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**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, 2017**

**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, 2017**

**TABLE OF CONTENTS**

	<u>Page</u>
Agency Officials .....	1
Management Assertion Letter .....	2
Compliance Report:	
Summary .....	4
Independent Accountant’s Report on State Compliance and on Internal Control Over Compliance.....	6
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 <i>Government Auditing Standards</i> .....	10
Schedule of Findings	
Current Findings – State Compliance .....	12
Prior Findings Not Repeated.....	21
Financial Statement Report:	
Summary .....	22
Independent Auditor’s Report .....	23
Basic Financial Statements	
<u>June 30, 2017</u>	
Statement of Net Position .....	27
Statement of Revenues, Expenses, and Changes in Net Position .....	28
Statement of Cash Flows .....	29
<u>June 30, 2016</u>	
Statement of Net Position .....	30
Statement of Revenues, Expenses, and Changes in Net Position .....	31
Statement of Cash Flows .....	32
Notes to Financial Statements.....	33

**TABLE OF CONTENTS (CONTINUED)**

	<u>Schedule</u>	<u>Page</u>
Supplementary Information for State Compliance Purposes:		
Summary .....		38
Fiscal Schedule and Analysis		
Comparative Schedule of Revenues .....	1	39
Analysis of Operations (Unaudited)		
Agency Functions and Planning Program (Unaudited) .....		40
Analysis of Significant Variations in Expenses (Unaudited) .....		42
Analysis of Significant Variations in Revenues (Unaudited) .....		43
Analysis of Accounts Receivable (Unaudited) .....		44
Schedule of Grain Dealers and Grain Warehouses (Unaudited) .....		45

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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2017**

**AGENCY OFFICIALS**

Board of Directors as of June 30, 2017

President\* – Raymond Poe, Director of the Illinois Department of Agriculture

Secretary – Karen McNaught, Designee of Attorney General

Treasurer – Elizabeth Turner, Designee of State Treasurer

Member – Keith Fanning, Designee of Illinois Department of Insurance

Member \*\* – Tyler White, Chief Fiscal Officer, Illinois Department of Agriculture

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

(\*\*Laura Cadagin departed from the Illinois Department of Agriculture on December 30, 2015. Richard Campbell was hired as the Chief Fiscal Officer of the Department on January 4, 2016, and left this position on July 31, 2016. Tyler White became Chief Fiscal Officer of the Department on August 1, 2016.)

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

State of Illinois, Illinois Grain Insurance Corporation offices are located at:

State Fairgrounds  
801 East Sangamon Avenue  
Springfield, Illinois 62702



Bruce Rauner, Governor  
Raymond Poe, Director

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MANAGEMENT ASSERTION LETTER

February 26, 2018

Adelfia LLC  
400 East Randolph Street  
Suite 705  
Chicago, Illinois 60601

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Illinois Grain Insurance Corporation. 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 State of Illinois, Illinois Grain Insurance Corporation's compliance with the following assertions during the two-year period ended June 30, 2017. Based on this evaluation, we assert that during the years ended June 30, 2017 and June 30, 2016, the State of Illinois, Illinois Grain Insurance Corporation has materially complied with the assertions below.

- A. The State of Illinois, Illinois Grain Insurance Corporation has obligated, expended, received, and used funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Illinois Grain Insurance Corporation has obligated, expended, received, and used 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 State of Illinois, Illinois Grain Insurance 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 State of Illinois, Illinois Grain Insurance 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 State of Illinois, Illinois Grain Insurance Corporation on behalf of the State or held in trust by the State of Illinois, Illinois Grain Insurance Corporation have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

State of Illinois, Illinois Grain Insurance Corporation

**SIGNED ORIGINAL ON FILE**

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Raymond Poe, President  
Board of Directors

**SIGNED ORIGINAL ON FILE**

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Tyler White, Member  
Board of Directors

**STATE OF ILLINOIS  
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FINANCIAL AUDIT AND COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2017**

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

**SUMMARY OF FINDINGS**

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
Findings	<u>Report</u>	<u>Report</u>
Findings	5	4
Repeated findings	4	3
Prior recommendations implemented or not repeated	-	1

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
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FINDINGS (*GOVERNMENT AUDITING STANDARDS*)

There are no findings relating to *Government Auditing Standards*.

FINDINGS (STATE COMPLIANCE)

2017-001	12	Grain Insurance Reserve Fund not funded	Significant Deficiency and Noncompliance
2017-002	13	Untimely deposit of cash receipts	Significant Deficiency and Noncompliance

**SCHEDULE OF FINDINGS**

FINDINGS (STATE COMPLIANCE) (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2017-003	14	Cooperative agreements with federal licensees did not include all required statements	Significant Deficiency and Noncompliance
2017-004	16	Weaknesses and errors in reports submitted to the Illinois Office of the Comptroller	Significant Deficiency and Noncompliance
2017-005	18	Inaccurate Quarterly Summary of Accounts Receivable	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

20      There are no prior findings not repeated.

**EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with representatives of the Corporation at an exit conference on February 7, 2018.

Attending were:

ILLINOIS GRAIN INSURANCE CORPORATION

Raymond Poe	Director
Tyler White	Chief Fiscal Officer
Craig Sondgeroth	General Counsel
Josiah Small	Bureau of Warehouses Chief
Chuck Cawley	Division Manager
David Gleason	Warehouse Examiner Supervisor
Robin Knoepfle	Administrative Assistant

OFFICE OF THE AUDITOR GENERAL

Lisa Kaigh	Audit Manager
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ADELFA LLC

Stella Marie Santos	Partner
Jennifer Roan	Partner
Maria Divina Valera	Partner
Andrew Guerrero	Supervisor

The responses to the recommendations were provided by Josiah Small, Illinois Department of Agriculture, Bureau of Warehouses Chief, in a letter dated February 20, 2018.



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

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

**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) 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, 2017. The management of the State of Illinois, Illinois Grain Insurance Corporation is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Illinois Grain Insurance Corporation’s compliance based on our examination.

- A. The State of Illinois, Illinois Grain Insurance 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 State of Illinois, Illinois Grain Insurance 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 State of Illinois, Illinois Grain Insurance 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 State of Illinois, Illinois Grain Insurance 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 State of Illinois, Illinois Grain Insurance Corporation on behalf of the State or held in trust by the State of Illinois, Illinois Grain Insurance 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 (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the State of Illinois, Illinois Grain Insurance Corporation complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the State of Illinois, Illinois Grain Insurance Corporation complied with the specified requirements listed above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Illinois Grain Insurance Corporation's compliance with specified requirements.

In our opinion, the State of Illinois, Illinois Grain Insurance 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, 2017. 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 2017-001 through 2017-005.

The State of Illinois, Illinois Grain Insurance Corporation's responses to the findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Illinois Grain Insurance Corporation's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

## **Internal Control**

Management of the State of Illinois, Illinois Grain Insurance 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 State of Illinois, Illinois Grain Insurance 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 State of Illinois, Illinois Grain Insurance Corporation's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Grain Insurance 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 2017-001 through 2017-005 that we consider to be significant deficiencies.

There were no immaterial findings that have been excluded from this report.

The State of Illinois, Illinois Grain Insurance Corporation's responses to the internal control findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Illinois Grain Insurance Corporation's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

**SIGNED ORIGINAL ON FILE**

Chicago, Illinois  
February 26, 2018



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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

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 State of Illinois, Illinois Grain Insurance Corporation (a component unit of the State of Illinois), as of and for the years ended June 30, 2017 and June 30, 2016, and the related notes to the financial statements, which collectively comprise the State of Illinois, Illinois Grain Insurance Corporation’s basic financial statements, and have issued our report thereon dated February 26, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the State of Illinois, Illinois Grain Insurance 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 State of Illinois, Illinois Grain Insurance Corporation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Grain Insurance 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 State of Illinois, Illinois Grain Insurance Corporation's financial statements are free from 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 State of Illinois, Illinois Grain Insurance 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 State of Illinois, Illinois Grain Insurance Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**SIGNED ORIGINAL ON FILE**

Chicago, Illinois  
February 26, 2018

**STATE OF ILLINOIS  
ILLINOIS GRAIN INSURANCE CORPORATION  
SCHEDULE OF FINDINGS  
For The Two Years Ended June 30, 2017**

**CURRENT FINDINGS - STATE COMPLIANCE**

2017-001 **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 yet 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 the previous engagements, Corporation officials stated the funding for the Grain Insurance Reserve Fund had not been requested. In the current engagement, Corporation officials stated the funding for the Grain Insurance Reserve Fund has still 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. 2017-001, 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 Corporation, with input from the Corporation Advisory Committee, will address

**STATE OF ILLINOIS  
ILLINOIS GRAIN INSURANCE CORPORATION  
SCHEDULE OF FINDINGS  
For The Two Years Ended June 30, 2017**

**CURRENT FINDINGS - STATE COMPLIANCE**

the non-funding of the Grain Insurance Reserve Fund at the March 29, 2018 annual meeting. Upon the decision/recommendation of the Corporation Board of Directors, the corrective action will be initiated.

**STATE OF ILLINOIS  
ILLINOIS GRAIN INSURANCE CORPORATION  
SCHEDULE OF FINDINGS  
For The Two Years Ended June 30, 2017**

**CURRENT FINDINGS - STATE COMPLIANCE**

2017-002     **FINDING** (Untimely deposit of cash receipts)

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

During testing, auditors identified 35 of 49 (71%) receipts, totaling \$125,847, were not deposited within the timelines outlined by the State Officers and Employees Money Disposition Act (Act). Deposits were between 1 and 32 days late.

The Corporation has adopted the cash deposit criteria stated in the 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 exist to this rule. 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 the previous engagement, Corporation officials stated staff shortages and turnover prevented them from making all deposits in a timely manner. In the current engagement, Corporation officials stated the untimely deposits were due to a change in the physical location of the bank where the locally held fund account is maintained. In March 2016, the locally held fund account was transferred to a bank in the State of Wisconsin, and deposits had to be mailed.

The untimely deposit of funds collected reduces the amount available to pay current costs and results in noncompliance with State statute. (Finding Code No. 2017-002, 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 Illinois Funds account was moved by the Illinois Treasurer's Office from a local bank in Springfield, Illinois to a bank in the State of Wisconsin. For compliance, the Bureau of Warehouses began sending Illinois Funds deposits by overnight mail.

**STATE OF ILLINOIS  
ILLINOIS GRAIN INSURANCE CORPORATION  
SCHEDULE OF FINDINGS  
For The Two Years Ended June 30, 2017**

**CURRENT FINDINGS - STATE COMPLIANCE**

2017-003      **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 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.

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 five existing cooperative agreements, we found the standard cooperative agreement failed to contain provisions (B) and (C), as noted above, in four (80%) of the cooperative agreements. Those provisions are required by the Grain Code to be included in the cooperative agreements with federally licensed warehouses. In addition, one of five cooperative agreements was not located.

In the previous engagements, Corporation officials indicated the Department's Bureau of Warehouse staff had worked with the Legal staff to draft a revised cooperative agreement, but the revised cooperative agreement had not yet been implemented. In the current engagement, Corporation officials stated they revised the cooperative agreement template but did not see a recommendation to apply it to previously signed agreements.

**STATE OF ILLINOIS  
ILLINOIS GRAIN INSURANCE CORPORATION  
SCHEDULE OF FINDINGS  
For The Two Years Ended June 30, 2017**

**CURRENT FINDINGS - STATE COMPLIANCE**

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. 2017-003, 2015-003, 2013-003)

**RECOMMENDATION**

We recommend the Corporation execute revised cooperative agreements which include all of the requirements outlined in the Grain Code with federal warehouse licensees participating in the Fund.

**CORPORATION RESPONSE**

The Corporation agrees with the finding and will request new cooperative agreements from Federal Warehouse licensees participating in the Illinois Grain Insurance Fund.

**STATE OF ILLINOIS  
ILLINOIS GRAIN INSURANCE CORPORATION  
SCHEDULE OF FINDINGS  
For The Two Years Ended June 30, 2017**

**CURRENT FINDINGS - STATE COMPLIANCE**

2017-004      **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.

During our examination, we tested the quarterly Report of Receipts and Disbursements for Locally Held Funds (Form C-17) submitted to the Comptroller for Fiscal Years 2016 and 2017 for both of the Corporation's locally held funds. The following weaknesses and errors were noted:

- Two of 16 (13%) Form C-17s filed in Fiscal Years 2016 and 2017 did not contain documentation of a supervisory review being performed prior to submission to the Comptroller's Office.
- Form C-17 for Fund 1384 was filed under the Department of Agriculture (Agency #406) for Fiscal Year 2016 and the first three quarters of Fiscal Year 2017. For Fiscal Year 2017, 4<sup>th</sup> Quarter, it was filed under the Corporation (Agency #407).

The Statewide Accounting Management System Manual (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 Comptroller for processing.

The Fiscal Control and Internal Auditing Act (Act) (30 ILCS 10/3001) 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.

We also reviewed the Agency Imposition Reports for Fiscal Years 2016 and 2017 to determine whether all fees collected by the Corporation were included in the report. The following weaknesses and errors were noted:

**STATE OF ILLINOIS  
ILLINOIS GRAIN INSURANCE CORPORATION  
SCHEDULE OF FINDINGS  
For The Two Years Ended June 30, 2017**

**CURRENT FINDINGS - STATE COMPLIANCE**

- We noted discrepancies between Agency Fee Imposition Report and Form C-17 as follows:

<b>Fiscal Year</b>	<b>Agency Fee Imposition Report</b>	<b>Form C-17</b>	<b>Difference</b>
2016	\$180,030	\$207,194	(\$27,164)

The State Comptroller Act (15 ILCS 405/16.2) requires those agencies that impose fees to file an Agency Fee Imposition Report Form. 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.

In the previous engagement, Corporation officials stated the issues noted were due to oversight and preparing the reports prior to the finalization of the accounting records for the period. In the current engagement, Corporation officials stated the issues noted were due to human error.

Failure to ensure a supervisory review of the Form C-17 could lead to errors going undetected and inaccurate financial reporting. In addition, inaccurate reporting of fees on the Agency Fee Imposition Report to the Comptroller results in the Comptroller providing inaccurate information on the Statewide Agency Fee Imposition Report submitted to the General Assembly. (Finding Code No. 2017-004, 2015-004)

**RECOMMENDATION**

We recommend the Corporation ensure a supervisory review of the quarterly reports is performed and documented prior to submission of the form to the Comptroller. In addition, we recommend the Corporation ensure all information in the Agency Fee Imposition Report is computed and recorded accurately.

**CORPORATION RESPONSE**

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

**STATE OF ILLINOIS  
ILLINOIS GRAIN INSURANCE CORPORATION  
SCHEDULE OF FINDINGS  
For The Two Years Ended June 30, 2017**

**CURRENT FINDINGS - STATE COMPLIANCE**

2017-005 **FINDING** (Inaccurate Quarterly Summary of Accounts Receivable)

The Illinois Grain Insurance Corporation (Corporation) did not submit accurate Quarterly Summary of Accounts Receivable to the Illinois Office of the Comptroller (Comptroller).

During our testing of the Corporation's Quarterly Summary of Accounts Receivable – Accounts Receivable Activity (Form C-97) reports for both Fiscal Years 2016 and 2017, we noted the following exceptions:

- Forms C-97 for Fiscal Year 2016, 4<sup>th</sup> quarter, and Fiscal Year 2017, 1<sup>st</sup> quarter, were inaccurate due to two invoices and a restitution adjustment, totaling \$15,958, incorrectly reported as receivables.
- Forms C-97 for Fiscal Year 2016 and Fiscal Year 2017 were inaccurate due to 'Due from other funds', totaling \$50,000, from Fiscal Year 2015 mistakenly carried over as a receivable during Fiscal Year 2016.

During our testing of the Corporation's Quarterly Summary of Accounts Receivable – Aging of Total Gross Receivables (Form C-98) reports for both Fiscal Years 2016 and 2017, we noted the following exceptions:

- Two of four (50%) Form C-98s for Fiscal Year 2017 were not signed and properly approved.
- Form C-98 for Fiscal Year 2017, 2<sup>nd</sup> quarter, incorrectly reported the aging of accounts receivable. The report indicated accounts receivables aged 1 – 30 days as \$19,287 and receivables aged 31 – 90 days as \$3,921. The correct amounts of the accounts receivable aged 1 – 30 days is \$3,921, and the receivables aged 31 – 90 days is \$19,287.
- Form C-98 for Fiscal Year 2017, 3<sup>rd</sup> quarter, incorrectly reported the aging of accounts receivable. The report indicated accounts receivables aged 1 – 30 days as \$386 and receivables aged 31 – 90 days as \$16,510. The correct amounts of the accounts receivable aged 1 – 30 days is \$16,510, and the receivables aged 31 – 90 days is \$386.

The Corporation stated the errors in reporting were due to management oversight.

Statewide Accounting Management System (SAMS) Manual (Procedure 26.30.10) describes the accounts receivable reports for State agencies. These reports provide a summary of the status of the State's receivables and related

**STATE OF ILLINOIS  
ILLINOIS GRAIN INSURANCE CORPORATION  
SCHEDULE OF FINDINGS  
For The Two Years Ended June 30, 2017**

**CURRENT FINDINGS - STATE COMPLIANCE**

collection efforts. SAMS Manual (Procedure 26.30.20) provides instructions for the completion of Form C-97, which summarizes the accounts receivable activity on a quarterly basis for all funds. The State Records Act (5 ILCS 160/8) requires the Corporation to make and preserve records containing adequate and proper documentation of the functions and procedures of the Corporation.

Failure to accurately report the accounts receivable results in noncompliance with SAMS. (Finding Code No. 2017-005)

**RECOMMENDATION**

We recommend the Corporation ensure balances reported to the Comptroller within the accounts receivable reports are accurate. We also recommend the accounts receivable reports are signed and properly approved prior to submission to the Comptroller.

**CORPORATION RESPONSE**

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

**STATE OF ILLINOIS  
ILLINOIS GRAIN INSURANCE CORPORATION  
SCHEDULE OF FINDINGS  
For The Two Years Ended June 30, 2017**

**PRIOR FINDINGS NOT REPEATED**

There are no prior findings not repeated.

**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, 2017**

**FINANCIAL STATEMENT REPORT**

**SUMMARY**

The audit of the accompanying financial statements of the State of Illinois, Illinois Grain Insurance Corporation (a component unit of the State of Illinois) was performed by Adelfia LLC.

Based on their audit, the auditors expressed an unmodified opinion on the State of Illinois, Illinois Grain Insurance Corporation's basic financial statements.



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## INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

### **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) as of and for the years ended June 30, 2017 and June 30, 2016, and the related notes to the financial statements, which collectively comprise the State of Illinois, Illinois Grain Insurance 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the State of Illinois, Illinois Grain Insurance Corporation as of June 30, 2017 and June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

The State of Illinois, Illinois Grain Insurance 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 for the years ended June 30, 2017 and June 30, 2016 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Illinois, Illinois Grain Insurance Corporation's basic financial statements. The accompanying Supplementary Information for State Compliance Purposes, Schedule 1 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 the years ended June 30, 2017 and June 30, 2016, in the State Compliance Schedule 1 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 the years ended June 30, 2017 and June 30, 2016, in the State Compliance Schedule 1 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, 2017 and June 30, 2016, in the State Compliance Schedule 1 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying supplementary information for the year ended June 30, 2015 in the State Compliance Schedule 1 and 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.

The State of Illinois, Illinois Grain Insurance Corporation's basic financial statements as of and for the year ended June 30, 2015 (not presented herein), were audited by other auditors whose report was issued thereon dated January 28, 2016, which contained an unmodified opinion on the respective financial statements. The report of the other auditors dated January 28, 2016, stated that the supplementary information for the year ended June 30, 2015 in the State Compliance Schedule 1 has been subjected to the to the auditing procedures applied in the audit of the June 30, 2015 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.

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 February 26, 2018 on our consideration of the State of Illinois, Illinois Grain Insurance 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 solely 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 the effectiveness of State of Illinois, Illinois Grain Insurance Corporation's 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 State of Illinois, Illinois Grain Insurance 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 State of Illinois, Illinois Grain Insurance Corporation management and is not intended to be and should not be used by anyone other than these specified parties.

**SIGNED ORIGINAL ON FILE**

Chicago, Illinois  
February 26, 2018

**STATE OF ILLINOIS  
ILLINOIS GRAIN INSURANCE CORPORATION  
(A Component Unit of the State of Illinois)**

**STATEMENT OF NET POSITION  
June 30, 2017  
(Expressed in Thousands)**

<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 7,627
Other Receivables	<u>1</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 7,628</u></u>
 <b>NET POSITION</b>	
Restricted for Environmental and Business Regulation	<u>\$ 7,628</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 7,628</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)**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the Year Ended June 30, 2017  
(Expressed in Thousands)**

<b>OPERATING REVENUES</b>	
Charges for Services	\$ 173
<b>Total Operating Revenues</b>	173
 <b>OPERATING EXPENSES</b>	
Environmental and Business Regulation	276
<b>Total Operating Expenses</b>	276
<b>Operating Loss</b>	(103)
 <b>NONOPERATING REVENUES</b>	
On Behalf Contribution	16
Recovery on Claims Paid	8
Interest and Investment Income	44
<b>Total Nonoperating Revenues</b>	68
<b>CHANGE IN NET POSITION</b>	(35)
<b>NET POSITION JULY 1, 2016</b>	7,663
<b>NET POSITION JUNE 30, 2017</b>	\$ 7,628

*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)**

**STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2017  
(Expressed in Thousands)**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received for fees and other	\$ 183
Cash payments to suppliers for goods and services	<u>(260)</u>
<b>Net cash used in operating activities</b>	<u>(77)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITY</b>	
Interest and dividends on investments	<u>44</u>
<b>Net cash provided by investing activity</b>	<u>44</u>
 <b>CASH FLOWS FROM OTHER NON-CAPITAL FINANCING ACTIVITY</b>	
Recovery on claims paid	<u>8</u>
<b>Net cash provided by other non-capital financing activity</b>	<u>8</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(25)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>7,652</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 7,627</u></u>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>	
<b>OPERATING LOSS</b>	\$ (103)
Adjustments to reconcile operating loss to net cash used in operating activities	
On behalf expenses	16
Change in assets:	
Accounts receivable	<u>10</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u><u>\$ (77)</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)**

**STATEMENT OF NET POSITION  
June 30, 2016  
(Expressed in Thousands)**

<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 7,652
Other Receivables	11
	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 7,663</b>
	<hr/> <hr/>
<b>NET POSITION</b>	
Restricted for Environmental and Business Regulation	\$ 7,663
	<hr/>
<b>TOTAL NET POSITION</b>	<b>\$ 7,663</b>
	<hr/> <hr/>

*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)**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the Year Ended June 30, 2016  
(Expressed in Thousands)**

<b>OPERATING REVENUES</b>	
Charges for Services	\$ 212
<b>Total Operating Revenues</b>	212
 <b>OPERATING EXPENSES</b>	
Environmental and Business Regulation	13
<b>Total Operating Expenses</b>	13
<b>Operating Income</b>	199
 <b>NONOPERATING REVENUES</b>	
On Behalf Contribution	13
Recovery on Claims Paid	8
Interest and Investment Income	13
<b>Total Nonoperating Revenues</b>	34
<b>CHANGE IN NET POSITION</b>	233
<b>NET POSITION JULY 1, 2015</b>	7,430
<b>NET POSITION JUNE 30, 2016</b>	\$ 7,663

*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)**

**STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2016  
(Expressed in Thousands)**

<b>CASH FLOWS FROM OPERATING ACTIVITY</b>	
Cash received for fees and other	\$ 205
<b>Net cash provided by operating activity</b>	<u>205</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>	
Interest and dividends on investments	13
<b>Net cash provided by investing activity</b>	<u>13</u>
<b>CASH FLOWS FROM OTHER NON-CAPITAL FINANCING ACTIVITY</b>	
Recovery on claims paid	8
<b>Net cash provided by other non-operating activity</b>	<u>8</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>226</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>7,426</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 7,652</u></u>
 <b>Reconciliation of operating income to net cash provided by operating activity:</b>	
<b>OPERATING INCOME</b>	\$ 199
Adjustments to reconcile operating income to net cash provided by operating activity:	
On behalf expenses	13
Change in assets:	
Accounts receivable	<u>(7)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITY</b>	<u><u>\$ 205</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 FINANCIAL STATEMENTS  
June 30, 2017 and 2016**

**(1) Organization**

The State of Illinois, 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 Corporation is a component unit of the State of Illinois financial reporting entity. 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 Corporation.

***(b) Basis of Presentation***

The accompanying financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed in pronouncements of GASB.

The statements of net position; revenues, expenses, and changes in 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 2017 and 2016, the Corporation received cash restitution totaling \$8 and \$8, respectively, (expressed in thousands).

**(f) Net Position**

The Statement of Net Position reports \$7,628 and \$7,663 (expressed in thousands) of restricted net position for the years ending June 30, 2017 and June 30, 2016, 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 GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the Corporation reported a contribution of \$16 and \$13 (expressed in thousands) made by the Department in Fiscal Years 2017 and 2016, 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.

**(a) *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, 2017 and 2016 were classified as cash and cash equivalents and were with the Illinois Funds Money Market Fund.

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.

**(b) *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 47 days at June 30, 2017. 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.

**(c) *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, 2017, the State Investment Pool (Illinois Funds) had a rating of AAAM from Standard and Poor's.

**(d) 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, 2017 and 2016 are not subject to concentration of credit risk or custodial credit risk.

**4. Intergovernmental Activity**

**(a) 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). There was no due from balances as of June 30, 2017 and 2016.

**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, 2017 and 2016, the Department held the following collateral posted by licensees (amounts expressed in thousands):

	<u>2017</u>	<u>2016</u>
Cash	\$ 257	\$ 84
Certificates of Deposit (CD)	<u>159</u>	<u>17</u>
<b>Total Collateral</b>	<b><u>\$ 416</u></b>	<b><u>\$ 101</u></b>

Maturities of CDs held at June 30, 2017 and June 30, 2016 ranged from September 11, 2016 to May 16, 2018.

**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, 2017**

**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

**SUMMARY**

The State of Illinois, Illinois Grain Insurance 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 Schedule and Analysis:

Comparative Schedule of Revenues

- Analysis of Operations (Unaudited):

Agency Functions and Planning (Unaudited)

Explanation of Significant Variations in Expenses (Unaudited)

Explanation of Significant Variations in Revenues (Unaudited)

Analysis of Accounts Receivable (Unaudited)

Schedule of Grain Dealers and Grain Warehouses (Unaudited)

The accountant's 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 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 accountant'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**  
**For the Years Ended June 30, 2017, 2016, and 2015**  
**(Expressed in thousands)**

Illinois Grain Insurance Fund - #1205

	Fiscal Years			Increase/(Decrease)	
	2017	2016	2015	2016 to 2017	2015 to 2016
Assessment Fees	\$ 168	\$ 207	\$ 177	\$ (39)	\$ 30
Penalties	2	2	1	-	1
Recovery of Claims	8	8	16	-	(8)
Printer Fees	3	3	3	-	-
On Behalf Contribution	16	13	12	3	1
Interest Income	44	13	1	31	12
Total Revenue	<u>\$ 241</u>	<u>\$ 246</u>	<u>\$ 210</u>	<u>\$ (5)</u>	<u>\$ 36</u>

**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, 2017**  
**(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 (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, 801 E. Sangamon Ave., Springfield, Illinois. At June 30, 2017, the Corporation operated under the direction of the following Board of Directors:

President

Raymond Poe, Director of the Illinois Department of Agriculture\*

Secretary

Karen McNaught, Designee of Attorney General

Treasurer

Elizabeth Turner, Designee of State Treasurer

Member

Keith Fanning, Designee of Illinois Department of Insurance

Member

Tyler White, Chief Fiscal Officer, Illinois Department of Agriculture\*\*

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

\*\*Laura Cadagin departed from the Illinois Department of Agriculture on December 30, 2015. Richard Campbell was hired as the Chief Fiscal Officer of the Department on January 4, 2016, and left this position on July 31, 2016. Tyler White became Chief Fiscal Officer of the Department on August 1, 2016.)

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

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

**STATE OF ILLINOIS**  
**ILLINOIS GRAIN INSURANCE CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF ILLINOIS)**  
**AGENCY FUNCTIONS AND PLANNING PROGRAM (Continued)**  
**For the Two Years Ended June 30, 2017**  
**(Unaudited)**

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)  
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENSES  
For the Years Ended June 30, 2017, 2016, and 2015  
(Expressed in thousands)  
(Unaudited)**

Increases or decreases in expenses between fiscal years greater than \$57 are considered significant variations.

	Fiscal Years		Increase (Decrease)
	2017	2016	
Disbursement to Grain Indemnity Trust Fund Account	\$ 260	\$ -	\$ 260
On Behalf Contribution	16	13	3
Total Expenses	<u>\$ 276</u>	<u>\$ 13</u>	<u>\$ 263</u>

	Fiscal Years		Increase (Decrease)
	2016	2015	
On Behalf Contribution	\$ 13	\$ 12	\$ 1
Total Expenses	<u>\$ 13</u>	<u>\$ 12</u>	<u>\$ 1</u>

The Disbursement to Grain Indemnity Trust Fund increased by \$260 in Fiscal Year 2017 due to claims related to two grain licensee failures. There were no claims during Fiscal Years 2016 and 2015.

**STATE OF ILLINOIS**  
**ILLINOIS GRAIN INSURANCE CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF ILLINOIS)**  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN REVENUES**  
**For the Years Ended June 30, 2017, 2016, and 2015**  
**(Expressed in thousands)**  
**(Unaudited)**

Increases or decreases in revenues between fiscal years greater than \$57 are considered significant variations.

	Fiscal Years		Increase (Decrease)
	2017	2016	
Dealer and Warehouse Assessments	\$ 168	\$ 207	\$ (39)
Recovery of Claims	8	8	-
Interest and Investment Income	44	13	31
Penalties	2	2	-
Printer Fees	3	3	-
Total Revenues	<u>\$ 225</u>	<u>\$ 233</u>	<u>\$ (8)</u>

	Fiscal Years		Increase (Decrease)
	2016	2015	
Dealer and Warehouse Assessments	\$ 207	\$ 178	\$ 29
Recovery of Claims	8	16	(8)
Interest and Investment Income	13	1	12
Penalties	2	1	1
Printer Fees	3	3	-
Total Revenues	<u>\$ 233</u>	<u>\$ 199</u>	<u>\$ 34</u>

We noted no significant variations in revenues between Fiscal Years 2017 and 2016, and Fiscal Years 2016 and 2015.

**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, 2017, 2016, and 2015  
(Expressed in thousands)  
(Unaudited)**

	Fiscal Years		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Receivables	<u>\$ 1</u>	<u>\$ 11</u>	<u>\$ 4</u>
Totals	<u><u>\$ 1</u></u>	<u><u>\$ 11</u></u>	<u><u>\$ 4</u></u>
Estimated Collectible	<u><u>\$ 1</u></u>	<u><u>\$ 11</u></u>	<u><u>\$ 4</u></u>

The amounts reported above consists of receivables of assessments, penalties, and restitution due to grain licensees. These fees are considered fully collectible.

**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, 2017, and 2016**  
**(Unaudited)**

	Fiscal Years	
	2017	2016
Active Dealers/Warehouses - Beginning of Year	254	250
Add: New Dealer/Warehouses	4	14
Less: Closed or Insolvent Dealers/Warehouses	11	10
Active Dealers/Warehouses - End of Year	247	254