Annual Report

Agricultural Producer Security Trust Fund

Year Ended June 30, 2014

Issued November 21, 2014

Division of Trade and Consumer Protection
Bureau of Business Trade Practices
Agricultural Producer Security Section

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Wisconsin Agricultural Producer Security Trust Fund
Statement of Revenues and Expenditures, and Cash Balances
(Rounded to tens)

	Fiscal Year Ended		
	30-Jun-14	**30-Jun-13**	**30-Jun-12**
Revenues			
Assessments			
Grain Dealers	908,770	807,500	728,490
Grain Warehouse Keepers	63,920	63,430	94,090
Milk Contractors	58,030	90,670	122,530
Vegetable Contractors	87,170	30,800	33,850
Total Assessments	1,117,890	992,400	978,960
Licenses Fees & Administrative Revenues			
Grain Dealers	48,600	33,250	83,240
Grain Warehouse Keepers	275,380	276,750	289,280
Milk Contractors	137,730	164,670	149,910
Vegetable Contractors	111,460	90,960	52,420
Total License Fees & Monthly Fees	573,170	565,630	574,850
Interest Revenue	8,750	16,450	15,490
Grain Dealer – Audits for Marketing Boards	9,280	7,200	10,080
Miscellaneous Revenue	-	-	-
Total Revenues	**1,709,090**	**1,581,680**	**1,579,380**
Expenditures			
Salaries and Fringe			
Grain Dealers	245,480	262,100	281,460
Grain Warehouse Keepers	219,290	236,660	249,840
Milk Contractors	294,320	288,410	331,020
Vegetable Contractors	97,300	99,150	106,590
Total Salaries and Fringe	856,390	886,320	968,910
Supplies and Services			
Grain Dealers	61,030	60,820	64,370
Grain Warehouse Keepers	44,900	47,940	50,290
Milk Contractors	54,880	57,270	51,090
Vegetable Contractors	16,550	14,680	15,610
Total Supplies and Services	177,360	180,710	181,360
Loan Repayment (Principal and Interest)	-	-	-
Premiums Paid on Financial Backing	-	-	-
Default Payments to Producers	185,270	1,980	-
Miscellaneous Expense	-	-	-
Total Expenditures	**1,219,020**	**1,069,010**	**1,150,270**
Net Total Revenues Less Total Expenditures	**490,070**	**512,670**	**429,110**
Beginning Cash Balance	12,314,100	11,801,430	11,372,320
Ending Cash Balance	**12,804,170**	**12,314,100**	**11,801,430**

Wisconsin Agricultural Producer Security Trust Fund
Notes to Statement of Revenues and Expenditures, and Cash Balances

OVERVIEW

The Wisconsin Agricultural Producer Security Trust Fund (the Fund) is established under Section 25.463, Wis. Stats., and is administered by the Department of Agriculture, Trade and Consumer Protection (the Department). The Fund is maintained within the Department's Agricultural Producer Security Program (the Program). The Program is governed by Ch. 126 of the Wisconsin Statutes. The purpose of the Program is to provide some level of assurance that milk, vegetable and grain producers will be paid for their products. Generally, persons who purchase grain, milk or vegetables from Wisconsin producers, and grain warehouse keepers who store producer owned grain, are required to comply with the provisions of Ch. 126, Wis. Stats. Collectively, these parties are defined as "Contractors". Ch. 126, Wis. Stats., contains a variety of provisions to ensure that Contractors are able to pay producers. However, if a contractor does fail to pay, producers may be able to make a claim against the Fund.

Fund revenues primarily consist of assessments and license fees paid by licensed Contractors. Fund expenditures include administrative expenditures of operating the Program, and any costs associated with insurance or other backing for the fund. Further, should a contractor fail to pay a grain, milk or vegetable producer, that producer may be able to make a claim against the Fund for partial reimbursement.

Note 1 – Accounting Methodology

The Statement of Revenues and Expenditures, and Cash Balances are presented using the cash basis method of accounting. Revenues are recognized when received by the Fund, and expenditures are recognized when disbursed from the Fund.

Responsibility for management of the Fund is split. The Fund is managed within the State of Wisconsin Accounting System, known as WISMART. The State of Wisconsin, Department of Administration is responsible for the overall management of this system. In addition, the State of Wisconsin Investment Board oversees management of investment activities. (See Chapter 25, Wis. Stats.)

Within the Department, the Division of Management Services (DMS) manages and accounts for the overall bank activity and administers transactions as part of WISMART. In addition, state law[1] requires the department to account for the balance in the Fund that is attributable to each of the four contractor license types within the program. Accordingly, the Division of Trade and Consumer Protection (the Division) maintains a parallel, but more detailed accounting system. The four industry license type categories are:

- Grain Dealers
- Grain Warehouse Keepers
- Milk Contractors
- Vegetable Contractors

[1] Section 126.05(2), Wis. Stats.

On a monthly basis, the Division records revenues and expenditures from the state's accounting system, allocates interest revenue, and then reconciles balances, revenues, and expenditures to the "Cash Balance Report" maintained by DMS.

The Fund has two general functions in each of the four Fund industry categories:

- Indemnity Function
- Administrative Function

Four separate industry groups with two separate functions means that there are eight separate portions, or "subaccounts", to the fund. The Division's accounting system maintains revenues, expenditures, and balances for each of these subaccounts separately.

The indemnity function category consists of assessment revenues collected from contractors. Indemnity function expenditures include any payments to producers as a result of default claims, any payments to insurance or financial services companies for the financial backing of the Fund, and license fee credits.[2] The administrative function category consists of license fee revenues and expenditures related to administering the Program.

DMS maintains a monthly Cash Balance Report. This is a record of cash activity segregated by industry category, but does not account for the monthly cash balances in each of the industry categories or functions. The division accounts for the monthly cash balances in each of the industry categories and functions, and allocates any revenues and expenditures not categorized by the DMS. The division reconciles its records to WISMART and to the Cash Balance Report every month.

Note 2 – Statements of Revenues, Expenditures, and Cash Balances by Industry Group

Revenues, expenditures, and cash balances for each of the eight separate subaccounts are shown on the following pages 6 - 9. In addition, there is a section combining the indemnity function and administrative function subaccounts at the bottom of each of the four license categories.

[2] Please refer to Section 126.06, Wis. Stats., for provisions relating to contingent financial backing of the Fund. For a discussion of license fee credits, see Note 5, on Page 21 of this report.

Grain Dealer	Fiscal Year Ended		
	30-Jun-14	30-Jun-13	30-Jun-12
Indemnity Function			
Revenues			
Assessments Collected	908,770	807,500	728,490
Interest Income	2,970	5,250	4,600
Total Revenues	**911,740**	**812,750**	**733,090**
Expenses			
Loan Repayment – Principal	-	-	-
Loan Repayment -- Interest	-	-	-
Premiums on Financial Backing	-	-	-
Default Payments to Producers	185,270	1,980	-
License Fee Credits (transfer to Admin. Func.)	281,850	301,960	282,160
Total Expenses	**467,120**	**303,940**	**282,160**
Net Revenues Less Expenses	444,620	508,810	450,930
Beginning Balance	4,668,410	4,159,600	3,708,670
Ending Balance - Indemnity Function	**5,113,030**	**4,668,410**	**4,159,600**
Administrative Function			
Revenues			
License Fee Credits (transfer from indemnity function)	281,850	301,960	282,160
License Fees (cash collected from licensees)	48,600	33,250	83,240
Gross License Fees	330,450	335,210	365,400
Audits for Marketing Boards	9,280	7,200	10,080
Miscellaneous Income	-	-	-
Interest Income	-	-	-
Total Revenues	**339,730**	**342,410**	**375,480**
Expenses			
Salaries and Fringe	245,480	262,100	281,460
Supplies and Services	61,030	60,820	64,370
Miscellaneous Expenses	-	-	-
Total Expenses	**306,510**	**322,920**	**345,830**
Net Revenues Less Expenses	33,220	19,490	29,650
Beginning Balance	(812,570)	(832,060)	(861,710)
Ending Balance -- Administrative Function	**(779,350)**	**(812,570)**	**(832,060)**
Combined Indemnity Function plus Administrative Function			
Total Revenue (net of licensee fee credits)	969,620	853,200	826,410
Total Expenses (net of license fee credits)	491,780	324,900	345,830
Net Revenues Less Expenses	477,840	528,300	480,580
Beginning Balance	3,855,840	3,327,540	2,846,960
Ending Balance, Grain Dealer	**4,333,680**	**3,855,840**	**3,327,540**

Grain Warehouse Keeper

	Fiscal Year Ended		
	30-Jun-14	30-Jun-13	30-Jun-12
Indemnity Function			
Revenues			
Assessments Collected	63,920	63,430	94,090
Interest Income	470	820	740
Total Revenues	**64,390**	**64,250**	**94,830**
Expenses			
Loan Repayment – Principal	-	-	-
Loan Repayment -- Interest	-	-	-
Premiums on Financial Backing	-	-	-
Default Payments to Producers	-	-	-
License Fee Credits	-	-	-
Total Expenses	**-**	**-**	**-**
Net Revenues Less Expenses	64,390	64,250	94,830
Beginning Balance	716,950	652,700	557,870
Ending Balance - Indemnity Function	**781,340**	**716,950**	**652,700**
Administrative Function			
Revenues			
License Fee Credits (transfer from indemnity function)	-	-	-
License Fees (cash collected from licensees)	275,380	276,750	289,270
Gross License Fees	275,380	276,750	289,270
Miscellaneous Income	-	-	-
Interest Income	-	-	-
Total Revenues	**275,380**	**276,750**	**289,270**
Expenses			
Salaries and Fringe	219,290	236,650	249,830
Supplies and Services	44,900	47,940	50,290
Miscellaneous Expense	-	-	-
Total Expenses	**264,190**	**284,590**	**300,120**
Net Revenues Less Expenses	11,190	(7,840)	(10,850)
Beginning Balance	(915,200)	(907,360)	(896,510)
Ending Balance -- Administrative Function	**(904,010)**	**(915,200)**	**(907,360)**
Combined Indemnity Function plus Administrative Function			
Total Revenue	339,770	341,000	384,100
Total Expenses	264,190	284,590	300,120
Net Revenues Less Expenses	75,580	56,410	83,980
Beginning Balance	(198,250)	(254,660)	(338,640)
Ending Balance, Grain Warehouse Keeper	**(122,670)**	**(198,250)**	**(254,660)**

Milk Contractor	Fiscal Year Ended		
	30-Jun-14	30-Jun-13	30-Jun-12
Indemnity Function			
Revenues			
Assessments Collected	58,030	90,680	122,530
Interest Income	4,290	8,540	8,430
Total Revenues	**62,320**	**99,220**	**130,960**
Expenses			
Loan Repayment – Principal	-	-	-
Loan Repayment – Interest	-	-	-
Premiums on Financial Backing	-	-	-
Default Payments to Producers	-	-	-
License Fee Credits	280,420	264,690	263,350
Total Expenses	**280,420**	**264,690**	**263,350**
Net Revenues Less Expenses	(218,100)	(165,470)	(132,390)
Beginning Balance	7,055,760	7,221,230	7,353,620
Ending Balance - Indemnity Function	**6,837,660**	**7,055,760**	**7,221,230**
Administrative Function			
Revenues			
License Fee Credits (transfer from indemnity function)	280,420	264,690	263,350
License Fees (cash collected from licensees)	137,730	164,670	149,910
Gross License Fees	418,150	429,360	413,260
Miscellaneous Income	-	-	-
Interest Income	370	610	530
Total Revenues	**418,520**	**429,970**	**413,790**
Expenses			
Salaries and Fringe	294,320	288,410	331,020
Supplies and Services	54,880	57,270	51,090
Miscellaneous Expenses	-	-	-
Total Expenses	**349,200**	**345,680**	**382,110**
Net Revenues Less Expenses	69,320	84,290	31,680
Beginning Balance	560,930	476,640	444,960
Ending Balance -- Administrative Function	**630,250**	**560,930**	**476,640**
Combined Indemnity Function plus Administrative Function			
Total Revenue (net of license fee credits)	200,420	264,500	281,400
Total Expenses (net of license fee credits)	349,200	345,680	382,110
Net Revenues Less Expenses	(148,780)	(81,180)	(100,710)
Beginning Balance	7,616,690	7,697,870	7,798,580
Ending Balance -- Milk Contractor	**7,467,910**	**7,616,690**	**7,697,870**

Vegetable Contractor	Fiscal Year Ended		
	30-Jun-14	30-Jun-13	30-Jun-12
Indemnity Functions			
Revenues			
Assessments Collected	87,170	30,800	33,850
Interest Income	530	1,100	1,110
Total Revenues	**87,700**	**31,900**	**34,960**
Expenses			
Loan Repayment – Principal	-	-	-
Loan Repayment – Interest	-	-	-
Premiums on Financial Backing	-	-	-
Default Payments to Producers	-	-	-
License Fee Credits	86,540	83,980	94,160
Total Expenses	**86,540**	**83,980**	**94,160**
Revenues Less Expenses	1,160	(52,080)	(59,200)
Beginning Balance	877,970	930,050	989,250
Ending Balance - Indemnity Function	**879,130**	**877,970**	**930,050**
Administrative Functions			
Revenues			
License Fee Credits (transfer from indemnity function)	86,540	83,980	94,160
License Fees (cash collected from licensees)	111,460	90,960	52,420
Gross License Fees	198,000	174,940	146,580
Miscellaneous Income	-	-	-
Interest Income	120	120	90
Total Revenues	**198,120**	**175,060**	**146,670**
Expenses			
Salaries and Fringe	97,300	99,150	106,590
Supplies and Services	16,550	14,680	15,620
Miscellaneous Expenses	-	-	-
Total Expenses	**113,850**	**113,830**	**122,210**
Revenues Less Expenses	84,270	61,230	24,460
Beginning Balance	161,850	100,620	76,160
Ending Balance -- Administrative Functions	**246,120**	**161,850**	**100,620**
Combined Indemnity Function plus Administrative Function			
Total Revenue (net of license fee credits)	199,280	122,980	87,470
Total Expenses (net of license fee credits)	113,850	113,830	122,210
Net Revenues Less Expenses	85,430	9,150	(34,740)
Beginning Balance	1,039,820	1,030,670	1,065,410
Ending Balance -- Vegetable Contractor	**1,125,250**	**1,039,820**	**1,030,670**

(Charts above rounded to the tens)

Note 3 – Revenues

The tables below represent a more detailed presentation of revenue into the fund. Please note that these tables do not include license fee credits as revenue. (For more information on license fee credits, see Note 5.)

GRAIN DEALER
REVENUE DETAIL

	Fiscal Year Ended		
	30-Jun-14	**30-Jun-13**	**30-Jun-12**
Indemnity Function SubAccount			
Assessments	122,440	56,740	336,960
Deferred Payment Assessments	786,030	749,750	383,040
Penalty -- Late Assessment	300	1,010	8,490
Interest (allocated)	2,970	5,250	4,600
Subtotal -- Indemnity Function	**911,740**	**812,750**	**733,090**
Administrative Function SubAccount			
Annual License Application Fee	6,550	6,930	7,250
Annual License Fee (based on purchases)	27,050	12,620	61,290
Additional Locations License Fee	12,100	11,500	10,900
Surcharge -- Non-audited Financial Statement	-	-	-
Penalty -- Late Financial Statement	700	500	500
Penalty -- Late License Renewal	700	800	600
Penalty -- Operating Without License -- New	500	-	1,500
Penalty -- Operating Without License -- Renewal	1,000	1,000	1,000
Audit Services for Marketing Boards and Misc.	-	-	200
Audit Services for Corn Marketing Board	4,640	3,600	6,080
Audit Services for Soybean Marketing Board	4,640	3,600	4,000
Interest (allocated)	-	-	-
Miscellaneous	-	(100)	-
Subtotal -- Administrative Function	**57,880**	**40,450**	**93,320**
TOTAL	**969,620**	**853,200**	**826,410**

GRAIN WAREHOUSE KEEPER
REVENUE DETAIL

	Fiscal Year Ended		
	30-Jun-14	**30-Jun-13**	**30-Jun-12**
Indemnity Function SubAccount			
Assessments	63,570	62,490	90,130
Penalty -- Late Assessment	350	940	3,960
Interest (Allocated)	470	820	740
Subtotal -- Indemnity Function SubAccount	**64,390**	**64,250**	**94,830**
Administrative Function SubAccount			
Annual License Application Fee	248,630	240,200	252,830
Additional Locations Fee	4,530	5,320	5,470
Inspection Fees	-	-	-
Supplemental Inspection Fee	20,900	28,980	29,170
Penalty -- Operating w/o license -- New	500	-	500
Penalty -- Operating w/o License -- Renew	-	500	500
Penalty -- Late Financial Statement	400	200	200
Penalty -- Late License Renewal	400	1,300	600
Interest (Allocated)	-	-	-
Misc. adjustments, overpayments & transfers	20	250	-
Subtotal -- Administrative Function SubAccount	**275,380**	**276,750**	**289,270**
TOTAL	**339,770**	**341,000**	**384,100**

MILK CONTRACTOR
REVENUE DETAIL

	Fiscal Year Ended		
	30-Jun-14	**30-Jun-13**	**30-Jun-12**
Indemnity Function Subaccount			
Assessments	57,370	89,890	121,350
Penalty -- Late Assessment	660	790	1,180
Interest (allocated)	4,290	8,540	8,430
Subtotal -- Indemnity	**62,320**	**99,220**	**130,960**
Administrative Function Subaccount			
Monthly License Fee	131,980	157,670	142,570
Annual License Fee	3,150	3,050	3,100
Penalty -- Operating w/o license	1,500	2,500	2,000
Penalty -- Late Financial Statement	500	600	900
Penalty -- Late License Renewal	500	500	800
Penalty -- Late Monthly Fees	90	350	540
Interest (allocated)	380	610	530
Subtotal -- Administrative	**138,100**	**165,280**	**150,440**
TOTAL	**200,420**	**264,500**	**281,400**

VEGETABLE CONTRACTOR
REVENUE DETAIL

	Fiscal Year Ended		
	30-Jun-14	**30-Jun-13**	**30-Jun-12**
Indemnity Function Subaccount			
Assessments	86,870	30,740	33,850
Deferred Payment Assessment	-	-	-
Penalty -- Late Assessment	300	60	-
Interest (allocated)	530	1,100	1,110
Subtotal - Indemnity Function	**87,700**	**31,900**	**34,960**
Administrative Function Subaccount			
Annual License Application Fee	670	1,700	1,630
Contract Obligation License Fee	96,340	76,660	37,030
Lic. Fee -- Nonparticipating Potato Buyer	13,950	12,000	12,860
Penalty -- Operating w/o License (New)	-	-	500
Penalty -- Late License Fee	300	500	200
Penalty -- Late Financial Statement	200	100	200
Interest (allocated)	120	120	90
Subtotal -- Administrative Function	**111,580**	**91,080**	**52,510**
TOTAL	**199,280**	**122,980**	**87,470**

(Charts above rounded to tens)

Assessments

The Division maintains billing and account receivable systems that track assessments by individual contractor and by license year. Each contractor's assessment amount is calculated by multiplying the "assessment rate" by the contractor's total procurements (or storage capacity in the case of grain warehouse keepers).

Generally, assessment rates are calculated using a complex formula that is based on the contractor's current ratio and debt-to-equity ratio. The assessment rate is higher for contractors having weaker financial positions. The assessment rate for contractors that are not required to file a financial statement is a fixed rate based on the number of years the contractor contributed to the Fund. The Department calculates the annual assessment at the beginning of each license year. [3]

License Fees and Inspection Fees

License fees must be paid to obtain a license. Whereas *assessments* (discussed above) are intended to provide a source of funding in the event producers need to be reimbursed for a default; *license fees* and *inspection fees* for grain warehouse keepers are meant to pay for the operating expenditures of the Program. Hence, *assessment revenue* is reported in the indemnity function subaccounts whereas *license fee revenue* is reported in the administrative function subaccounts. Further, whereas *assessment rates* are partially based on the amount of risk a given licensee poses (they incorporate the licensee's balance sheet ratios into the formula) – license fees are based simply on the overall purchases (or storage capacity) of the licensee.

- Grain Dealer Revenue Detail
    - Nonrefundable license processing fee of $25.
    - Base License fee of $0.0010 per bushel, and rounding the product to the nearest $100, less any fee credits for which the grain dealer qualifies. Except license fee may not be less than $100 or more than $10,000.
    - Additional locations fee (for each location greater than one) of $100
    - Audit services for marketing boards. While on site for routine grain dealer audits, the bureau regularly performs compliance exams on behalf of the Wisconsin Corn Marketing Board and the Wisconsin Soybean Marketing Board to confirm grain dealers are properly reporting check-off obligations to those organizations. The Program then bills the marketing boards for time spent doing this work.

- Grain Warehouse Keeper Revenue Detail
    - Nonrefundable license processing fee of $25.

[3] For more details about the assessment calculation, please see Wisconsin Statutes Sections 126.15, 126.30, 126.46, 126.60 and Wisconsin Administrative Code Sections ATCP 99.135, ATCP 99.255, ATCP 100.135 and ATCP 101.255. Further, assessment calculators are available by clicking into the various areas of http://datcp.wi.gov/Business/Agricultural_Producer_Security/index.aspx

    - Additional locations license fee of $25 for each grain warehouse location.
    - Inspection Fees. $0.0025 per bushel, rounding the product to the nearest $1,000, less any fee credits for which the grain warehouse keeper qualifies. Except, the inspection fee may not be less than $1,000 or more than $10,000.
    - Supplemental inspection fee, for each location other than the main location, of $275.

- Milk Contractor Revenue Detail
    - Nonrefundable license processing fee of $25.
    - Monthly License fees, by the 25th day of each month, a monthly license fee of $0.0015 for each 100 pounds of producer milk that the milk contractor procured in this state during the preceding month, less any fee credits for which the milk contractor qualifies.

- Vegetable Contractor Revenue Detail
    - Nonrefundable license processing fee of $25.
    - Contract Obligation fees of $25 plus $0.0875 cents for each $100 in contract obligations reported, less any fee credits for which the vegetable contractor qualifies.
    - A processing potato buyer may elect not to participate in the fund.
    - A processing potato buyer that has elected not to participate in the fund pays the lesser of $25 plus $0.0875 for each $100 in contract obligations reported or $2,000.

Late Payment Surcharges and Other Penalties

Under both the license fee and the assessment provisions of the producer security law; there are several penalties and surcharges. These include:

- Late fee for failing to file an annual license renewal application and license fee payment. ($100)
- Late fee for failing to pay a monthly license fee when due (milk contractors only). (20% of the amount due)
- Late fee for failing to file a required financial statement. ($100)
- Surcharge for operating without a license. ($500)
- Late fee for failing to pay an assessment installment by the required due date. ($50 or 10% of the amount due; whichever is greater)

Interest Revenue

The Wisconsin Department of Administration deposits interest into the fund at the end of each month. The interest rate is determined monthly based on the overall return on the State of Wisconsin's entire cash holdings. The division allocates interest revenue among the eight subaccounts based on each subaccount's prior month ending balance as a percentage of the entire fund. Except that, in the event that a subaccount has a negative balance, that subaccount is ignored and the interest is allocated among the subaccounts with positive balances. Generally, the monthly interest rates received by the fund rise and fall along with other interest rates throughout the broader economy. For the Fiscal Years ended June 30, 2014, 2013 and 2012; the Fund received interest revenue of $8,753.14, $16,449.28 and $15,491.92 respectively. This means that average annualized interest rates for these three years were 0.07%, 0.14%, and 0.14% respectively.

Miscellaneous Revenue and Expenditure

The amounts listed as Miscellaneous Revenue and Expenditures for the time period presented in the charts above were minor overpayments and transfer of fees to the appropriate accounts.

Note 4 – Expenditures

Employee Expenditures

The Department has authority to allocate FTEs within the license type subaccounts. The Department strives to place each FTE in the industry subaccount for which that person performs most of their duties. Positions that cannot be directly tied to an individual industry subaccount are allocated proportionally among the four subaccounts. The Division has periodically made revisions to the allocations to ensure they reflect the actual work being done as accurately as possible.

Allocation of the authorized FTEs, as of June 30, 2014, is shown in the schedule below.

	Grain Dealer	Grain Warehouse Keeper	Milk Contractor	Vegetable Contractors	**Total**
Agricultural Auditor	2.80	2.20	3.20	0.80	**9.00**
Agricultural Auditor Supervisor	0.25	0.25	0.25	0.25	**1.00**
Financial Specialist			0.50	0.20	**0.70**
Office Operations Associate	0.60	0.40			**1.00**
Unassigned (Vacant – 0.25 FTE)					**0.25**
TOTAL	**3.65**	**2.85**	**3.95**	**1.25**	**11.95**

Due to vacancies and recent changes in job responsibilities these allocations were reviewed and minor adjustments were made in fiscal year 2014

Expenditure Detail

Following, is a detail of expenditures incurred by each of the four program areas. All expenditures were incurred from the administrative function subaccounts.

GRAIN DEALER
EXPENDITURE DETAIL

	Fiscal Year Ended		
	30-Jun-14	**30-Jun-13**	**30-Jun-12**
Indemnity Function SubAccount			
Default Payments to Producers	185,270	1,980	-
Subtotal -- Indemnity Function	185,270	1,980	-
Administrative Function SubAccount			
Personnel Expenditures			
Classified Civil Services Salaries	179,210	188,590	202,530
Fringe Benefit Expenditure	66,270	73,510	78,930
Subtotal	245,480	262,100	281,460
Supplies and Services			
Advertising/Legal Notices	1,190	-	310
Contractual Services Expense	1,520	1,620	3,180
Dues and Subscriptions	120	120	270
Indirect Cost Allowance	15,790	13,560	13,700
Insurance	470	720	960
Minor Equipment & Software	170	-	-
Maintenance & Repair - Land/Structure	110	-	-
Mailing	630	680	930
Maintenance & Repair - Other Equipment	10	10	30
Maintenance & Repair - Vehicles	20	-	-
Non State or Non-STS Calls	810	760	750
Other Admin & Operating	1,200	1,250	100
Printing	40	140	140
Rent/Lease of Equipment	350	170	170
Rent Privately-Owned Space	-	-	-
Rental of State-Owned Space	24,050	23,160	23,230
Materials & Supplies – Other	1,330	940	1,050
STS Charges	70	-	-
Travel & Training / In-State	2,400	3,420	3,170
Travel & Training /Out-of-State	130	340	480
Other Travel & Training Expense	10,620	13,930	15,900
Subtotal	61,030	60,820	64,370
Subtotal -- Administrative Function	306,510	322,920	345,830
Miscellaneous Expenditure	-	-	-
Total	491,780	324,900	345,830

GRAIN WAREHOUSE KEEPER
EXPENDITURE DETAIL

	Fiscal Year Ended		
	30-Jun-14	**30-Jun-13**	**30-Jun-12**
Indemnity Function SubAccount			
Default Payments to Producers	-	-	-
Subtotal -- Indemnity Function	-	-	-
Administrative Function SubAccount			
Personnel Expenditures			
Classified Civil Services Salaries	151,030	160,400	172,330
Fringe Benefit Expenditure	68,260	76,250	77,500
Subtotal	219,290	236,650	249,830
Supplies and Services			
Advertising/Legal Notices	-	-	310
Contractual Services Expense	1,300	1,370	2,740
Dues and Subscriptions	80	80	80
Indirect Cost Allowance	12,070	11,520	11,640
Insurance	420	630	820
Mailing	390	380	420
Maintenance & Repair - Other Equipment	10	10	10
Maintenance & Repair - Vehicles	20	-	-
Non State or Non-STS Calls	760	780	770
Other Admin & Operating	1,130	1,140	-
Printing	40	50	50
Rent/Lease of Equipment	270	170	170
Rent Privately-Owned Space	-	-	-
Rental of State-Owned Space	18,670	19,650	19,740
Materials & Supplies -- Other	820	730	800
STS Charges	-	-	-
Travel & Training / In-State	1,920	1,870	2,050
Travel & Training /Out-of-State	90	100	-
Other Travel & Training Expense	6,910	9,460	10,690
Subtotal	44,900	47,940	50,290
Subtotal -- Administrative Function	264,190	284,590	300,120
Miscellaneous Expenditure	-	-	-
Total	264,190	284,590	300,120

MILK CONTRACTOR
EXPENDITURE DETAIL

	Fiscal Year Ended		
	30-Jun-14	**30-Jun-13**	**30-Jun-12**
Indemnity Function SubAccount			
Default Payments to Producers	-	-	-
Subtotal -- Indemnity Function	-	-	-
Administrative Function SubAccount			
Personnel Expenditures			
Classified Civil Services Salaries	198,660	212,040	230,190
Fringe Benefit Expenditure	95,660	76,370	100,830
Subtotal	294,320	288,410	331,020
Supplies and Services			
Advertising/Legal Notices	-	-	-
Contractual Services Expense	1,650	1,770	3,070
Dues and Subscriptions	-	-	-
Indirect Cost Allowance	13,560	16,720	12,390
Insurance	500	840	1,070
Minor Equipment & Software	310	-	-
Maintenance & Repair - Land/Structure	50	40	-
Mailing	1,550	1,100	1,230
Maintenance & Repair - Other Equipment	160	190	180
Non State or Non-STS Calls	1,960	1,870	1,770
Other Admin & Operating	1,190	1,790	-
Printing	40	20	230
Rent/Lease of Equipment	370	370	400
Rent Privately-Owned Space	1,320	1,280	1,230
Rental of State-Owned Space	20,850	20,710	20,800
Materials & Supplies -- Other	1,920	1,370	1,120
STS Charges	-	-	-
Supplies & Services Transfer	-	-	-
Travel & Training / In-State	3,710	4,820	3,290
Travel & Training /Out-of-State	340	680	420
Other Travel & Training Expense	5,400	3,700	3,890
Subtotal	54,880	57,270	51,090
Subtotal -- Administrative Function	349,200	345,680	382,110
Miscellaneous Expenditure	-	-	-
Total	349,200	345,680	382,110

VEGETABLE CONTRACTOR
EXPENDITURE DETAIL

	Fiscal Year Ended		
	30-Jun-14	**30-Jun-13**	**30-Jun-12**
Indemnity Function SubAccount			
Default Payments to Producers	-	-	-
Subtotal -- Indemnity Function	-	-	-
Administrative Function SubAccount			
Personnel Expenditures			
Classified Civil Services Salaries	66,390	72,720	76,640
Fringe Benefit Expenditure	30,910	26,430	29,950
Subtotal	97,300	99,150	106,590
Supplies and Services			
Advertising/Legal Notices	-	-	-
Contractual Services Expense	520	530	1,170
Dues and Subscriptions	-	-	-
Indirect Cost Allowance	3,900	4,460	3,750
Insurance	170	220	330
Maintenance & Repair - Land/Structure.	-	-	-
Mailing	180	100	150
Maintenance & Repair - Other Equipment	-	-	-
Non State or Non-STS Calls	180	180	170
Other Admin & Operating	1,120	1,060	-
Printing	40	50	50
Rent/Lease of Equipment	-	-	-
Rent Privately-Owned Space	330	320	320
Rental of State-Owned Space	6,950	6,470	6,500
Materials & Supplies -- Other	140	180	-
STS Charges	-	-	-
Supplies & Services Transfer	-	-	-
Travel & Training / In-State	1,980	930	1,930
Travel & Training /Out-of-State	200	-	210
Other Travel & Training Expense	840	180	1,040
Subtotal	16,550	14,680	15,620
Subtotal -- Administrative Function	113,850	113,830	122,210
Miscellaneous Expenditure	-	-	-
Total	113,850	113,830	122,210

Supplies and services expenditures are charged to the individual subaccounts based on employee allocations. For example, the Wisconsin Department of Administration collects rent for office space from the department. The Department allocates the rent expenditures across the industry license type categories based on the number of FTEs in each individual program. Therefore, the allocation of FTEs among the four subaccounts has a direct impact on supplies and services expenditure amounts listed in the schedules above.

Note 5 –Fund Balances and Statutory Trigger Amounts

License Fee Credits

The crediting of excess Fund balances over the minimum threshold is an integral component of the program. Should the balance attributable to any one of the four industry groups exceed the specified minimum threshold, the department must use a portion of the excess as a credit to the next year's license fees owed by contributing contractors in that particular industry license type category. The minimum balance threshold for each license type is as follows:

- Grain Dealers $2,000,000 on June 30 [s. 126.11(6), Wis. Stats.]
- Grain Warehouses Keepers $ 300,000 on June 30 [s. 126.26(5), Wis. Stats.]
- Milk Contractors $4,000,000 on February 28 [s. 126.42(3), Wis. Stats.]
- Vegetable Contractors $ 825,000 on November 30 [s. 126.56(6), Wis. Stats.]

In the event any of the industry groups exceed the thresholds listed above, the Department, in the following license year, issues a license fee credit to each contributing contractor who files a timely application. For the Grain Dealer, Milk Contractor and Vegetable Contractor license groups, the amount of the credit is fifty percent (50%) of the excess above the minimum balance threshold. In the case of the Grain Warehouse Keeper license group, the amount of the credit is twelve and a half percent (12.5%) of the excess. The credit is allocated among the contractors based on the total amount paid in license fees over the four preceding license years.

The vegetable contractor, milk contractor and grain dealer license groups received license fee credits in each of the three fiscal years reported in this document.

Minimum and Maximum Fund Balances

Ch. 126, Wis. Stats., permits the Department to modify fund assessments by administrative rule. Further, the statute *requires* the Department to modify assessments in order to maintain fund balances greater than the minimum and less than the maximum amounts.[4] These amounts are as follows:

	Minimum Statutory Balance	Actual Balance as of June 30, 2014	Maximum Statutory Balance
Grain Dealers	$ 1,000,000	$ 4,333,678	$ 6,000,000
Grain Warehouse Keepers	$ 200,000	$ (122,667)	$ 1,000,000
Milk Contractors	$ 3,000,000	$ 7,467,910	$ 12,000,000
Vegetable Contractors	$ 800,000	$ 1,125,251	$ 3,000,000
Entire Fund	**$ 5,000,000**	**$ 12,804,172**	**$ 22,000,000**

Assessment Holiday

Pursuant to administrative rules,[5] contractors who have been contributing contractors for at least five years may forego paying any fund assessments for the following license

[4] Section 126.88, Wis. Stats.
[5] ATCP 99.126(5), ATCP 99.235(4), ATCP 100.135(10), and ATCP 101.245(4), Wisconsin Administrative Code.

year if, as of the specified date, the overall fund balance is at least $11,000,000, and fund balance attributable to the industry group meets the specified minimum balance:

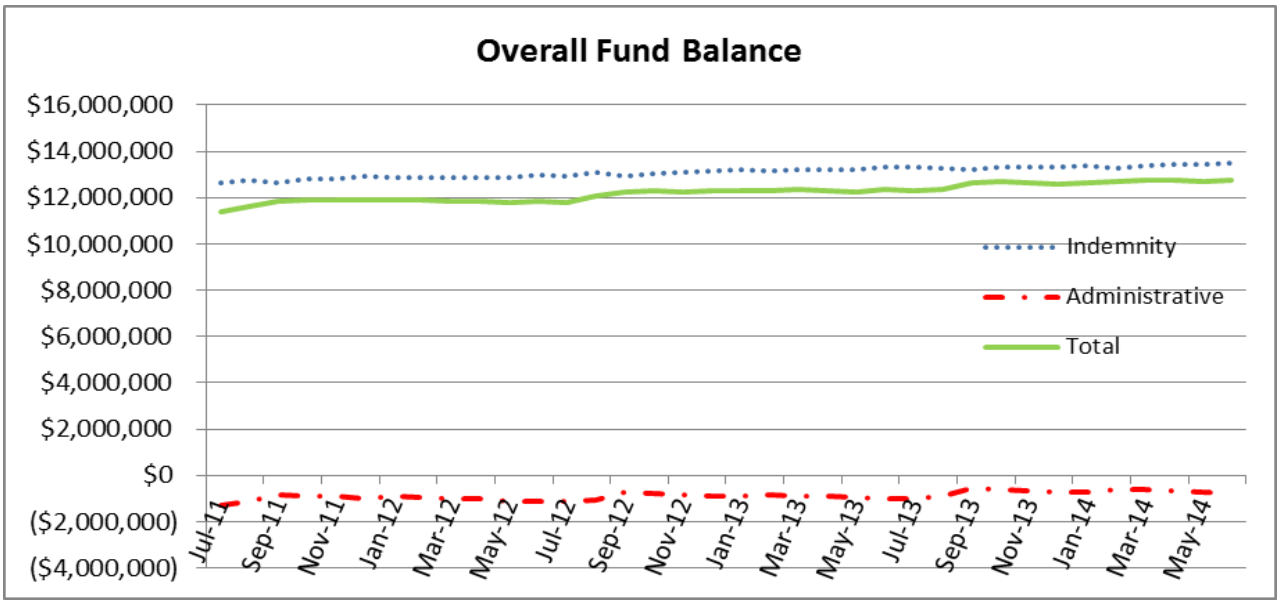
- For grain dealers, $3,000,000 as of May 31
- For grain warehouse keepers, $500,000 as of May 31
- For milk contractors, $6,000,000 as of February 28
- For vegetable contractors, $1,500,000 as of November 30

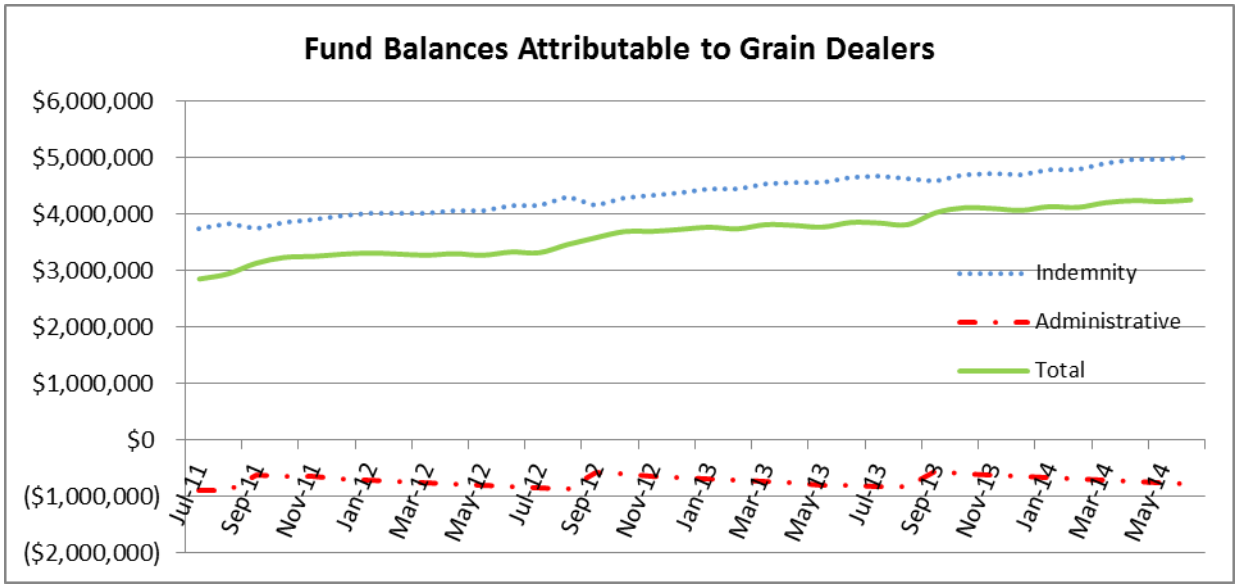
As of February 28, 2014, the fund balance attributable to milk contractors was $7,526,534 and the overall fund balance was $12,697,721. Therefore, contributing milk contractors that have contributed in each of the five preceding license years do not need to pay an annual assessment for the license year that began May 1, 2014 and will end on April 30, 2015.

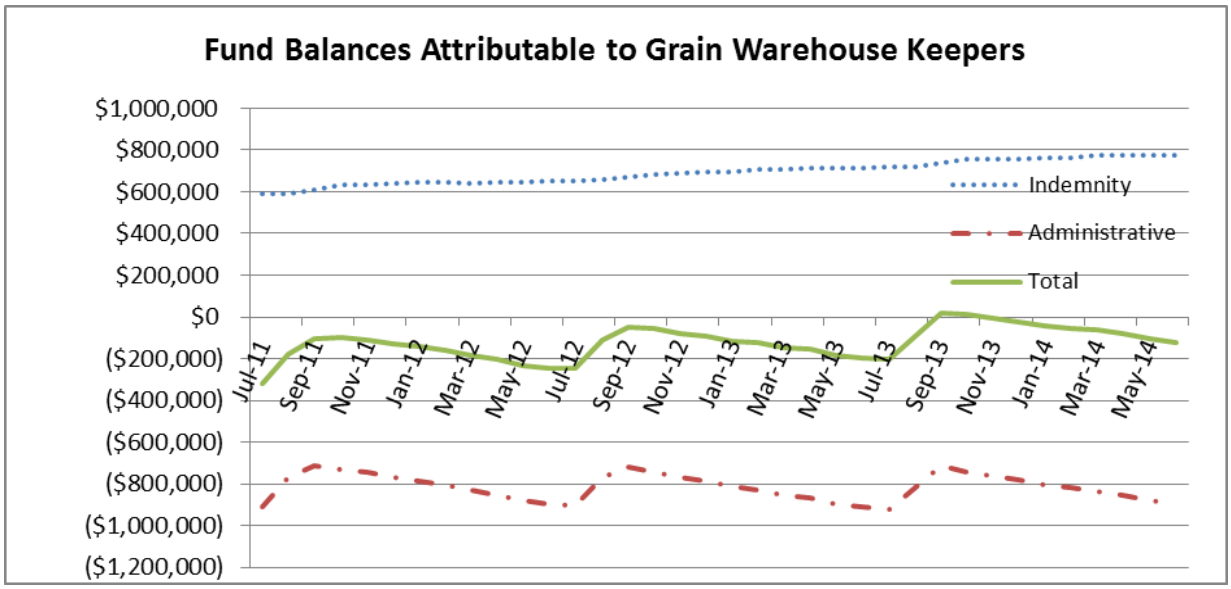
As of May 31, 2014 the fund balance attributable to grain dealers was $4,228,731 and the overall fund balance was $12,680,893. Therefore, contributing grain dealers that have contributed in each of the five preceding license years do not need to pay an annual assessment for the license year that began September 1, 2014 and will end on August 31, 2015.

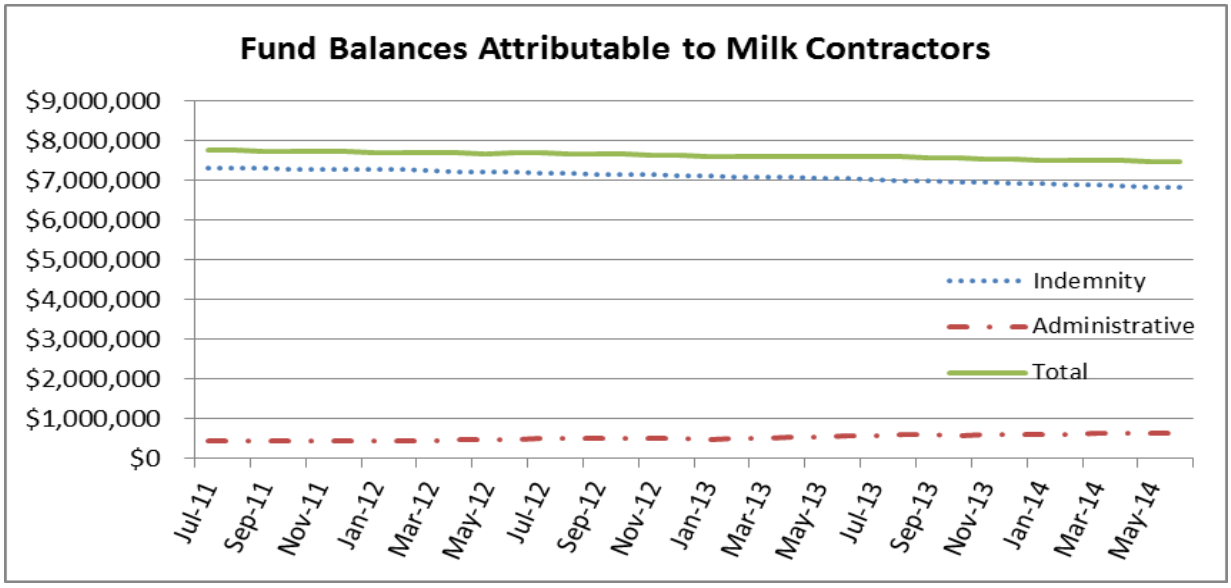
Subaccount Monthly Cash Balances

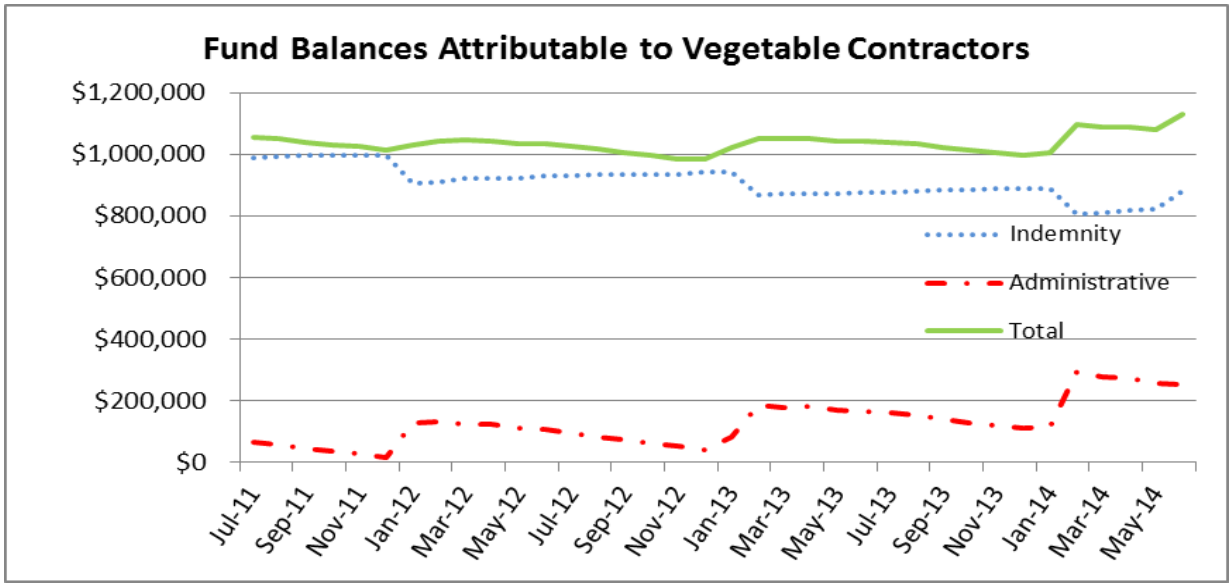
Cash balances in each subaccount at the end of each month during the Fiscal Years 2012, 2013 and 2014 are shown in the charts below. There is a chart for each of the four industry groups, plus a chart for the overall Fund. On each chart, there are lines representing the month-end balance for the indemnity function subaccount, administrative function subaccount, and the net of both.




Fund Balances Attributable to Grain Dealers
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$0
($1,000,000)
($2,000,000)
Jul-11
Sep-11
Nov-11
Jan-12
Mar-12
May-12
Jul-12
Sep-12
Nov-12
Jan-13
Mar-13
May-13
Jul-13
Sep-13
Nov-13
Jan-14
Mar-14
May-14
Indemnity
Administrative
Total


Fund Balances Attributable to Grain Warehouse Keepers
$1,000,000
$800,000
$600,000
$400,000
$200,000
$0
($200,000)
($400,000)
($600,000)
($800,000)
($1,000,000)
($1,200,000)
Jul-11
Sep-11
Nov-11
Jan-12
Mar-12
May-12
Jul-12
Sep-12
Nov-12
Jan-13
Mar-13
May-13
Jul-13
Sep-13
Nov-13
Jan-14
Mar-14
May-14
Indemnity
Administrative
Total


Fund Balances Attributable to Milk Contractors
$9,000,000
$8,000,000
$7,000,000
$6,000,000
$5,000,000
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$0
Jul-11
Sep-11
Nov-11
Jan-12
Mar-12
May-12
Jul-12
Sep-12
Nov-12
Jan-13
Mar-13
May-13
Jul-13
Sep-13
Nov-13
Jan-14
Mar-14
May-14
Indemnity
Administrative
Total



Note 6 – Individual Security

The department holds security from some licensed contractors for the benefit of producers. The security can be filed in the form of an irrevocable letter of credit, commercial surety bond, certificate of deposit or cash. Security is held for various reasons which include the following:

- **Disqualified:** Contractors who have a financial statement that shows negative owners equity when they are first applying for a license must file individual security. These contractors do not contribute to the fund.
- **Deferred Payment:** Grain dealers that use deferred payment and have debt to equity ratios that do not meet the minimum statutory requirement[6] must file individual security in addition to contributing to the fund.
- **Estimated Default Exposure in Excess of $20 million.** Contributing contractors who do not meet minimum financial ratios[7] and whose estimated default exposure exceeds $20 million dollars are required to post security in an amount equal to the difference between the contractor's estimated default exposure and $20 million. These contractors receive a proportionate reduction in their annual assessments.
- **Voluntary:** Contributing contractors whose estimated default exposure exceeds the maximum amount that can be paid out of the fund for any one default (60% of the total fund balance) may voluntarily file security to cover the difference. These contractors receive a proportionate reduction in their annual assessments.
- **Other:** If a contributing contractor is unable to file a required financial statement for initial licensing, is otherwise unable to comply with statutory provisions, or presents an especially excessive risk to producers, the department may require individual security.

[6] The minimum requirement is a debt to equity ratio of 4:1

[7] The current ratio must be at least 1.25:1 and the debt to equity ratio must be no more than 4:1 for grain dealers, grain warehouse keepers, and vegetable contractors; and 2:1 for milk contractors.

As of June 30, 2014, the department held a total of $96,049,659 in individual securities. The total amount of security held as of June 30, 2014, by type of security and reason it was held, is shown in the table below.

	Bonds	Letter of Credit	CDs and other cash equivalents	Total Security
Grain Dealers				
Disqualified	$ -	$ -	$ -	$ -
Deferred Payment	120,000	266,000	926,190	1,312,190
Exposure Greater than $20 Million	-	-	-	-
Voluntary	23,000,000	-	-	23,000,000
Other	-	-	-	-
Total	$ 23,120,000	$ 266,000	$ 926,190	$ 24,312,190

	Bonds	Letter of Credit	CDs and other cash equivalents	Total Security
Milk Contractors				
Disqualified	$ -	$ 1,007,000	$ 142,400	1,149,400
Exposure Greater than $20 Million	50,587,778	-	6,517,774	57,105,552
Voluntary	7,710,000	-	-	7,710,000
Other	-	500,000	-	500,000
Total	$ 58,297,778	$ 1,507,000	$ 6,660,174	$ 66,464,952

	Bonds	Letter of Credit	CDs and other cash equivalents	Total Security
Vegetable Contractors				
Disqualified	$ -	$ -	$ -	$ -
Exposure Greater than $20 Million	-	-	-	-
Voluntary	-	-	-	-
Other	5,222,400	-	50,118	5,272,518
Total	$ 5,222,400	$ -	$ 50,118	$ 5,272,518

Note 7 – Aggregate Estimated Default Exposure

As of June 30, 2014, the grand total of all contractors' "Estimated Default Exposure" was $1,141,673,427. "Estimated Default Exposure" is defined in the statutes and is generally intended to be a measure of the monetary risk to producers should a contractor default on obligations.

The definitions of "Estimated Default Exposure", specific to each contractor type, are listed below:

- **Grain Dealers.**[8] The sum of:
  - Thirty-five percent of the grain dealer's average monthly payment for the 3 months, during the preceding 12 months, in which the grain dealer made the largest monthly payments for producer grain procured in this state
  - The grain dealer's highest total, at any one time during the preceding 12 months, of unpaid obligations for producer grain procured in this state.

- **Grain Warehouse Keepers.**[9] Twenty percent of the current local market value of grain that the grain warehouse keeper holds in this state for others.

[8] S. 126.16(1)(c)1., Wis. Stats.

- **Milk Contractors.**[10] Seventy-five percent of either:
  - the highest amount of unpaid milk payroll obligations at any time during the previous 12 months, or
  - the highest amount of monthly milk payroll obligations at any time during the previous 12 months.

- **Vegetable Contractors.**[11] Seventy-five percent of the highest amount of unpaid contract obligations that the vegetable contractor had at any time during the last twelve months.

A contractor's "Estimated Default Exposure" number is used to determine "notice to producer" requirements and individual security requirements. Using all contractors' "estimated default exposure" amounts in aggregate, as we are here, is beyond the original purpose of the number. Nevertheless, it is at least somewhat useful as an approximate measure for total risk to the fund and to producers.

In the table below, the aggregate "Estimated Default Exposure" for each of the four license types is shown in the columns. Further, the portion of risk that would fall to the fund, producers, and providers of individual security are shown in rows.

Aggregate "Estimated Default Exposure" by Industry Group and by Party that would incur the Loss

	Grain Dealer		Grain Warehouse Keeper		Milk Contractor		Vegetable Contractor		Overall	
Fund	$ 275,091,871	52%	$ 34,038,308	79%	$ 164,310,270	36%	$ 35,589,882	33%	**$ 509,030,331**	45%
Producers										
Copayment on fund claim	64,133,106	12%	7,392,427	17%	66,709,791	15%	8,040,456	7%	**146,275,780**	13%
Contractor exceeds max fund payout*	169,744,890	32%	1,701,097	4%	45,423,342	10%	36,774,218	34%	**253,643,547**	22%
Nonparticipating contractors	-	0%	-	0%	113,762,321	25%	23,063,382	21%	**136,825,703**	12%
Producers Sub Total	233,877,996	44%	9,093,524	21%	225,895,454	49%	67,878,056	62%	**536,745,030**	47%
Individual Security	24,160,596	5%	-	0%	66,464,952	15%	5,272,518	5%	**95,898,066**	8%
Grand Total	**$ 533,130,463**		**$ 43,131,832**		**$ 456,670,676**		**$ 108,740,456**		**$ 1,141,673,427**	

The amounts shown in the table above for milk contractor and vegetable contractor are simply the total of amounts that each individual contractor is required to report to DATCP on their annual license application (or more frequently if the contractor maintains individual security). The amounts shown on the table above for grain dealer and grain warehouse keeper are estimates extrapolated from a limited sample of individual licensees' purchase and storage records.

The rows in the table above show the distribution of risk. For any one potential default by any one contractor, the financial loss would be distributed among three basic areas: the Producer

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[9] S. 126.31(1)(b)1., Wis. Stats.

[10] S. 126.47(1)(b)1., Wis. Stats. The statute allows milk contractors' "estimated default exposure" to be based on either the milk contractor's highest amount outstanding or the milk contractor's highest monthly payroll. The milk contractor may choose either. In most cases, the two numbers are similar to each other (because of traditional payment terms in the dairy industry) and most milk contractor report the monthly payroll number because it is easier to extract from their accounting systems. However, for the few milk contractors who pay producers on shorter payment terms, the highest amount outstanding number could be substantially smaller than the monthly payroll number.

[11] S. 126.61(1)(b)1., Wis. Stats.

Security Fund, producers with whom the defaulting contractor did business or providers of individual security (mostly surety companies in the case of bonds or banks in the case of letters of credit). Focusing more specifically on producers; there are three ways that default losses by a licensed contractor can be incurred by the producer:

- Claims against the fund require a copayment. Generally, fund claims against milk contractors and grain dealers are 80% of the loss; fund claims against vegetable contractors are 90% of the loss. (These percentages are lower for claim amounts that exceed certain thresholds.) Fund claims against grain warehouse keepers are 100% of the loss; but are limited to $100,000 per producer.

- Claims exceed amount available in the fund. Total fund payments are limited to 60% of fund balance and some contractors' "estimated default exposure" exceeds that amount.

- Nonparticipating contractors. Some milk contractors and vegetable contractors neither participate in the fund nor file individual security. There is no fund or security coverage available to producers who do business with these companies. (Milk contractors who submit Audited financial statements that show certain minimum balance sheet ratios may choose whether or not to participate.) (Vegetable contractors who purchase potatoes for processing and follow certain contract and payment provisions may opt-out of the fund if they wish.)

Note 8 – License History

In the producer security program, each industry group has a separate license and expiration. The statutory[12] expirations are:

- For Grain Dealers, August 31
- For Grain Warehouse Keepers, August 31
- For Milk Contractors, April 30
- For Vegetable Contractors, January 31

Each contractor reports on the renewal license application the total amount of obligations for a complete fiscal year to have been paid to producers, or for grain warehouse keepers the total storage capacity available. For new contractors, an original application is an estimate of what the contractor predicts will be purchased to make a total obligation or storage capacity for the upcoming 12 month period.

The tables below show the number of licenses issued and the obligations or, for Grain Warehouse, the storage capacity reported. For Grain Dealers, additional amounts reported are total bushels purchased and total deferred payments made.

[12] SS. 126.11(4)(g), 126.26(3)(f), 126.41(3)(d) and 126.56(4)(e), Wis. Stats.

Grain Dealers		
License Year	# of Licenses issued	Total Purchases Reported
2014-2015	249	$2,403,340,977
2013-2014	258	$2,919,177,409
2012-2013	271	$2,663,398,536
2011-2012	288	$2,257,068,777
2010-2011	287	$1,699,023,817
2009-2010	292	$1,739,085,053
2008-2009	304	$1,543,566,358
2007-2008	315	$ 939,289,125
2006-2007	324	$ 691,707,481
2005-2006	308	$ 759,116,757
2004-2005	291	$ 790,598,092

Grain Dealer (continued)		
License Year	Total Bushels Reported	Total Deferred Payment Reported
2014-2015	351,788,691	$260,941,793
2013-2014	400,823,098	$245,494,568
2012-2013	424,541,834	$239,510,773
2011-2012	454,962,837	$127,216,085
2010-2011	361,803,947	$ 91,623,761
2009-2010	338,283,870	$ 81,360,206
2008-2009	NA	$ 62,374,687
2007-2008	NA	$ 56,623,614
2006-2007	NA	$ 46,379,703
2005-2006	NA	$ 61,841,188
2004-2005	NA	$ 52,122,067

Grain Warehouse Keepers		
License Year	# of Licenses issued	Total Capacity Reported
2014-2015	99	108,651,388
2013-2014	101	109,542,279
2012-2013	103	102,329,821
2011-2012	106	99,369,562
2010-2011	108	138,478,653
2009-2010	111	121,502,437
2008-2009	132	185,189,691
2007-2008	131	186,263,430
2006-2007	141	183,476,129
2005-2006	136	157,764,306
2004-2005	133	143,703,824

Milk Contractor

License Year	# of Licenses issued	Total Obligation Reported
2014-2015	120	$5,996,509,973
2013-2014	120	$5,612,011,214
2012-2013	119	$5,544,595,746
2011-2012	118	$4,465,441,273
2010-2011	114	$3,527,503,717
2009-2010	115	$4,873,420,108
2008-2009	116	$4,469,117,061
2007-2008	114	$3,930,467,857
2006-2007	109	$3,925,469,873
2005-2006	115	$3,995,556,599
2004-2005	111	$3,038,044,137

Vegetable Contractor		
License Year	# of Licenses issued	Total Obligation Reported
2014-2015	39	$315,109,222
2013-2014	39	$315,395,738
2012-2013	37	$236,101,361
2011-2012	37	$307,748,089
2010-2011	36	$282,116,910
2009-2010	37	$213,589,108
2008-2009	36	$174,331,307
2007-2008	36	$171,318,055
2006-2007	39	$159,293,822
2005-2006	40	$164,116,406
2004-2005	39	$137,200,177

Note 9 –Defaults

GB Elevator, LLC

Between March 21, 2013 and April 12, 2013, three grain producers filed default claims with the department against GB Elevator, LLC. GB was a licensed grain dealer at the time of the default. The department suspended GB's grain dealer license on March 28, 2013. All three claims were allowable and payments were made in August 2013 from the Agricultural Producer Security Fund. The aggregate amount paid from the Fund was $125,001.09. The department continues to work with the Wisconsin Department of Justice in pursuing reimbursement for these claim payments.

Ruby Grain, LLC

Between September 10, 2013 and September 30, 2013, thirteen producers filed default claims with the department against Ruby Grain, LLC. Ruby was a licensed grain dealer at the time of the default to producers. Ruby withdrew their application to renew their grain dealer license for the 2013--2014 license year. All thirteen claims were allowable and payments were made in December 2013 from the Agricultural Producer Security Fund. The aggregate amount of paid from the Fund was $60,269.46. The department does not see any potential for reimbursement in this case.

Note 10 –Subsequent Events

Allens, Inc.

On October 28, 2013, a licensed vegetable contractor, Allens, Inc., filed a voluntary petition for relief under Chapter 11 bankruptcy (reorganization). The Chapter 11 was subsequently converted to a Chapter 7 liquidation. The department revoked Allens vegetable contractor license on November 18, 2013. Between September 6, 2013 and December 20, 2013, twenty-two default claims were filed with the department against Allens. Nineteen claims were allowable, three claims were disallowed, and payments were made in July 2014 from the Agricultural Producer Security Fund in the aggregate amount of $6,120,689.28. One of the allowed claims in the amount of $633,112.49 has yet to be paid and is contingent on the results of a federal court proceeding involving the USDA's Perishable Agricultural Commodities Act. Cash security of $50,123.74 filed by Allens was used to partially reimburse the Agricultural Producer Security Fund. The Wisconsin Department of Justice is representing the department in the bankruptcy proceedings and pursuing reimbursement for these claim payments.

As of June 30, 2014, the default process was in its final stages and funds to pay the default had been set aside (encumbered) in the state accounting system. As a result, the state accounting system recognized these payments as a FY2014 expenditure, even though checks weren't issued until after the end of the fiscal year. For the purposes of this annual report, we have elected to reflect the payments in FY2015, the fiscal year in which payments were made.