



**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, 2019**

**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, 2019**

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>	9
Schedule of Findings	
Current Findings – State Compliance	11
Prior Findings Not Repeated.....	13
Financial Statement Report:	
Summary	14
Independent Auditor’s Report	15
Basic Financial Statements	
<u>June 30, 2019</u>	
Statement of Net Position	18
Statement of Revenues, Expenses, and Changes in Net Position	19
Statement of Cash Flows	20
<u>June 30, 2018</u>	
Statement of Net Position	21
Statement of Revenues, Expenses, and Changes in Net Position	22
Statement of Cash Flows	23
Notes to Financial Statements.....	24

TABLE OF CONTENTS (CONTINUED)

	<u>Schedule</u>	<u>Page</u>
Supplementary Information for State Compliance Purposes:		
Fiscal Schedule and Analysis		
Comparative Schedule of Revenues	1	29
Analysis of Operations (Unaudited)		
Agency Functions and Planning Program (Unaudited)		30
Analysis of Significant Variations in Expenses (Unaudited)		32
Analysis of Significant Variations in Revenues (Unaudited)		33
Analysis of Accounts Receivable (Unaudited)		34
Schedule of Grain Dealers and Grain Warehouses (Unaudited)		35

**STATE OF ILLINOIS
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(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2019**

AGENCY OFFICIALS

Board of Directors as of June 30, 2019

President* – John M. Sullivan, Director of the Illinois Department of Agriculture

Secretary** – Dylan Grady, Designee of Attorney General

Treasurer – Elizabeth Turner, Designee of State Treasurer

Director – Keith Fanning, Designee of Illinois Department of Insurance

Director – Tyler White, Chief Fiscal Officer, Illinois Department of Agriculture

(*Raymond Poe retired on December 31, 2018, as Director of the Illinois Department of Agriculture, and Warren Goetsch assumed the role of Acting Director of the Illinois Department of Agriculture on January 1, 2019. John M. Sullivan was named Acting Director of the Illinois Department of Agriculture effective January 21, 2019, and confirmed as Director on April 12, 2019.)

(**Karen McNaught, designee for the Attorney General, retired from the State on December 20, 2017. The Attorney General designated Dylan Grady as the Attorney General's representative on the Illinois Grain Insurance Corporation Board effective December 21, 2017.)

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

Illinois Grain Insurance Corporation office is located at:

State Fairgrounds
801 East Sangamon Avenue
Springfield, Illinois 62702

Office of the Director

State Fairgrounds • P.O. Box 19281 • Springfield, IL 62794-9281 • 217/782-2895 • TTY 866/287-2999 • Fax 217/524-7801

MANAGEMENT ASSERTION LETTER

January 27, 2020

Adelfia LLC
Certified Public Accountants
400 East Randolph Street
Suite 700
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 Illinois Grain Insurance Corporation (a component unit of the State of Illinois) (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 specified requirements during the two-year period ended June 30, 2019. Based on this evaluation, we assert that during the years ended June 30, 2018, and June 30, 2019, the Corporation has materially complied with the specified requirements listed 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 truly,

Illinois Grain Insurance Corporation

SIGNED ORIGINAL ON FILE

Mr. Jeremy Flynn, Acting President
Board of Directors

SIGNED ORIGINAL ON FILE

Ms. Johanna Helm, Member
Board of Directors

**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, 2019**

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and 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>
Repeated findings	2	5
Prior recommendations implemented or not repeated	1	4
	4	-

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last Reported</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)				
2019-001	11	2017	Grain Insurance Reserve Fund not funded	Significant Deficiency and Noncompliance
2019-002	12	New	Improper authorization of temporary storage space	Significant Deficiency and Noncompliance

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last Reported</u>	<u>Description</u>
PRIOR FINDINGS NOT REPEATED			
A	13	2017	Untimely deposit of cash receipts
B	13	2017	Cooperative agreements with federal licensees did not include all required statements
C	13	2017	Weaknesses and errors in reports submitted to the Illinois Office of the Comptroller
D	13	2017	Inaccurate Quarterly Summary of Accounts Receivable

EXIT CONFERENCE

The Corporation waived an exit conference in a correspondence from John Teefey, Legal Counsel, on January 15, 2020. The responses to the recommendations were provided by John Teefey, Legal Counsel, in a correspondence dated January 27, 2020.



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

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Grain Insurance Corporation

Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the Illinois Grain Insurance Corporation (Corporation) with the specified 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, 2019. Management of the Corporation is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Corporation's compliance with the specified requirements based on our examination.

The specified requirements are:

- 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*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Corporation complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Corporation complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, 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 Corporation's compliance with the specified requirements.

In our opinion, the Corporation complied with the specified requirements during the two years ended June 30, 2019, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2019-001 and 2019-002.

The Corporation's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Corporation's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control).

In planning and performing our examination, we considered the Corporation's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Corporation's compliance with the specified requirements and to test and report on the Corporation's internal control in accordance with the *Audit Guide*, 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, noncompliance with the specified requirements 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 material noncompliance with the specified requirements 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 have not been identified. Given these limitations, during our examination, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

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

The Corporation's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Corporation's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
January 27, 2020



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

and

Board of Directors
Illinois Grain Insurance Corporation

Report on the Financial Statements

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 governmental activities, the business-type activities of the Illinois Grain Insurance Corporation (Corporation), a component unit of the State of Illinois, as of and for the year ended June 30, 2019, and June 30, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and we have issued our report thereon dated January 27, 2020.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Internal Control Over Financial Reporting

Management of the Corporation is responsible for establishing and maintaining effective internal control over financial reporting (internal control).

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

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

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
January 27, 2020

**STATE OF ILLINOIS
ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2019**

2019-001 **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. 2019-001, 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

While Section, 25-20(h) of the Illinois Grain Code expressly requires the State to make unpaid claimants whole even if the General Assembly does not appropriate the money, the Corporation recognizes the requirement of a Reserve Fund in the Grain Code. The Corporation will work with the Office of Management and Budget to attempt to obtain the necessary appropriation to fund the Grain Insurance Reserve Fund.

**STATE OF ILLINOIS
ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
SCHEDULE OF FINDINGS – STATE COMPLIANCE FINDINGS
For the Two Years Ended June 30, 2019**

2019-002 **FINDING** (Improper authorization of temporary storage space)

The Illinois Grain Insurance Corporation (Corporation) improperly authorized the use of temporary storage space as required by the Grain Code.

During our testing of temporary storage space authorizations, we noted 4 of 37 (11%) temporary storage space authorizations with expiration dates past May 15th, ranging from 12 to 21 days past the required expiration date. In addition, we noted 1 of 37 (3%) temporary storage space authorizations was approved on November 27, 2018, with an incorrect expiration date of May 15, 2018.

The Grain Code (240 ILCS 40/10-25(m)(5)) states the authorization to use temporary storage space for the storage of grain shall expire at the end of 6 months after the date of approval or May 15th, whichever comes first.

Corporation management stated the exceptions were due to management oversight.

Failure to properly authorize the temporary storage of grain may subject the Corporation to financial risk. (Finding Code No. 2019-002)

RECOMMENDATION

We recommend the Corporation strengthen its controls to ensure proper authorization of temporary storage space as required by the statute.

CORPORATION RESPONSE

The Corporation will use its best efforts to ensure proper authorization of temporary storage space.

STATE OF ILLINOIS
ILLINOIS GRAIN INSURANCE CORPORATION
SCHEDULE OF FINDINGS – NOT REPEATED FINDINGS
For the Two Years Ended June 30, 2019

A. FINDING (Untimely deposit of cash receipts)

During the previous engagement, the Illinois Grain Insurance Corporation (Corporation) did not deposit receipts in a timely manner.

During the current engagement, our testing indicated the Corporation deposited receipts timely. (Finding Code No. 2017-002, 2015-002, 2013-002)

B. FINDING (Cooperative agreements with federal licensees did not include all required statements)

During the previous engagement, 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.

During the current engagement, our testing indicated the Corporation updated the cooperative agreements to include the minimum provisions set forth in the mandate. (Finding Code No. 2017-003, 2015-003, 2013-003)

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

During the previous engagement, 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 the current engagement, our testing indicated the Corporation filed accurate reports with the Comptroller's Office. (Finding Code No. 2017-004, 2015-004)

D. FINDING (Inaccurate Quarterly Summary of Accounts Receivable)

During the previous engagement, the Illinois Grain Insurance Corporation (Corporation) did not submit accurate Quarterly Summary of Accounts Receivable (Form C-97) to the Illinois Office of the Comptroller (Comptroller).

During the current engagement, our testing indicated the Corporation filed accurate C-97s with the Comptroller's Office. (Finding Code No. 2017-005)

**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, 2019**

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the 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 Illinois Grain Insurance Corporation's basic financial statements.



INDEPENDENT AUDITOR'S REPORT

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

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 business-type activities of the Illinois Grain Insurance Corporation (Corporation), a component unit of the State of Illinois, as of and for the years ended June 30, 2019, and June 30, 2018, 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 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 business-type activities of the Corporation, as of June 30, 2019, and June 30, 2018, and the respective changes in its 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

Management 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 opinions on the financial statements that collectively comprise the Corporation's basic financial statements.

The accompanying supplementary information for the years ended June 30, 2019, and June 30, 2018, in the State Compliance Schedule 1 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. Such information 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

In addition, the accompanying supplementary information for the year ended June 30, 2017, in the State Compliance 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. Such information 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 27, 2020, 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 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 the 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 Corporation's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
January 27, 2020

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

**STATEMENT OF NET POSITION
June 30, 2019
(Expressed in Thousands)**

ASSETS

Cash and Cash Equivalents	\$ 8,417
Other Receivables	4
	<hr/>

TOTAL ASSETS

\$ 8,421

NET POSITION

Restricted for Environmental and Business Regulation	\$ 8,421
	<hr/>

TOTAL NET POSITION

\$ 8,421

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, 2019
(Expressed in Thousands)

OPERATING REVENUES	
Charges for Services	\$ 191
Total Operating Revenues	<u>191</u>
OPERATING EXPENSES	
Environmental and Business Regulation	<u>15</u>
Total Operating Expenses	<u>15</u>
Operating Income	<u>176</u>
NONOPERATING REVENUES	
On Behalf Contribution	15
Recovery on Claims Paid	9
Interest and Investment Income	<u>187</u>
Total Nonoperating Revenues	<u>211</u>
CHANGE IN NET POSITION	<u>387</u>
NET POSITION JULY 1, 2018	<u>8,034</u>
NET POSITION JUNE 30, 2019	<u><u>\$ 8,421</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 CASH FLOWS
For the Year Ended June 30, 2019
(Expressed in Thousands)**

CASH FLOWS FROM OPERATING ACTIVITY

Cash received for fees and other	\$ 187
Net cash provided by operating activity	187

CASH FLOWS FROM INVESTING ACTIVITY

Interest and dividends on investments	187
Net cash provided by investing activity	187

CASH FLOWS FROM OTHER NON-CAPITAL FINANCING ACTIVITY

Recovery on claims paid	9
Net cash provided by other non-capital financing activity	9

NET INCREASE IN CASH AND CASH EQUIVALENTS	383
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CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,034
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CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 8,417
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Reconciliation of operating income to net cash provided by operating activity:

OPERATING INCOME	\$ 176
Adjustments to reconcile change in net fund position to net cash provided by operating activity:	
On behalf expenses	15
Change in assets:	
Accounts receivable	(4)
NET CASH USED IN OPERATING ACTIVITIES	\$ 187

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, 2018
(Expressed in Thousands)**

ASSETS

Cash and Cash Equivalents	<u>\$ 8,034</u>
---------------------------	-----------------

TOTAL ASSETS

\$ 8,034

NET POSITION

Restricted for Environmental and Business Regulation	<u>\$ 8,034</u>
--	-----------------

TOTAL NET POSITION

\$ 8,034

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, 2018
(Expressed in Thousands)**

OPERATING REVENUES	
Charges for Services	\$ 213
Total Operating Revenues	213
 OPERATING EXPENSES	
Environmental and Business Regulation	13
Total Operating Expenses	13
Operating Income	200
 NONOPERATING REVENUES	
On Behalf Contribution	13
Recovery on Claims Paid	8
Refund from Grain Indemnity Trust Fund	82
Interest and Investment Income	103
Total Nonoperating Revenues	206
 CHANGE IN NET POSITION	 406
 NET POSITION JULY 1, 2017	 7,628
 NET POSITION JUNE 30, 2018	 \$ 8,034

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, 2018
(Expressed in Thousands)**

CASH FLOWS FROM OPERATING ACTIVITY

Cash received for fees and other	\$ 214
Net cash provided by operating activity	214

CASH FLOWS FROM INVESTING ACTIVITY

Interest and dividends on investments	103
Net cash provided by investing activity	103

CASH FLOWS FROM OTHER NON-CAPITAL FINANCING ACTIVITIES

Recovery on claims paid	8
Reimbursement from Grain Indemnity Trust Fund	82
Net cash provided by other non-operating activities	90

NET INCREASE IN CASH AND CASH EQUIVALENTS	407
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CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,627
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CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 8,034
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Reconciliation of operating income to net cash provided by operating activity:

OPERATING INCOME	\$ 200
Adjustments to reconcile change in net fund position to net cash provided by operating activity:	
On behalf expenses	13
Change in assets:	
Accounts receivable	1
NET CASH PROVIDED BY OPERATING ACTIVITY	\$ 214

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, 2019 and 2018**

(1) Organization

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

(2) Summary of Significant Accounting Policies

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

(a) The Reporting Entity

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

(b) Basis of Presentation

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

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

The financial activities of the Corporation are recorded in the Illinois Grain Insurance Fund. The Illinois Grain Insurance Fund is a non-appropriated fund and is held locally. A fund is a separate accounting entity segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations. Due to the nature of the Corporation's financial activities reported in the accompanying financial statements, the Illinois Grain Insurance Fund has been classified as a proprietary fund (enterprise).

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

(c) *Basis of Accounting and Measurement Focus*

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

(d) *Cash and Cash Equivalents*

Cash and cash equivalents are defined as short-term, highly liquid investments readily convertible to cash with original maturities of three months or less. The Corporation's cash and cash equivalents consist of deposits to the Illinois Funds Money Market Fund and are stated at cost. For the purpose of the statements of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered cash and cash equivalents.

(e) *Judgments Awarded in Favor of the State*

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

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

In both Fiscal Years 2019 and 2018, the Corporation received cash restitution totaling \$9 and \$8, respectively, (expressed in thousands).

(f) Net Position

The Statement of Net Position reports \$8,421 and \$8,034 (expressed in thousands) of restricted net position for the years ending June 30, 2019, and June 30, 2018, 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, reimbursements from Grain Indemnity Trust Fund for unused previously transferred money related to failed licensees, 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 \$15 and \$13 (expressed in thousands) made by the Department in Fiscal Years 2019 and 2018, 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, 2019, and 2018 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 44 days at June 30, 2019. 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, 2019, 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, 2019, and 2018 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 were no due from balances as of June 30, 2019, and 2018.

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, 2019, and 2018, the Department held the following collateral posted by licensees (amounts expressed in thousands):

	<u>2019</u>	<u>2018</u>
Cash	\$ 233	\$ 447
Certificates of Deposit (CD)	<u>55</u>	<u>76</u>
Total Collateral	<u>\$ 288</u>	<u>\$ 523</u>

Maturities of CDs held at June 30, 2019, and June 30, 2018 ranged from September 11, 2016 to May 2, 2019.

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, 2019, 2018, and 2017
(Expressed in thousands)

Illinois Grain Insurance Fund - #1205

	Fiscal Years			Increase/(Decrease)	
	2019	2018	2017	2018 to 2019	2017 to 2018
Assessment Fees	\$ 188	\$ 209	\$ 168	\$ (21)	\$ 41
Penalties	1	1	2	-	(1)
Recovery of Claims	9	8	8	1	-
Refund from 1116 Fund	-	82	-	(82)	82
Printer Fees	2	3	3	(1)	-
On Behalf Contribution	15	13	16	2	(3)
Interest Income	187	103	44	84	59
Total Revenue	<u>\$ 402</u>	<u>\$ 419</u>	<u>\$ 241</u>	<u>\$ (17)</u>	<u>\$ 178</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, 2019
(Unaudited)**

The 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 East Sangamon Avenue, Springfield, Illinois. At June 30, 2019, the Corporation operated under the direction of the following Board of Directors:

President

John M. Sullivan, Director of the Illinois Department of Agriculture*

Secretary

Dylan Grady, Designee of Attorney General**

Treasurer

Elizabeth Turner, Designee of State Treasurer

Director

Keith Fanning, Designee of Illinois Department of Insurance

Director

Tyler White, Chief Fiscal Officer, Illinois Department of Agriculture

(*Raymond Poe retired on December 31, 2018, as Director of the Illinois Department of Agriculture, and Warren Goetsch assumed the role of Acting Director of the Illinois Department of Agriculture on January 1, 2019. John M. Sullivan was named Acting Director of the Illinois Department of Agriculture effective January 21, 2019, and confirmed as Director on April 12, 2019.)

(**Karen McNaught, designee for the Attorney General, retired from the State on December 20, 2017. The Attorney General designated Dylan Grady as the Attorney General's representative on the Illinois Grain Insurance Corporation Board effective December 21, 2017.)

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.

**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, 2019
(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, 2019, 2018, and 2017
(Expressed in thousands)
(Unaudited)

Increases or decreases in expenses between fiscal years greater than \$60 for Fiscal Year 2018 and \$62 for Fiscal Year 2019 are considered significant variations.

	Fiscal Years		Increase (Decrease)
	2019	2018	
On Behalf Employee Expenses	\$ 15	\$ 13	\$ 2
Total Expenses	<u>\$ 15</u>	<u>\$ 13</u>	<u>\$ 2</u>

	Fiscal Years		Increase (Decrease)
	2018	2017	
Claims Expense	\$ -	\$ 260	\$ (260)
On Behalf Employee Expenses	13	16	(3)
Total Expenses	<u>\$ 13</u>	<u>\$ 276</u>	<u>\$ (263)</u>

The Claims Expense decreased by \$260 in Fiscal Year 2018. There were no grain licensee failures during Fiscal Year 2018.

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, 2019, 2018, and 2017
(Expressed in thousands)
(Unaudited)

Increases or decreases in revenues between fiscal years greater than \$60 for Fiscal Year 2018 and \$62 for Fiscal Year 2019 are considered significant variations.

	Fiscal Years		Increase (Decrease)
	2019	2018	
Dealer and Warehouse Assessments	\$ 188	\$ 209	\$ (21)
Penalties	1	1	-
Recovery of Claims	9	8	1
Refund from Grain Indemnity Trust Fund (1116)	-	82	(82)
Printer	2	3	(1)
On Behalf Contribution	15	13	2
Interest Income	187	103	84
Total Revenues	<u>\$ 402</u>	<u>\$ 419</u>	<u>\$ (17)</u>

	Fiscal Years		Increase (Decrease)
	2018	2017	
Dealer and Warehouse Assessments	\$ 209	\$ 168	\$ 41
Penalties	1	2	(1)
Recovery of Claims	8	8	-
Refund from Grain Indemnity Trust Fund (1116)	82	-	82
Printer	3	3	-
On Behalf Contributions	13	16	(3)
Interest Income	103	44	59
Total Revenues	<u>\$ 419</u>	<u>\$ 241</u>	<u>\$ 178</u>

Interest Income increased by \$84 in Fiscal Year 2019 due to an increase in interest rates within the Illinois Funds Account.

Refund from Grain Indemnity Trust Fund decreased by \$82 in Fiscal Year 2019 and increased by \$82 in Fiscal Year 2018. Refunds totaling \$82 were processed during Fiscal Year 2018 only.

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, 2019, 2018, and 2017
(Expressed in thousands)
(Unaudited)

	Fiscal Years		
	2019	2018	2017
Receivables	\$ 4	\$ -	\$ 1
Totals	\$ 4	\$ -	\$ 1
Estimated Collectible	\$ 4	\$ -	\$ 1

The amounts reported above consist 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, 2019 and 2018
(Unaudited)**

	Fiscal Years	
	2019	2018
Active Dealers/Warehouses - Beginning of Year	245	247
Add: New Dealer/Warehouses	7	7
Less: Closed or Insolvent Dealers/Warehouses	13	9
Active Dealers/Warehouses - End of Year	239	245