

# McGladrey & Pullen

Certified Public Accountants

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

Financial Audit and Compliance Examination

For the Years Ended June 30, 2005 and 2004

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

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

Financial Audit and Compliance Examination  
For the Years Ended June 30, 2005 and 2004

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**Agency Officials**

Board of Directors at June 30, 2005

President - Charles Hartke, Director of the Department of Agriculture

Secretary - Karen McNaught, Designee of Attorney General

Treasurer - Ed Buckles, Designee of State Treasurer

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

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

Director – Tyrone O. Pace, Chief Fiscal Officer of the Department of Agriculture (7/1/03 to 2/2/04)

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

Agency offices are located at:

Illinois Department of Agriculture  
State Fairgrounds  
Springfield, Illinois



**Illinois**  
Department of  
**Agriculture**

Rod R. Blagojevich, Governor • Chuck Hartke, Director

**Bureau of Budget and Fiscal Services**

State Fairgrounds • P.O. Box 19281 • Springfield, IL 62794-9281 • 217/782-5687 • TDD 217/524-6858 • Fax 217/785-2786

December 9, 2005

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

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Illinois Grain Insurance Corporation (A Component Unit of the State of Illinois). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Corporation's compliance with the following assertions during the two-year period ended June 30, 2005. Based on this evaluation, we assert that during the years ended June 30, 2005 and June 30, 2004, the Corporation has materially complied with the assertions below.

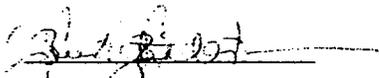
- A. The Corporation has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Corporation has obligated, expended, received and used public funds of the State in accordance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

Yours very truly,



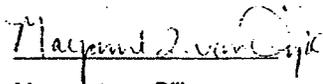
Charles A. Harke

President, Illinois Grain Insurance Corporation



Laura Lanterman, CPA

Chief Fiscal Officer, Illinois Department of Agriculture



Margaret van Dijk

General Counsel, Illinois Department of Agriculture

State of Illinois  
Illinois Grain Insurance Corporation  
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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.

AUDITORS' REPORTS

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	3	7
Repeated findings	1	0
Prior recommendations implemented or not repeated	6	0

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

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)		
05-1	11	Financial Statement Not Prepared in Accordance with Generally Accepted Accounting Principles
FINDINGS (STATE COMPLIANCE)		
05-2	12	Grain Insurance Reserve Fund Not Established
05-3	13	No Supervisory Review of Monthly Bank Reconciliations

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COMPLIANCE REPORT - Continued

SCHEDULE OF FINDINGS - Continued

Item No.	Page	Description
PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)		
05-4	14	Inadequate Controls over Adjusting Journal Entries
05-5	14	Inadequate Controls over Supplemental Assessments Billing
PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)		
05-6	15	The Corporation does not have a Written Policies and Procedures Manual
05-7	15	Inaccurate Filing of "Report of Receipts and Disbursements for Locally Held Fund"
05-8	15	Inadequate Controls over Cash Receipts Processing
05-9	16	Noncompliance with the Fiscal Control and Internal Auditing Act

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on March 6, 2006. Attending were:

Department of Agriculture

Laura Lanterman	Chief Fiscal Officer
Stuart Jackson	Acting Bureau Chief
Stuart Selinger	Public Service Administrator

Office of the Auditor General

Jon Fox	Audit Manager
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McGladrey & Pullen, LLP

Joseph Evans	Partner
Derek Brown	Manager
Jennifer Santos	Manager

Responses to the recommendations were provided by Laura Lanterman in a letter dated March 21, 2006.

# McGladrey & Pullen

Certified Public Accountants

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

Honorable William G. Holland  
Auditor General  
State of Illinois

### Compliance

As Special Assistant Auditors for the Auditor General, we have examined State of Illinois, Illinois Grain Insurance Corporation's (a component unit of the State of Illinois) (Grain Insurance) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the years ended June 30, 2005 and 2004. The management of Grain Insurance is responsible for compliance with these requirements. Our responsibility is to express an opinion on Grain Insurance's compliance based on our examination.

- A. The Grain Insurance 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 Grain Insurance 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 Grain Insurance has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Grain Insurance 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 Grain Insurance on behalf of the State or held in trust by the Grain Insurance have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

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

In our opinion, Grain Insurance complied, in all material respects, with the aforementioned requirements during the years ended June 30, 2005 and 2004. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings as finding 05-2.

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

### **Internal Control**

The management of the Grain Insurance is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the Grain Insurance's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. However, the results of our procedures disclosed other matters involving internal control 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 State Findings as finding 05-3.

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

### Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities and major fund information of the Grain Insurance, as of and for the years ended June 30, 2005 and June 30, 2004, which collectively comprise the Grain Insurance's basic financial statements, and have issued our report thereon dated December 9, 2005. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Grain Insurance. The 2005 and 2004 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2005 and June 30, 2004, taken as a whole. Grain Insurance's financial statements for the year ended June 30, 2003, which are not presented with the accompanying financial statements, were audited by other auditors whose report thereon dated December 3, 2003, expressed unqualified opinions on the respective financial statements of the governmental activities and major fund information. Their report on the 2003 accompanying supplementary information stated that, except for that portion marked "unaudited" on which they expressed no opinion, such information, in their opinion, was fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2003, taken as a whole.

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

*McGladrey & Pullen, LLP*

Schaumburg, Illinois  
December 9, 2005

# McGladrey & Pullen

Certified Public Accountants

## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities and major fund information of the State of Illinois, Illinois Grain Insurance Corporation (a component unit of the State of Illinois) (Grain Insurance), as of and for the years ended June 30, 2005 and June 30, 2004, which collectively comprise Grain Insurance's basic financial statements, and have issued our report thereon dated December 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Grain Insurance's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Grain Insurance's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as item 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted certain deficiencies in the design or operation of internal control over financial reporting which do not meet the criteria for reporting herein and which are reported as State compliance findings in the schedule of findings. We also noted certain immaterial instances of internal control deficiencies, which we have reported to management of the Grain Insurance in a separate letter dated December 9, 2005.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Grain Insurance's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which are reported as State compliance findings in the schedule of findings. We also noted certain matters which we have reported to management of the Grain Insurance in a separate letter dated December 9, 2005.

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

*McGladrey & Pullen, LLP*

Schaumburg, Illinois  
December 9, 2005

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For the Years Ended June 30, 2005 and 2004

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Current Findings – *Government Auditing Standards*

05-1. Finding: Financial Statements Not Prepared in Accordance with Generally Accepted Accounting Principles

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

Audit adjusting journal entries were required to the Corporation's financial statements in fiscal year 2004, to reverse the fiscal year 2003 deferred revenue for \$100,000, record the fiscal year 2004 deferred revenue for \$127,000 and to adjust amounts due from the Grain Indemnity Trust Fund for \$77,000. In fiscal year 2005, audit adjustments were required to reverse fiscal year 2004 deferred revenue of \$127,000, record current fiscal year deferral of \$447,000, and adjust Due from Indemnity Trust for \$2,000.

Generally accepted accounting principles require that all assets, liabilities, revenues and expenditures of the Corporation be accounted for and reported in its financial statements.

Department personnel stated that the lack of adjustment for unearned revenue was an oversight. Department officials stated they implemented the prior year's finding regarding recording amounts due from the Grain Indemnity Trust Fund in fiscal year 2005. They were not able to make the adjustments to the fiscal year 2004 financial statements due to a conversion of their accounting records to an automated system.

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

Recommendation:

We recommend that Department of Agriculture personnel seek additional training on accounting principles related to revenue recognition to ensure that the Illinois Grain Insurance Corporation's financial statements are prepared in accordance with generally accepted accounting principles.

Agency Response:

The Agency agrees and will reiterate the policy and procedure to ensure all necessary year-end adjustments are estimated and recorded in accordance with generally accepted accounting principles. In addition, the Agency's fiscal officer will review Illinois Grain Insurance Corporation's financial statements.

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Current Findings – State Compliance

05-2: Finding: Grain Insurance Reserve Fund Not Established

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

On April 5, 2005 the Corporation remitted the \$4,000,000 balance due to the General Revenue Fund that was borrowed prior to June 30, 2003. As of the end of our examination fieldwork on December 9, 2005, the Corporation had not established the \$2,000,000 Grain Insurance Reserve Fund required by the Grain Code.

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

Department personnel stated that the Corporation has not received the \$2,000,000 from the State and has therefore not set up the Reserve Fund.

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. 05-2)

Recommendation:

We recommend the Corporation request the \$2,000,000 reserve from the State of Illinois to establish the Grain Insurance Reserve Fund.

Agency Response:

The Agency agrees and has established the Reserve Fund, but has been informed by Illinois Office of the Comptroller that existing language must be amended in order to make the necessary transfer to the Illinois Grain Insurance Corporation. The Agency will seek the legislative change to ensure compliance with this requirement.

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Current Findings – State Compliance

05-3: Finding: No Supervisory Review of Monthly Bank Reconciliations

The Corporation did not document supervisory review of monthly bank reconciliations.

During our review of monthly bank reconciliations in fiscal year 2004 and fiscal year 2005, we noted that there was no documentation of the preparer of the reconciliation, the date it was prepared, and no documentation of supervisory review. Cash balances at fiscal year end 2004 were \$1,330,000 and at fiscal year end 2005 were \$1,230,000. No significant errors were noted in the bank reconciliations tested.

Good internal controls require that the Department of Agriculture document the date and preparer of monthly bank reconciliations and that a supervisor review the reconciliation.

Agency personnel stated that they perform monthly bank reconciliations, and the Treasurer's office also reconciles on a monthly basis. Agency personnel believed two reconciliations, one within the Agency and the other independent, provided adequate control over the Corporation's cash.

Without supervisory review of monthly bank reconciliations, there is an increased risk that reconciliation errors or misappropriations of cash could occur and not be detected in a timely manner. (Finding Code No. 05-3)

Recommendation:

We recommend the Department preparer of bank reconciliations sign and date the reconciliation at the time they complete it. In addition, we recommend that a Department supervisor timely review the bank reconciliation and document their review by initialing and dating the bank reconciliation.

Agency Response:

The Agency agrees and will enhance policies and procedures requiring staff to sign and date bank reconciliations. The Agency will also require documentation of supervisory review of bank reconciliations.

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Prior Findings Not Repeated – *Government Auditing Standards*

05-4. Finding: Inadequate Controls over Adjusting Journal Entries

During the prior audit period, the Corporation does not provide for an independent review of adjusting journal entries posted to the general ledger.

During the current audit period, the Corporation's current procedures require supervisory review of adjusting entries for accuracy and validity. In addition, documentation supporting the adjusting entries is maintained.

Status: Implemented (Finding Code No. 03-2)

05-5. Finding: Inadequate Controls over Supplemental Assessments Billing

During the prior audit period, supplemental assessment billings to licensed grain dealers have been prepared and mailed without an independent review of the bushels and the rates used to calculate the assessments.

During the current audit period, the Corporation established a supervisory review of all capacity amounts as they are entered into the database for accuracy. Our sample testing of assessment billings in this examination period did not disclose these exceptions.

Status: Implemented (Finding Code No. 03-3)

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Prior Findings Not Repeated – State Compliance

05-6. Finding: The Corporation does not have a Written Policies and Procedures Manual

During the prior audit period, we noted that from its inception the Corporation had never prepared a written policies and procedures manual.

During the current audit period, the Corporation developed a written policies and procedures manual.

Status: Implemented (Finding Code No. 03-4)

05-7. Finding: Inaccurate Filing of "Report of Receipts and Disbursements for Locally Held Fund"

During the prior audit period, the Corporation filed an inaccurate "Report of Receipts and Disbursements for Locally Held Funds" (Form C-17) with the Illinois Office of the Comptroller.

During the current audit period, the Corporation filed Form C-17's with the Illinois Office of the Comptroller. Our sample testing did not disclose any significant exceptions in the reports filed during the current examination period.

Status: Implemented (Finding Code No. 03-5)

05-8. Finding: Inadequate Controls Over Cash Receipts Processing

During the prior audit period, 24 out of 180 (13%) of receipts tested did not have a "date received" stamp.

During our current audit period, the Corporation stamped the date received on all receipt remittances accompanying cash receipts. Our sample testing of receipt remittances and accompanying cash receipts did not disclose any significant exceptions.

Status: Implemented (Finding Code No. 03-6)

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Prior Findings Not Repeated – State Compliance - continued

05-9. Finding: Noncompliance with the Fiscal Control and Internal Auditing Act

During the prior audit period, the required certification of the Corporation's evaluation of internal and administrative controls was filed with the Office of the Auditor General 106 days late on August 14, 2005.

During the current audit period, the Corporation filed timely the required certification of the Corporation's evaluation of internal and administrative controls with the Office of the Auditor General.

Status:           Implemented (Finding Code No. 03-7)

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FINANCIAL STATEMENT REPORT

SUMMARY

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

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

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditors' Report

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities and major fund information of the State of Illinois, Illinois Grain Insurance Corporation (a component unit of the State of Illinois) (Grain Insurance), as of and for the years ended June 30, 2005 and June 30, 2004, which collectively comprise the Grain Insurance's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Grain Insurance's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund information of the Grain Insurance, as of June 30, 2005 and June 30, 2004, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2005, on our consideration of the Grain Insurance's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

*McGladrey & Pullen, LLP*

Schaumburg, Illinois  
December 9, 2005

State of Illinois  
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STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET  
 JUNE 30, 2005  
 (Expressed in Thousands)

	<u>Illinois Grain Insurance Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets:			
Cash and Cash Equivalents	\$ 1,230	\$ -	\$ 1,230
Other Receivables	754	-	754
Due from Primary Government	234	-	234
<b>Total Assets</b>	<u>\$ 2,218</u>	<u>\$ -</u>	<u>\$ 2,218</u>
Liabilities:			
Deferred Revenue	\$ 447	\$ (447)	\$ -
<b>Total Liabilities</b>	447	(447)	-
Fund Balance/Net Assets:			
Unreserved Fund Balance	1,771	(1,771)	-
<b>Total Liabilities and Fund Balance</b>	<u>\$ 2,218</u>		
Net Assets:			
Restricted for Environmental and Business Regulation		<u>\$ 2,218</u>	<u>\$ 2,218</u>

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

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RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET  
TO STATEMENT OF NET ASSETS  
JUNE 30, 2005  
(Expressed in Thousands)

Total Fund Balance - Governmental Fund	\$	1,771
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Amounts reported for governmental activities in  
the Statement of Net Assets are different because:

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

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<hr/>

Net Assets of Governmental Activities

\$	2,218
	<hr/> <hr/>

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

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STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED JUNE 30, 2005  
 (Expressed in Thousands)

	Illinois Grain Insurance Fund	Adjustments	Statement of Activities
Expenditures/Expenses:			
Environmental and Business Regulation	\$ 67	\$ -	\$ 67
Program Revenues:			
Charges for Services	2,081	320	2,401
Operating Contributions	4	-	4
Total Program Revenues	<u>2,085</u>	<u>320</u>	<u>2,405</u>
Net Program Revenues	-	-	2,338
General Revenues:			
Interest and Investment Income	<u>46</u>	<u>-</u>	<u>46</u>
Excess of Revenues Over Expenditures	2,064	(2,064)	-
Change in Net Assets	-	2,384	2,384
Fund Balance (Deficit)/Net Assets (Deficit), July 1, 2004	<u>(293)</u>	<u>127</u>	<u>(166)</u>
Fund Balance/Net Assets, June 30, 2005	<u>\$ 1,771</u>	<u>\$ 447</u>	<u>\$ 2,218</u>

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



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STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET  
 JUNE 30, 2004  
 (Expressed in Thousands)

	Illinois Grain Insurance Fund	Adjustments	Statement of Net Assets
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Assets:			
Cash and Cash Equivalents	\$ 1,330	\$ -	\$ 1,330
Other Receivables	259	-	259
Due from Primary Government	245	-	245
<b>Total Assets</b>	<u>\$ 1,834</u>	<u>\$ -</u>	<u>\$ 1,834</u>
Liabilities:			
Deferred Revenue	\$ 127	\$ (127)	\$ -
Due to Primary Government	2,000	-	2,000
<b>Total Liabilities</b>	<u>2,127</u>	<u>(127)</u>	<u>2,000</u>
Fund Balance/Net Assets:			
Unreserved Fund Balance (Deficit)	<u>(293)</u>	<u>293</u>	<u>-</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 1,834</u>		
Net Assets (Deficit):			
Unrestricted		<u>\$ (166)</u>	<u>\$ (166)</u>

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



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STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED JUNE 30, 2004  
 (Expressed in Thousands)

	<u>Illinois Grain Insurance Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/Expenses:			
Environmental and Business Regulation	\$ 43	\$ -	\$ 43
Program Revenues:			
Charges for Services	2,110	27	2,137
Operating Contributions	289	-	289
Total Program Revenues	<u>2,399</u>	<u>27</u>	<u>2,426</u>
Net Program Revenues	-	-	2,383
General Revenues:			
Interest and Investment Income	13	-	13
Excess of Revenues Over Expenditures	2,369	(2,369)	-
Change in Net Assets	-	2,396	2,396
Fund Balance (Deficit)/Net Assets (Deficit), July 1, 2003	<u>(2,662)</u>	<u>100</u>	<u>(2,562)</u>
Fund Balance (Deficit)/Net Assets (Deficit), June 30, 2004	<u>\$ (293)</u>	<u>\$ 127</u>	<u>\$ (166)</u>

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



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Notes to the Financial Statements

1. ORGANIZATION:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

a. The Reporting Entity

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

b. Basis of Presentation

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

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

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Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued:

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

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

c. Basis of Accounting and Measurement Focus

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

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

d. Budgets

A budget is not legally adopted.

e. Cash Equivalents

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

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Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued:

f. Program Revenues

Program Revenues include the following:

Charges for Services

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

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

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

Operating Contributions

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

g. Environmental and Business Regulation

Environmental and Business Regulation Expenditures are comprised of the following:

Claims Expenditures

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

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

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Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued:

h. New Accounting Pronouncements

Effective July 1, 2004, the Illinois Grain Insurance Corporation implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*.

3. DEPOSITS:

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

Deposits are stated at cost which approximates market.

Cash equivalents

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 the Illinois Funds Money Market Fund.

The Corporation's investments at June 30, 2005 and 2004 included the Illinois Funds Money Market Fund. The Illinois Funds Money Market Fund is an external investment pool managed by the Illinois State Treasurer. Accordingly, the Corporation's investments at June 30, 2005 and 2004 are not subject to custodial credit risk categorization as otherwise required by Governmental Accounting Standards Board Statement No. 40.

The Illinois Funds Money Market Fund is held at U.S. Bank in Springfield, Illinois. At June 30, 2005, the carrying amount of the Corporation's deposits totaled \$1,230 (expressed in thousands) and the bank balances totaled \$1,222 (expressed in thousands). At June 30, 2004, the carrying amount of the Corporation's deposits totaled \$1,330 (expressed in thousands) and the bank balances totaled \$1,327 (expressed in thousands).

The Illinois Funds Money Market Fund 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 Money Market are valued at the Illinois Fund Money Market's share price, which is the price the investment could be sold for.

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Notes to the Financial Statements

4. INTERGOVERNMENTAL ACTIVITY:

*Balances Due from Primary Government*

This represents monies due from the Illinois Department of Agriculture Grain Indemnity Trust Fund. The Corporation is allowed to recover funds from prior claims paid when such funds from failed elevators become available. These funds are recovered by the Grain Indemnity Trust fund and at that point are recorded as reimbursements due from primary government. There was \$245 thousand and \$234 thousand due from the primary government at June 30, 2004 and June 30, 2005, respectively.

*Balances Due to Primary Government*

This represents monies due to the General Revenue Fund of the State of Illinois. The Corporation received an advancement from the General Revenue Fund required to be reimbursed to the State over time (in excess of ten years) through a series of assessments made on licensed grain dealers, warehousemen, grain sellers and lenders. The Corporation owed the primary government \$2,000 (expressed in thousands) at June 30, 2004.

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SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis:
  - Introduction
  - Comparative Schedule of Revenues
  - Explanation of Significant Variations in Expenditures
  - Explanation of Significant Variations in Revenues
  - Analysis of Accounts Receivable
  - Administrative Costs
- Analysis of Operations:
  - Agency Functions and Planning Program
  - Employees
  - Schedule of Grain Dealers and Grain Warehouses (Unaudited)

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

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**Introduction**

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

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

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

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COMPARATIVE SCHEDULE OF REVENUES  
 Years Ended June 30, 2005, 2004 and 2003

Illinois Grain Insurance Fund - #1205

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>Increase/(Decrease) 2004 to 2005</u>	<u>Increase/(Decrease) 2003 to 2004</u>
Assessment Fees	\$ 2,054,958	\$ 2,100,434	\$ 904,727	\$ (45,476)	\$ 1,195,707
Penalties	21,750	7,750	5,750	14,000	2,000
Recovery of Claims	6,128	288,961	1,201,739	(282,833)	(912,778)
Printer Fees	2,200	2,100	1,900	100	200
Interest Income	46,133	13,415	12,767	32,718	648
Total Revenue	<u>\$ 2,131,169</u>	<u>\$ 2,412,660</u>	<u>\$ 2,126,883</u>	<u>\$ (281,491)</u>	<u>\$ 285,777</u>

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Explanation of Significant Variations in Expenditures  
 (Expressed in Thousands)

*The following is a detail comparison of expenditures for the years ended 2005 and 2004:*

	Fiscal Year <u>2005</u>	Fiscal Year <u>2004</u>	Increase <u>(Decrease)</u>
Claims expenditure	\$49	\$28	\$21
Recovery expenditure	16	15	1
Refunds	<u>2</u>	<u>-</u>	<u>2</u>
Total expenditures	<u>\$67</u>	<u>\$43</u>	<u>\$24</u>

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

During fiscal year 2004, the Corporation paid \$28 (in thousands) for claims relating to J & W Feed Service, Inc. failure in previous year.

During the years ended June 30, 2005 and 2004, the Corporation paid monthly premiums for a term life insurance policy that Whalen & Sons Grain Company, Inc. had on its owner. Whalen & Sons Grain Company, Inc. failed a number of years ago creating a draw to the Illinois Grain Insurance Fund. Thus any money collected on the policy will belong to the Corporation. The value of the policy is \$250 (in thousands).

*The following is a detail comparison of expenditures for the years ended 2004 and 2003:*

	Fiscal Year <u>2004</u>	Fiscal Year <u>2003</u>	Increase <u>(Decrease)</u>
Claims expenditure	\$28	\$800	\$(772)
Recovery expenditure	<u>15</u>	<u>16</u>	<u>(1)</u>
Total expenditures	<u>\$43</u>	<u>\$816</u>	<u>\$(773)</u>

During fiscal year 2004, the Corporation paid \$28 (in thousands) for claims relating to J & W Feed Service, Inc. failure in previous year.

During fiscal year 2003, the Corporation paid \$800 (in thousands) for claims relating to David Whipple et al d/b/a Ashley Elevator.

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Explanation of Significant Variations in Revenues  
 (Expressed in Thousands)

Assessments:

*The following is a detailed comparison of assessment revenue for the years ended June 30, 2005 and 2004:*

	Fiscal Year <u>2005</u>	Fiscal Year <u>2004</u>	Increase (Decrease)
Dealer and Warehouse Assessments	\$ 865	\$ 921	\$(56)
Grain Seller Assessment	1,164	1,146	18
Lender Assessment	<u>26</u>	<u>33</u>	<u>(7)</u>
Total assessment revenue	<u>\$2,055</u>	<u>\$2,100</u>	<u>\$(45)</u>

Assessments revenues did not change significantly (less than 20% change) between fiscal year 2005 and fiscal year 2004.

*The following is a detailed comparison of assessment revenue for the years ended June 30, 2004 and 2003:*

	Fiscal Year <u>2004</u>	Fiscal Year <u>2003</u>	Increase (Decrease)
Dealer and Warehouse Assessments	\$ 921	\$905	\$ 16
Grain Seller Assessment	1,146	-	1,146
Lender Assessment	<u>33</u>	<u>-</u>	<u>33</u>
Total assessment revenue	<u>\$2,100</u>	<u>\$905</u>	<u>\$1,195</u>

Effective July 21, 2003, a new assessment was created for the first sale of grain to a grain dealer with an initial assessment period and then a regular assessment period based on the Illinois Grain Insurance Fund's balance. In addition, a new assessment was created for lenders that hold warehouse receipts for an Illinois location on grain owned or stored by a licensee to secure a loan.

Recovery of claims:

*The following is a comparison of revenue from recoveries of claims for fiscal years 2005 and 2004:*

	Fiscal Year <u>2005</u>	Fiscal Year <u>2004</u>	Increase (Decrease)
Recovery of claims	<u>\$6</u>	<u>\$289</u>	<u>\$(283)</u>

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Explanation of Significant Variations in Revenues  
(Expressed in Thousands)

Recovery of Claims - Continued:

During the fiscal year 2005, the Corporation recovered a total of \$6 (in thousands) which consists of \$3 (in thousands) from the failure of Eastern Grain in previous year and \$3 (in thousands) from the failure of Ty-Walk Liquid Sales, Inc. in previous year.

During the fiscal year 2004, the Corporation recovered a total of \$289 (in thousands) which consists of \$97 (in thousands) from the failure of Eastern Grain in previous year; \$149 (in thousands) from the failure of Ty-Walk Liquid Sales, Inc. in previous year; \$12 (in thousands) from the failure of J & W Feed Service in 2003; \$28 (in thousands) from the failure of David Whipple et al d/b/a Ashley Elevator in 2003; \$2 (in thousands) from the failure of the Grainary, Inc. in 2001, and miscellaneous recoveries totaling \$1 (in thousand).

*The following is a comparison of revenue from recoveries of claims paid for fiscal years 2004 and 2003:*

	Fiscal Year <u>2004</u>	Fiscal Year <u>2003</u>	Increase (Decrease)
Recovery of claims	<u>\$289</u>	<u>\$1,201</u>	<u>\$(912)</u>

During the fiscal year 2003, the Corporation recovered of \$1,201 (in thousands) from the failure of Ty-Walk Liquid Sales, Inc.

During the fiscal year 2004, the Corporation recovered a total of \$289 (in thousands) which consists of \$97 (in thousands) from the failure of Eastern Grain in previous year; \$149 (in thousands) from the failure of Ty-Walk Liquid Sales, Inc. in previous year; \$12 (in thousands) from the failure of J & W Feed Service in 2003; \$28 (in thousands) from the failure of David Whipple et al d/b/a Ashley Elevator in 2003; \$2 (in thousands) from the failure of the Grainary, Inc. in 2001, and miscellaneous recoveries totaling \$1 (in thousand).

Interest Income:

*The following is a comparison of interest income for fiscal years 2005 and 2004:*

	Fiscal Year <u>2005</u>	Fiscal Year <u>2004</u>	Increase (Decrease)
Interest income	<u>\$46</u>	<u>\$13</u>	<u>\$33</u>

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Explanation of Significant Variations in Revenues  
(Expressed in Thousands)

Interest Income - Continued:

The significant change in interest income between fiscal years 2005 and 2004 was due to an increase in average annual interest rate from .946% in fiscal year 2004 to 2.952% in fiscal year 2005.

*The following is a comparison of interest income for fiscal years 2004 and 2003.*

	Fiscal Year <u>2004</u>	Fiscal Year <u>2003</u>	Increase (Decrease)
Interest income	<u>\$13</u>	<u>\$13</u>	<u>\$ -</u>

There was no significant change in interest income between fiscal years 2004 and 2003.

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Analysis of Accounts Receivable  
 (Expressed in Thousands)

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

	<u>Fiscal Year 2005</u>		<u>Fiscal Year 2004</u>	
	<u>Amount</u>	<u>Age of Account</u>	<u>Amount</u>	<u>Age of Account</u>
Receivables				
Assessment Receivables	\$754	Current	\$259	Current
Reimbursement from Grain Indemnity Trust Fund	<u>234</u>	Over 1 year	<u>245</u>	Over 1 year
Totals	<u>\$988</u>		<u>\$504</u>	
Estimated Collectible	<u>\$988</u>		<u>\$504</u>	

The receivable from the Grain Indemnity Trust Fund consists primarily of amounts remaining in the Ty-Walk Liquid Sales, Inc. trust account.

Method of Collection

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

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**Administrative Costs**

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

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**Agency Functions and Planning Program**

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

The Corporation is located in the State of Illinois, Illinois Department of Agriculture (Department), State Fairgrounds, Springfield, Illinois. At June 30, 2005, the Corporation operated under the direction of the following Board of Directors:

Board Member and President

Charles Hartke, Director of the Illinois Department of Agriculture

Board Member and Secretary

Karen McNaught, Designee of Attorney General

Board Member and Treasurer

Ed Buckles, Designee of State Treasurer

Board Member

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

Board Member

Laura Lanterman, Chief Fiscal Officer, Illinois Department of Agriculture

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

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

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

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

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**Employees**

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

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SCHEDULE OF GRAIN DEALERS AND GRAIN WAREHOUSES  
(UNAUDITED)

	<u>Fiscal Year 2005</u>	<u>Fiscal Year 2004</u>
Active Dealers/ Warehouses - beginning of year	399	414
Add: New dealer/ warehouses	20	13
Less: Closed or insolvent dealers/ warehouses	<u>(34)</u>	<u>(28)</u>
Active Dealers/ Warehouses - end of year	<u><u>385</u></u>	<u><u>399</u></u>