



**INTERSTATE PEST CONTROL COMPACT
INSURANCE FUND**

FINANCIAL REPORT

**Financial Report as of December 31, 2011
And for the Period of Six Months Then Ended**

**INTERSTATE PEST CONTROL COMPACT
INSURANCE FUND**

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Certified Public Accountants & Consultants

Brent A. Silva, CPA
Craig A. Silva, CPA*
Thomas A. Gurtner, CPA*
Kenneth J. Abney, CPA, MS Tax*

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Governing Board of
Interstate Pest Control Compact Insurance Fund
Saint Albans, West Virginia

We have compiled the accompanying statement of assets, liabilities, and net assets of Interstate Pest Control Compact Insurance Fund (an unincorporated nonprofit association) as of December 31, 2011, and the related statements of revenues, expenses, and changes in net assets and cash flows for the six month period then ended, and the accompanying supplementary information, which is presented only for supplementary analysis purposes. We have not audited or reviewed the accompanying financial statements and supplementary information and, accordingly, do not express an opinion or provide any assurance about whether the financial statements and supplementary information are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements and supplementary information in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements and supplementary information.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements and supplementary information without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements or supplementary information.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Interstate Pest Control Compact Insurance Fund's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Silva Gurtner & Abney, LLC

January 17, 2012

4330 Dumaine Street
Street New Orleans, LA 70119
(504) 833-2436 (O) (504) 484-0807 (F)

200-B Greenleaves Blvd.
Mandeville, LA 70448
(985) 626-8299 (O) (985) 626-9767 (F)

900 Village Lane
P O Box 50, Pass Christian, MS 39571
(985) 626-8299 (O) (985) 626-9767 (F)

Limited Liability Company
www.silva-cpa.com

**INTERSTATE PEST CONTROL COMPACT INSURANCE FUND
DISCUSSION POINTS FOR TREASURER'S REPORT
DECEMBER 31, 2011**

Highlights from Mid Year Financial Report – Six months ended December 31, 2011:

Total Assets at December 31, 2011 were \$1,148,617. This represents a decrease of \$37,759 from June 30, 2011. Funds are invested in a Morgan Stanley, Smith Barney Portfolio earning varying rates of yield.

Investment Risk: The Interstate Pest Control Compact (IPCC) Portfolio follows the conservative investment strategy approved by the IPCC Governing Board on September 18, 2010. Investments were diversified in the following way as of December 31, 2011:

| | |
|--------------------------------------|-------|
| Money Market Fund | 6% |
| Accrued Interest | 1% |
| Exchange Traded and Closed End Funds | 11% |
| Preferred Stocks | 1% |
| Corporate Bonds | 46% |
| Mutual Funds | 35% |
| | <hr/> |
| | 100% |

Total revenues amounted to \$33,561, of which income on investments totaled \$27,202. The State of Wisconsin paid the third (and final) installment on their state assessment. No donations were received.

Investment income covered all of the administrative and operating costs of \$16,463 for the six month period. There were no fees or expenses associated with the investments.

INTERSTATE PEST CONTROL COMPACT INSURANCE FUND
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
AS OF DECEMBER 31, 2011
(WITH COMPARATIVE TWELVE MONTH TOTALS ENDING JUNE 30, 2011)

| | 12/31/2011 | 6/30/2011 |
|---|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Money market fund | \$ 70,614 | \$ 104,055 |
| Accrued interest | 8,043 | 8,043 |
| Exchange traded and closed end funds | 128,313 | 118,688 |
| Preferred stocks | 11,879 | 11,509 |
| Corporate bonds | 530,893 | 538,167 |
| Mutual funds | 398,875 | 405,914 |
| Certificates of deposit | - | - |
| TOTAL ASSETS | \$ 1,148,617 | \$ 1,186,376 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 2,037 | \$ 576 |
| Contracts payable | - | 52,000 |
| Total liabilities | 2,037 | 52,576 |
| NET ASSETS | | |
| Unrestricted | 1,146,580 | 1,133,800 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,148,617 | \$ 1,186,376 |

See accompanying independent accountants' compilation report.

**INTERSTATE PEST CONTROL COMPACT INSURANCE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE PERIOD OF SIX MONTHS ENDED DECEMBER 31, 2011**

REVENUES

| | | | |
|---|----|--------|--------|
| Interest earned - money market fund | \$ | 4 | |
| Dividends and interest - stocks and bonds | | 27,198 | |
| Membership fees | | 6,359 | |
| Donations | | - | |
| Total revenues | | | 33,561 |

EXPENSES

| | | | |
|-----------------------------|--|--------|--------|
| Executive director services | | 10,640 | |
| Travel and registration | | 1,978 | |
| Overhead | | 1,253 | |
| Website expense | | - | |
| Supplies | | - | |
| Insurance | | 592 | |
| Miscellaneous expenses | | - | |
| Operating expenses | | | 14,463 |
| Accounting services | | | 2,000 |
| Contracts expenses (claims) | | | - |
| Total expenses | | | 16,463 |

| | |
|-------------------------------|---------|
| Excess revenues over expenses | 17,098 |
| Unrealized gains (losses) | (4,318) |

CHANGE IN NET ASSETS **12,780**

NET ASSETS - Beginning of period 1,133,800

NET ASSETS - End of period **\$ 1,146,580**

See accompanying independent accountants' compilation report.

**INTERSTATE PEST CONTROL COMPACT INSURANCE FUND
STATEMENT OF CASH FLOWS
FOR THE PERIOD OF SIX MONTHS ENDED DECEMBER 31, 2011**

| | | |
|--|--------|----------------------------|
| Balance on July 1, 2011 | | <u>\$ 1,133,800</u> |
| Add - Inflows | | |
| Dividends and interest received | 27,202 | |
| Interest earned - money market fund | 4 | |
| Dividends and interest - other investments | 27,198 | |
| Membership fees | 6,359 | |
| Donations | - | |
| Total inflows | | <u>33,561</u> |
| Deduct - Outflows | | |
| Operating expenses | 14,463 | |
| Executive director services | 10,640 | |
| Travel and registration | 1,978 | |
| Overhead | 1,253 | |
| Website expense | - | |
| Supplies | - | |
| Insurance | 592 | |
| Miscellaneous expenses | - | |
| Accounting fees | 2,000 | |
| Insurance claims | - | |
| Unrealized losses | 4,318 | |
| Total outflows | | <u>20,781</u> |
| Balance on December 31, 2011 | | <u><u>\$ 1,146,580</u></u> |

See accompanying independent accountants' compilation report.

SUPPLEMENTARY INFORMATION

**INTERSTATE PEST CONTROL COMPACT INSURANCE FUND
BUDGET VS ACTUAL REPORT
FOR THE PERIOD OF SIX MONTHS ENDED DECEMBER 31, 2011
(AS COMPARED TO FISCAL YEAR 2011-2012 BUDGET)**

| | FY 2011 - 2012 | | |
|--------------------------------------|------------------|------------------|------------------------|
| | Budget | Actual | Over (Under) Budget |
| Management services | | | |
| Executive director services | \$ 19,000 | \$ 10,640 | \$ (8,360) |
| Travel and registration | 3,800 | 1,978 | (1,822) |
| Bond | - | - | - |
| Facilities and administrative costs | | | |
| Overhead | 3,300 | 1,253 | (2,047) |
| IPCC website ** | 210 | - | (210) |
| Supplies | 200 | - | (200) |
| Postage | 200 | - | (200) |
| Printing | 400 | - | (400) |
| Insurance | 593 | 592 | (1) |
| Equipment | - | - | - |
| Miscellaneous expenses | - | - | - |
| Charitable solicitation registration | - | - | - |
| All other expense | 850 | - | (850) |
| Contractual services | | | |
| Accounting services | 2,000 | 2,000 | - |
| Tax return | 1,500 | - | (1,500) |
| Special purpose | | | |
| Technical advisory committee | 500 | - | (500) |
| Insurance claims | | | |
| Colorado (3 of 3) | - | - | - |
| Minnesota (1 of 1) | 52,000 | - | (52,000) |
| Total | \$ 84,553 | \$ 16,463 | \$ (68,090) |

**includes website hosting and domain name registration

See accompanying independent accountants' compilation report.

**INTERSTATE PEST CONTROL COMPACT INSURANCE FUND
INVESTMENTS
AS OF DECEMBER 31, 2011**

| Investment | Amount | Date Acquired | Maturity Date | Duration (Years) | Interest | Current Value |
|---|---------|------------------|------------------|---------------------|----------|---------------------|
| Cash balance | \$ - | | | | | \$ - |
| Money market fund | | | | | | |
| Morgan Stanley AA Money Trust | 70,614 | | | | 0.010% | 70,614 |
| Accrued interest on bonds/ cds | 8,043 | | | | 0.000% | 8,043 |
| Exchange traded and closed end funds | | | | | | |
| Nuveen Build America Bond Fund | 74,208 | 12/31/2010 | | | 6.830% | 82,120 |
| Municipal bond portfolio | 43,112 | 6/23/2011 | | | 6.830% | 46,193 |
| Subtotal | 117,320 | | | | | 128,313 |
| Preferred stocks | | | | | | |
| General Electric Cap Corp | 10,359 | 6/1/2009 | 8/15/2013 | 4.21 | 5.813% | 11,879 |
| Corporate bonds | | | | | | |
| Citi Group Inc | 98,915 | 8/19/2008 | 8/27/2012 | 4.02 | 5.625% | 101,510 |
| Bank of America Corp Sub Notes | 100,185 | 11/26/2007 | 8/15/2013 | 5.72 | 4.750% | 99,519 |
| Wachovia Corp Sub Notes | 99,428 | 2/22/2008 | 2/15/2014 | 5.99 | 4.875% | 104,307 |
| Berkshire Hathaway Fin Corp | 99,277 | 5/9/2007 | 1/15/2015 | 7.69 | 4.850% | 110,774 |
| Virginia Electric and Power | 101,511 | 2/19/2008 | 12/15/2015 | 7.82 | 5.250% | 114,783 |
| Subtotal | 499,316 | | | | | 530,893 |
| Mutual funds | | | | | | |
| Pimco investment grade corp bond fund | 100,000 | 6/2/2009 | | | 4.106% | 100,205 |
| Lord abbett floating rate | 100,000 | 12/30/2010 | | | 4.257% | 96,574 |
| Prudential short term corp bond fd | 100,000 | 6/2/2009 | | | 2.916% | 102,126 |
| Sentinel short maturity government fund | 50,000 | 6/23/2011 | | | 1.788% | 49,407 |
| Sentinel government securities fund | 50,000 | 6/23/2011 | | | 2.581% | 50,563 |
| Subtotal | 400,000 | | | | | 398,875 |
| Total | | | | | | \$ 1,148,617 |

See accompanying independent accountants' compilation report.