)  
 EXPLANATION OF SIGNIFICANT VARIATIONS IN REVENUES  
 For the Years Ended June 30, 2013 and 2012  
 (Expressed in Thousands)

Schedule 4

	Fiscal Year 2013	Fiscal Year 2012	Increase (Decrease)
Interest Income	\$ 5	\$ 5	\$ -

	Fiscal Year 2012	Fiscal Year 2011	Increase (Decrease)
Interest Income	\$ 5	\$ 8	\$ (3)

The decrease in interest income from 2011 to 2012 is attributed to the decrease in average yield on the Corporation's money market account. The average yield during fiscal year 2011 was 0.128% as compared to 0.094% during fiscal year 2012.

STATE OF ILLINOIS  
 ILLINOIS GRAIN INSURANCE CORPORATION  
 (A COMPONENT UNIT OF THE STATE OF ILLINOIS)  
 ANALYSIS OF ACCOUNTS RECEIVABLE  
 For the Years Ended June 30, 2013 and 2012  
 (Expressed in Thousands)

Schedule 5

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Receivables	\$ -	\$ 2	\$ 4
Due from Primary Government	<u>50</u>	<u>50</u>	<u>49</u>
Totals	<u>\$ 50</u>	<u>\$ 52</u>	<u>\$ 53</u>
Estimated Collectible	<u>\$ 50</u>	<u>\$ 52</u>	<u>\$ 53</u>

Due from Primary Government represents amounts due from the Illinois Department of Agriculture's Grain Indemnity Trust Fund (Trust Fund). The Illinois Grain Code established the Grain Asset Preservation Account, an account within the Trust Fund, to be funded up to \$50 thousand via transfers of interest accrued within the Illinois Grain Insurance Fund. Such amounts have been deemed a receivable from the Trust Fund.

STATE OF ILLINOIS  
ILLINOIS GRAIN INSURANCE CORPORATION  
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)  
AGENCY FUNCTIONS AND PLANNING PROGRAM  
For the Years Ended June 30, 2013 and 2012  
(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). 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, 2013, the Corporation operated under the direction of the following Board of Directors:

Board Member and President

Robert F. Flider, 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

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 Grain Code. The assessments are collected from grain dealers, warehousemen, grain sellers and lenders as established in the Grain Code (240 ILCS 40/5-30).

Operating programs of the Corporation are specified by the Grain 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 Grain 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, 2013 and 2012  
 (Unaudited)

	<u>Fiscal Year 2013</u>	<u>Fiscal Year 2012</u>
Active Dealers/ Warehouses - beginning of year	285	303
Add: New dealer/warehouses	4	4
Less: Closed or insolvent dealers/warehouses	<u>(21)</u>	<u>(22)</u>
Active Dealers/Warehouses - end of year	<u><u>268</u></u>	<u><u>285</u></u>