



**ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
FINANCIAL AUDIT**

For the Two Years Ended June 30, 2021

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

ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
FINANCIAL AUDIT
For the Two Years Ended June 30, 2021

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**ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
FINANCIAL AUDIT
For the Two Years Ended June 30, 2021**

BOARD OFFICIALS

Director (12/19/21 – Present)	Julie Rachford
Director (07/01/19 – 12/18/21)	Keith Fanning
Director (12/16/19 – Present)	Johanna Helm
Director (07/01/19 – 12/15/19)	Tyler White

BOARD OFFICERS

Chair of the Board (04/20/20 – Present)	Jerry Costello II
Chair of the Board (Acting) (03/02/20 – 04/19/20)	Jerry Costello II
Chair of the Board (Acting) (01/14/20 – 03/01/20)	Jeremy Flynn
Chair of the Board (07/01/19 – 01/13/20)	John Sullivan
Secretary of the Board (01/27/22 – Present)	Vanessa Minson
Secretary of the Board (10/02/21 – 01/26/22)	Vacant
Secretary of the Board (01/15/21 – 10/01/21)	Anthony Swanagan
Secretary of the Board (12/01/20 – 01/14/21)	Vacant
Secretary of the Board (07/01/19 – 11/30/20)	Dylan Grady
Treasurer of the Board	Elizabeth Turner

BOARD OFFICES

The Illinois Grain Insurance Corporation Board of Directors' primary administrative offices are located at:

John R. Block Building
801 E. Sangamon Avenue
Springfield, Illinois 62702

**ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
FINANCIAL AUDIT
For the Two Years Ended June 30, 2021**

FINANCIAL STATEMENT REPORT

SUMMARY

The audit of the accompanying financial statements of the Illinois Grain Insurance Corporation (Corporation) was performed by Adelfia LLC.

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

SUMMARY OF FINDING

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	1	0
Repeated Findings	1*	0
Prior Recommendations Implemented or Not Repeated	0	0

* Finding 2021-001 was reclassified from a *State Compliance Examination* finding to a *Government Auditing Standard* finding during the current audit period.

SCHEDULE OF FINDING

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Finding				
2021-001	19	2021/2005	Grain Insurance Reserve Fund not funded	Noncompliance

EXIT CONFERENCE

The Corporation waived an exit conference in a correspondence from Joe Small, Bureau Chief of Warehouses, on May 13, 2022. The responses to the recommendations were provided by Joe Small, Bureau Chief of Warehouses, in a correspondence dated May 17, 2022.



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, 2021, and June 30, 2020, 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, 2021, and June 30, 2020, and the respective changes in its financial position and, where applicable, 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 other information (listing of Board Officials) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying other 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 May 26, 2022, 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
May 26, 2022

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

For the Years Ended June 30, 2021 and 2020

Statement of Net Position
June 30, 2021
(Expressed in Thousands)

Assets	
Cash and Cash Equivalents	\$ 8,793
Other Receivables	1
Total Assets	<u>\$ 8,794</u>
Net Position	
Restricted for Environmental and Business Regulation	<u>\$ 8,794</u>
Total Net Position	<u>\$ 8,794</u>

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

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

For the Years Ended June 30, 2021 and 2020

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2021
(Expressed in Thousands)

Operating Revenues	
Charges for Services	\$ 148
Total Operating Revenues	<u>148</u>
Operating Expenses	
Environmental and Business Regulation	<u>17</u>
Total Operating Expenses	<u>17</u>
Operating Income	<u>131</u>
Nonoperating Revenues	
On Behalf Contribution	17
Recovery on Claims Paid	21
Refund from Grain Indemnity Trust Fund (1116)	24
Interest and Investment Income	<u>8</u>
Total Nonoperating Revenues	<u>70</u>
Change in Net Position	<u>201</u>
Net Position July 1, 2020	<u>8,593</u>
Net Position June 30, 2021	<u>\$ 8,794</u>

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

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

For the Years Ended June 30, 2021 and 2020

Statement of Cash Flows

For the Year Ended June 30, 2021

(Expressed in Thousands)

Cash flows from operating activities:	
Cash received for fees and other	\$ 149
Net cash provided by operating activities	<u>149</u>
Cash flows from investing activities:	
Interest and dividends on investments	<u>8</u>
Net cash provided by investing activities	<u>8</u>
Cash flows from other non-capital financing activities:	
Recovery on claims paid	21
Reimbursement from Grain Indemnity Trust Fund (1116)	<u>24</u>
Net cash provided by other non-operating activities	<u>45</u>
Net increase in cash and cash equivalents	<u>202</u>
Cash and cash equivalents at beginning of year	<u>8,591</u>
Cash and cash equivalents at end of year	<u><u>\$ 8,793</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 131
Adjustments to reconcile change in net fund position to net cash provided by operating activities:	
On behalf expenses	17
Changes in assets and liabilities:	
Accounts receivable	<u>1</u>
Net cash provided by operating activities	<u><u>\$ 149</u></u>

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

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

For the Years Ended June 30, 2021 and 2020

Statement of Net Position
June 30, 2020
(Expressed in Thousands)

Assets	
Cash and Cash Equivalents	\$ 8,591
Other Receivables	2
Total Assets	<u>\$ 8,593</u>
Net Position	
Restricted for Environmental and Business Regulation	<u>\$ 8,593</u>
Total Net Position	<u>\$ 8,593</u>

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

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

For the Years Ended June 30, 2021 and 2020

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2020
(Expressed in Thousands)

Operating Revenues	
Charges for Services	\$ 101
Total Operating Revenues	<u>101</u>
Operating Expenses	
Environmental and Business Regulation	<u>90</u>
Total Operating Expenses	<u>90</u>
Operating Income	<u>11</u>
Nonoperating Revenues	
On Behalf Contribution	16
Recovery on Claims Paid	11
Refund from Grain Indemnity Trust Fund (1116)	-
Interest and Investment Income	<u>134</u>
Total Nonoperating Revenues	<u>161</u>
Change in Net Position	<u>172</u>
Net Position July 1, 2019	<u>8,421</u>
Net Position June 30, 2020	<u>\$ 8,593</u>

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

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

For the Years Ended June 30, 2021 and 2020

Statement of Cash Flows
For the Year Ended June 30, 2020
(Expressed in Thousands)

Cash flows from operating activities:	
Cash received for fees and other	\$ 103
Cash payments to suppliers for goods and services	(74)
Net cash provided by operating activities	<u>29</u>
Cash flows from investing activities:	
Interest and dividends on investments	134
Net cash provided by investing activities	<u>134</u>
Cash flows from other non-capital financing activities:	
Recovery on claims paid	11
Reimbursement from Grain Indemnity Trust Fund (1116)	-
Net cash provided by other non-capital operating activities	<u>11</u>
Net increase in cash and cash equivalents	<u>174</u>
Cash and cash equivalents at beginning of year	<u>8,417</u>
Cash and cash equivalents at end of year	<u><u>\$ 8,591</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 11
Adjustments to reconcile operating income to net cash provided by operating activities:	
On behalf expenses	16
Changes in assets and liabilities:	
Accounts receivable	<u>2</u>
Net cash provided by operating activities	<u><u>\$ 29</u></u>

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

ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021 and 2020

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

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the primary government's ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based upon the required criteria, the Corporation has no component units but is a component unit of the State of Illinois. Because the Corporation is not legally separate from the State, the financial statements of the Corporation are included in the financial statements of the State. The State's Annual Comprehensive Financial Report (ACFR) may be obtained by writing to the State Comptroller's Office, Division of Financial Reporting, 325 West Adams Street, Springfield, Illinois, 62704-1871, or by accessing its website at www.illinoiscomptroller.gov.

b. Basis of Presentation

Government-wide Statements - the statements of net position; revenues, expenses and changes in net position; and cash flows report the overall financial activity of the Corporation. The financial activities of the Corporation consist only of business-type activities that are primarily supported by charges for services and operating contributions. Eliminations have been made to minimize the double-counting of internal activities of the Corporation.

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

Government-wide (proprietary - enterprise fund) - 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 equivalents are defined as short-term, highly liquid investments readily convertible to cash with maturities of less than 90 days at the time of purchase. Cash and cash equivalents include cash on hand and cash in banks for locally held funds.

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 2021 and 2020, the Corporation received cash restitution totaling \$21 and \$11 (expressed in thousands), respectively.

f. Net Position

The Statement of Net Position reports \$8,794 and \$8,593 (expressed in thousands) of restricted net position for the years ending June 30, 2021 and June 30, 2020, respectively. A restricted net position consists of a net position (deficit) that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The entire balance of the Corporation's net position 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 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 the 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 Governmental Accounting Standards Board ("GASB") Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, the Corporation reported a contribution of \$17 and \$16 (expressed in thousands) made by the Department in fiscal year 2021 and 2020, 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), component units of the State have independent authority to manage their own cash. State law requires all fees

assessed pursuant to the Grain Code (240 ILCS 40/5-30) be held in the Illinois Grain Insurance Fund.

Cash and Cash Equivalent/ Investments

Section 2 of the Public Funds Investment Act limits the State's investments outside the State Treasury to securities of the U.S. government or its agencies, short-term obligations of domestic corporations exceeding \$500 million in assets that are rated in the three highest categories by at least two nationally recognized statistical ratings organizations not to exceed ten percent of the domestic corporations outstanding obligations, money market mutual funds invested in the U.S. government and/or its agencies, and repurchase agreements securities of the U.S. government or its agencies or money market mutual funds invested in the U.S. government or its agencies. Investments of public funds in a Public Treasurers' Investment Pool created under Section 17 of the State Treasurer Act are also permitted.

As a governmental sponsored investment pool, The Illinois Funds is not eligible to register with the Securities and Exchange Commission ("SEC") and thus is not a registrant with the SEC; however, The Illinois Funds has adopted operating procedures consistent with those required of an SEC 2a-7 Fund (2a-7-like Fund). The Illinois Funds has a policy that it will, and does, operate in a manner consistent with SEC Rule 2a-7, which governs the operation of SEC regulated money market funds. While the Illinois Funds operates in accordance with SEC Rule 2a-7, for valuation purposes it complies with GASB Statement No. 79.

As of June 30, 2021, the Corporation had \$8.793 million invested with the Illinois Funds. The Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. The Illinois Funds is a GASB Statement No. 79 qualified external investment pool that measures, for financial reporting purposes, all its investments are reported at amortized cost. The fair value of the pool position is the same as the value of pool shares. There are no limitations or restrictions on withdrawals from the pool.

Interest Rate Risk

The Corporation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Corporation does not have a formal investment policy that limits investment choices. The Illinois Funds were rated AAmmf by Fitch Ratings.

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, 2021 and 2020 are not subject to concentration of credit risk or custodial credit risk.

4. Intergovernmental Activity

Balances Due From Primary Government

Due from primary government represents amounts due from the Department's Grain Indemnity Trust Fund (Trust Fund). There were no due from balances as of June 30, 2021 and June 30, 2020.

5. Collateral

The Grain Code requires licensees to maintain certain operating ratios 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 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, 2021 and 2020, the Department held the following collateral posted by licensees (amounts expressed in thousands):

	<u>2021</u>	<u>2020</u>
Cash	\$ 383	\$ 1,840
Certificates of Deposit	<u>10</u>	<u>237</u>
Total Collateral	<u>\$ 393</u>	<u>\$ 2,077</u>

Maturities of CDs held at June 30, 2021 and June 30, 2020 ranged from September 11, 2016 to July 17, 2021.



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

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 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, 2021, and June 30, 2020, 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 May 26, 2022.

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 financial statements. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as item 2021-001.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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.

Corporation's Response to the Finding

The Corporation's response to the finding identified in our audit is described in the accompanying Schedule of Finding. The Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

May 26, 2022

ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
SCHEDULE OF FINDING
For the Two Years Ended June 30, 2021

2021-001 **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.

This finding was first reported during the Corporation’s *State Compliance Examination* for the two years ended June 30, 2005. During Fiscal Year 2020 and 2021, management did not take adequate corrective action to implement appropriate and reasonable corrective action for this finding.

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.”

Corporation management indicated the funding for the Grain Insurance Reserve Fund was not requested and legislative remedy was not sought for the current engagement period due to management oversight. However, the Department did start seeking legislative remedy with House Bill 5186 on January 27, 2022.

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. 2021-001, 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 Governor’s Office of Management and Budget and the Illinois General Assembly to obtain the necessary appropriation to fund the Grain Insurance Reserve Fund or continue to seek legislative relief from the statutory requirement.

ILLINOIS GRAIN INSURANCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF ILLINOIS)
SCHEDULE OF FINDING
For the Two Years Ended June 30, 2021

CORPORATION RESPONSE

The Corporation accepts the finding. The Department of Agriculture has requested \$2 million appropriations from the Office of Management and Budget to fund the Grain Insurance Reserve Fund for Fiscal Year 2022 and Fiscal Year 2023 and will continue to request appropriations for future Fiscal Years. In addition, House Bill 5186 was introduced to the 102nd General Assembly in January 2022 and passed both legislative branches in April 2022. This bill will amend the Grain Code (240 ILCS 40/30-25) and provide the legislative relief needed from the statutory requirement.