

**INTERSTATE PEST CONTROL COMPACT
INSURANCE FUND**

FINANCIAL STATEMENTS

For the period July 1, 1998 - June 30, 1999

**INTERSTATE PEST CONTROL COMPACT
BALANCE SHEET
June 30, 1999**

Assets

Operating Account	\$49,594.63 ¹	
Investments	<u>951,916.75</u> ²	
TOTAL ASSETS		<u><u>\$1,001,511.38</u></u>

Liabilities & Equity

NASDA per Agreement	\$1,000.00	
Equity	<u>1,000,511.38</u>	
TOTAL LIABILITIES & EQUITY		<u><u>\$1,001,511.38</u></u>

1 \$40,000 transferred to Investment account on July 22, 1999.

2 Funds are invested in the Local Government Investment Pool (LGIP) through the Commonwealth of Virginia's Treasurer's Office. The average interest rate has been 5%.

**INTERSTATE PEST CONTROL COMPACT
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN
FUND BALANCES/EQUITY**

For the fiscal year ended June 30, 1999

Revenues

Investment Income	\$58,345.37	
Dues Income	34,029.00	
Operating Account Interest	<u>729.67</u>	
Total revenues		\$93,104.04

Expenditures

Operating Expenses	\$11,740.01	
Investment Fees & Expenses	1,849.29	
Insurance Claims	112,093.00	
Total expenses		<u>125,682.30</u>

Excess of revenue over expenditures (\$32,578.26)

Other financing uses

Loss in value of assets at time of transfer (46,721.16)

Fund balances/equity July 1, 1998 1,080,810.80

Fund balances/equity June 30, 1999 \$1,001,511.38

**INTERSTATE PEST CONTROL COMPACT
STATEMENT OF CASH FLOWS
For the fiscal year ended June 30, 1999**

Balance on July 1, 1998			\$1,080,810.80
<u>Add - Inflows</u>			
Investment Income:			
LGIP	15,305.66		
National City Bank	<u>43,039.71</u>	58,345.37	
Dues Income:			
Florida	6,557.00		
Kansas	4,786.00		
Washington	21,426.00		
Puerto Rico	<u>1,260.00</u>	34,029.00	
Operating Account Interest		<u>729.67</u>	93,104.04
<u>Deduct-Outflows</u>			
Operating Expenses:			
Executive Director	9,596.58		
Bank Service Charges	400.28		
NASDA Conference	150.00		
NASDA Agreement	1,000.00		
Bond Policy Renewel	100.00		
Printing	444.15		
Checks	<u>49.00</u>	11,740.01	
Investment Fees & Expenses		1,849.29	
Insurance Claims			
Illinois-Asian Long Horned Beetle		100,000.00	
Kansas-Grecian Foxglove		12,093.00	
Loss - value of investments at time of transfer		<u>46,721.16</u>	<u>(172,403.46)</u>
Balance on June 30, 1999			\$1,001,511.38

**INTERSTATE PEST CONTROL COMPACT
OPERATING BUDGET
July 1, 1998 to June 30, 1999**

<u>Description</u>	<u>Budget</u> <u>1998-1999</u>	<u>Actual</u> <u>1998-1999</u>	<u>Budget</u> <u>1997-1998</u>	<u>Actual</u> <u>1997-1998</u>
NASDA Contracts				
Administration	\$ 2,000.00	\$ 1,000.00	\$ 2,000.00	\$ 1,000.00
Metterhouse	10,000.00	8,100.00	10,000.00	7,920.00
Travel & Miscellaneous	3,500.00	1,646.58	3,500.00	1,824.34
Printing	500.00	444.15	500.00	415.15
Bond for Treasurer	100.00	100.00	100.00	100.00
Audit	150.00	0.00	150.00	800.00
Postage & Miscellaneous- Secretary's Office	150.00	0.00	150.00	0.00
Bank Charges	0.00	449.28	0.00	0.00
Technical Committee	0.00	0.00	0.00	0.00
Special Committee	<u>500.00</u>	<u>0.00</u>	<u>500.00</u>	<u>0.00</u>
TOTALS	\$16,900.00	\$11,740.01	\$16,900.00	\$12,059.49

Interstate Pest Control Compact
Discussion Points for Treasurer's Report
September 1999

Highlights from fiscal year 1999:

- Total assets available at June 30, 1999 were \$1,001,511.
- Income on investments totaled \$59,075.
- Membership dues totaling \$34,029 were received from the states of Florida, Kansas, Washington and Puerto Rico.
- Insurance claims of \$112,093 were paid out - \$100,000 to Illinois for Asian Long Horned Beetle and \$12,093 to Kansas for Grecian Foxglove.
- A loss of \$46,721 was incurred when the assets were sold and transferred to Virginia from Illinois. The loss was due to the difference between the asset carrying value on the date of sale versus the principal amount of the shares.

Topic for discussion involving investment and maintenance of assets:

- It would be beneficial to have an entity such as NASDA provide financial support for the Treasurer of the IPCC to avoid a loss in the value of assets, such as the loss incurred this year, when the assets are transferred between states due to a change of Treasurer.
- NASDA can provide financial support to include writing checks, depositing membership dues, and preparing annual financial statements for an annual fee of \$1,000. This is in addition to the \$1,000 currently paid for administrative support. The Treasurer's approval of disbursements could be obtained by FAX.
- NASDA can also provide investment services at a fee of \$10,000 annually. However, a bank or brokerage firm could provide this service at a much smaller fee. Investment fees and expenses were under \$2,000 last fiscal year.
- The Compact should develop an investment policy defining how the Compact's assets should be invested, i.e. money markets (low risk), Government bond funds (medium risk), equity funds (high risk).



COMMONWEALTH of VIRGINIA

J. Carlton Courter, III
Commissioner

Department of Agriculture and Consumer Services

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<http://www.state.va.us/~vdacs/vdacs.htm>

October 14, 1999

Mr. William W. Metterhouse
Executive Director
Interstate Pest Control Compact
c/o NASDA, Suite 1020
1156 15th Street, N.W.
Washington, D.C. 20005

Dear Bill:

As requested, I am writing to you to discuss the \$46,721 loss that was incurred on the Interstate Pest Control Compact's investments when the Compact's funds were transferred from Illinois to Virginia in February. Prior to February of this year, the funds of the Compact were being held in a mutual fund at National City Bank in Illinois. The Illinois Department of Agriculture was instructed to transfer the funds to Virginia since Commissioner Courter was now serving as Treasurer of the Compact.

Theodore (Ted) Tracy was my contact at the Illinois Department of Agriculture. As far as I know he was given no further instruction by the Compact, and contacted National City, the bank holding the mutual fund, to transfer the funds to Virginia. The transfer took place on February 23, 1999 when the mutual fund shares were trading at \$9.24 per share. At that time, the asset carrying value of the shares were \$46,721 less than the principal amount invested in 1993. In 1993, the funds were invested in the Parkstone U. S. Government Income Fund, a bond fund.

As you know, for the past few years, the value of stock investments has been increasing and the value of bond investments have been decreasing. The loss reported in the IPCC's 1998-1999 Financial Statements reflects the downward trend in the bond market since 1993 when interest rates were higher. However, the Parkstone U. S. Government Income Fund is a relatively low risk investment and an appropriate choice for investing the Compact's funds based on the currently limited guidelines in the by-laws.

It should be noted that the mutual fund earned investment income of \$43,040 from July 1, 1998 to the date of transfer. The money was invested

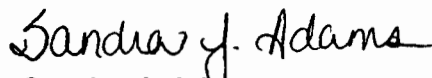
through the Local Government Investment Pool with the Treasurer of Virginia in February and earned an additional \$15,306 from February to June 30, 1999. The net gain for the year was \$11,625. Hence, there was no loss on the original value of membership payments.

I spoke with Robert Whitner at National City Bank last week. He said the loss may have been avoided if the money was transferred to a similar type account in Virginia, but that could have taken up to six months. As far as I know, Illinois did not have any type of instruction from the Compact as to how or when the funds should be transferred. There is, of course, no guarantee as to what the value of the mutual fund would have been six months out.

The committee you are currently serving on may want to consider developing an investment policy for the Compact. The policy should address the type of investments the Compact would like to pursue in light of their estimated needs for cash on an annual basis, the amount of risk they are willing to accept in relation to the desired rate of return, and what entity should hold and manage these investments for the Compact. The entity should not be a state department of agriculture given the nature of the duties and responsibilities associated with this investment function. As I mentioned previously, the funds are currently held by the Treasurer's Office here in Virginia. This is a low risk investment and the annual yield for the fiscal year ended June 30, 1999 was 5.20%. The total assets of the Compact are sufficient to consider the investment of a portion of these assets in instruments that would offer a higher rate of return.

Please call me at (804) 786-3506 if you need any additional information. Mr. Whitner of National City Bank can be reached at (217) 753-7006. Ted Tracy's phone number at the Illinois Department of Revenue is (217) 785-5560.

Sincerely,



Sandra J. Adams
Director of Finance

Attachment

cc: J. Carlton Courter, III
Commissioner

Donald G. Blankenship
Deputy Commissioner

Theodore (Ted) F. Tracy
Illinois Dept. of Agriculture