



**MILITARY INTERSTATE CHILDREN'S
COMPACT COMMISSION**

LEXINGTON, KENTUCKY

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITORS

JUNE 30, 2018 AND 2017

MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION
LEXINGTON, KENTUCKY

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Military Interstate Children's Compact Commission
Lexington, Kentucky

We have audited the accompanying financial statements of business-type activities of the Military Interstate Children's Compact Commission (the Compact) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Compact'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 an opinion 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. 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 opinion.

To the Board of Directors
Military Interstate Children's Compact Commission
Lexington, Kentucky

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Opinion

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 Compact as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Blue & Co., LLC

Lexington, Kentucky
August 22, 2018

MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017

Military Interstate Children's Compact Commission's (the Compact's) management team offers readers of the basic financial statements of the Compact the following narrative overview and analysis of the financial activities of the Compact for fiscal year 2018 with comparative data for fiscal years 2017 and 2016. The following should be read in conjunction with our basic financial statements and notes thereto.

Basic Financial Statements

The Compact's basic financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). This is the same basis of accounting employed by most private sector enterprises. Revenues are recognized when earned and expenses are recognized when incurred. See the notes to the basic financial statements for a summary of the Compact's significant accounting policies.

Our basic financial statements include the following components:

Statements of net position present information on the assets and liabilities of the Compact, with the resulting difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Compact is improving or deteriorating. Statements of revenues, expenses, and changes in net position report revenues and expenses, classified as operating, for the period. The resulting change in net position for the period combined with the beginning of the year total net position balance reconciles to the end of the year total net position, per the statements of net position.

Statements of cash flows report the cash flows experienced by the Compact from operating and investing activities. The net result of the cash provided by or used in these activities for the period, added to the beginning of the year balance reconciles to the total cash and cash equivalents, as presented on the statements of net position.

Notes to the financial statements provide additional information on the data presented in the basic financial statements as of and for the years ended June 30, 2018 and 2017.

COMPACT ACTIVITIES

The Compact provides for the uniform treatment of military children transferring between school districts and states. It was developed by The Council of State Governments' National Center for Interstate Compacts, the Department of Defense, national associations, federal and state officials, departments of education, school administrators and military families. Each state must adopt the Compact through their legislative process. Participation is voluntary. Each state appoints representation to a governing commission responsible for enacting rules to implement the Compact. Each participating state also creates a state council based on the requirements of their state legislation.

MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017

All 50 states and the District of Columbia have adopted the Compact. Member states are beginning to form their State Councils and inform school districts of the terms of the Compact. The Compact has met twice and is working to implement and communicate the requirements of the Compact.

FINANCIAL HIGHLIGHTS

The following major financial highlights are of note for the year ended June 30, 2018 (amounts rounded):

- Assets exceeded liabilities by \$1,084,000 as of June 30, 2018 and \$1,003,000 as of June 30, 2017.
- The total balance of net position is unrestricted as of June 30, 2018 and 2017.
- Net position increased \$81,000 for the fiscal year ended June 30, 2018 and decreased \$15,000 for the fiscal year ended June 30, 2017.
- Operating revenues were \$646,000 for the fiscal year ended June 30, 2018 and \$626,000 for the fiscal year ended June 30, 2017.

The following major financial highlights are of note for the year ended June 30, 2017 (amounts rounded):

- Assets exceeded liabilities by \$1,003,000 as of June 30, 2017 and \$1,018,000 as of June 30, 2016.
- The total balance of net position is unrestricted as of June 30, 2018 and 2017.
- Net position decreased \$15,000 for the fiscal year ended June 30, 2017 and increased \$127,000 for the fiscal year ended June 30, 2016.
- Operating revenues were \$626,000 for the fiscal year ended June 30, 2017 and \$642,000 for the fiscal year ended June 30, 2016.

MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017

NET POSITION SUMMARY

Net position was approximately \$1,084,000 at June 30, 2018, \$1,003,000 at June 30, 2017 and \$1,018,000 at June 30, 2016. Most of the increase in net position for fiscal years 2017 was due to appropriations revenue in excess of operating expenses as well as investment income.

A condensed summary of the major components of the net position for the fiscal year ended June 30, 2018, 2017 and 2016 is as follows (amounts rounded):

	2018	2017	2016	FY 2018		FY 2017	
				\$ change	% change	\$ change	% change
Current assets	\$ <u>838,000</u>	\$ <u>1,038,000</u>	\$ <u>1,071,000</u>	\$ <u>(200,000)</u>	-19.27%	\$ <u>(33,000)</u>	-3.08%
Noncurrent assets	\$ <u>380,000</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>380,000</u>	100.00%	\$ <u>0</u>	N/A
Current liabilities	\$ <u>134,000</u>	\$ <u>35,000</u>	\$ <u>53,000</u>	\$ <u>99,000</u>	282.86%	\$ <u>(18,000)</u>	-33.96%
Unrestricted net position	\$ <u>1,084,000</u>	\$ <u>1,003,000</u>	\$ <u>1,018,000</u>	\$ <u>81,000</u>	8.08%	\$ <u>(15,000)</u>	-1.47%

Current assets decreased in fiscal year 2018 due to purchases of investments in August 2017.

Current liabilities increased in 2018 due to appropriations received in advance.

CHANGES IN NET POSITION

A condensed summary and discussion of changes in net position, revenues, and expenses for fiscal years 2018, 2017 and 2016 is as follows (amounts rounded):

	2018	2017	2016	FY 2018		FY 2017	
				\$ change	% change	\$ change	% change
Operating revenues	\$ <u>646,000</u>	\$ <u>626,000</u>	\$ <u>642,000</u>	\$ <u>20,000</u>	3.19%	\$ <u>(16,000)</u>	-2.49%
Operating expenses	\$ <u>566,000</u>	\$ <u>641,000</u>	\$ <u>515,000</u>	\$ <u>(75,000)</u>	-11.70%	\$ <u>126,000</u>	24.47%
Change in net position	\$ <u>80,000</u>	\$ <u>(15,000)</u>	\$ <u>127,000</u>	\$ <u>95,000</u>	-633.33%	\$ <u>(142,000)</u>	-111.81%

MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017

Revenues

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>FY2018</u>		<u>FY2017</u>	
				<u>\$ change</u>	<u>% change</u>	<u>\$ change</u>	<u>% change</u>
Appropriations	\$ 595,000	\$ 608,000	\$ 636,000	\$ (13,000)	-2.14%	\$ (28,000)	-4.40%
Investment income and gains	38,000	6,000	2,000	32,000	533.33%	4,000	200.00%
Other	13,000	12,000	4,000	1,000	8.33%	8,000	200.00%
Change in net position	<u>\$ 646,000</u>	<u>\$ 626,000</u>	<u>\$ 642,000</u>	<u>\$ 20,000</u>	3.19%	<u>\$ (16,000)</u>	-2.49%

Appropriations decreased in 2017 due to lower number of active military dependents compared to prior year.

Investment income and gains increased in 2018 due to purchases of mutual fund investments in August 2017.

Other revenues increased for fiscal year 2017 due to conference registration fees.

Expenses

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>FY2018</u>		<u>FY2017</u>	
				<u>\$ change</u>	<u>% change</u>	<u>\$ change</u>	<u>% change</u>
Management fees	\$ 329,000	\$ 399,000	\$ 317,000	\$ (70,000)	-17.54%	\$ 82,000	25.87%
Travel and meetings	147,000	145,000	116,000	2,000	1.38%	29,000	25.00%
Consultants	26,000	41,000	28,000	(15,000)	-36.59%	13,000	46.43%
Occupancy	17,000	14,000	14,000	3,000	21.43%	0	0.00%
Other	47,000	42,000	40,000	5,000	11.90%	2,000	5.00%
Change in net position	<u>\$ 566,000</u>	<u>\$ 641,000</u>	<u>\$ 515,000</u>	<u>\$ (75,000)</u>	-11.70%	<u>\$ 126,000</u>	24.47%

Fiscal Year 2018

Management fees decreased due to staff reduction in 2017.

Consultants increased in 2018 due to one-time strategic plan consultant fees in 2017.

Travel and meetings, occupancy and other expenses were stable year-over-year.

MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018 AND 2017

Fiscal Year 2017

Management fees increased due to a vacancy in the Executive Director position for approximately six months in fiscal year 2016.

Travel and meetings increased in 2017 due to new outreach activities outlined in the new strategic plan.

Consultants increased in 2017 due to one-time strategic plan consultant fees.

Occupancy and other expenses were stable year-over-year.

DISCUSSION OF CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The Compact has approved its fiscal year 2017-2018 operating budget. Budgeted operating revenues are approximately \$603,000. Budgeted operating expenditures are approximately \$615,000, of which approximately 57% is personnel and related costs included as management fees.

REQUEST FOR INFORMATION

This financial report is designed to provide interested parties with a general overview of the Compact's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Military Interstate Children's Compact Commission, 1776 Avenue of the States, Lexington, Kentucky, 40511 or by e-mail to mic3info@csg.org.

MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current assets:		
Accounts receivable	\$ 50	\$ 0
Due from affiliate	837,988	1,037,919
Total current assets	<u>838,038</u>	<u>1,037,919</u>
Investments	<u>379,948</u>	<u>0</u>
Total assets	<u>\$ 1,217,986</u>	<u>\$ 1,037,919</u>
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 3,855	\$ 0
Deferred revenue	130,221	34,441
Total liabilities	<u>134,076</u>	<u>34,441</u>
Unrestricted net position	<u>1,083,910</u>	<u>1,003,478</u>
Total liabilities and net position	<u>\$ 1,217,986</u>	<u>\$ 1,037,919</u>

See accompanying notes
to financial statements.

MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Appropriations	\$ 595,185	\$ 608,387
Unrealized gains	23,078	0
Investment income	15,092	5,871
Other revenue	12,635	11,483
Total operating revenues	<u>645,990</u>	<u>625,741</u>
 Operating expenses:		
Management fees	328,506	399,373
Travel and meetings	146,523	144,701
Consultants	26,407	40,813
Occupancy	16,778	13,560
Information technology	8,643	8,914
Advertising	9,255	10,781
Professional fees	12,937	8,488
Telephone	3,907	4,260
Other	12,602	9,380
Total operating expenses	<u>565,558</u>	<u>640,270</u>
 Operating income	 80,432	 (14,529)
 Unrestricted net position, beginning of year	 <u>1,003,478</u>	 <u>1,018,007</u>
 Unrestricted net position, end of year	 <u>\$ 1,083,910</u>	 <u>\$ 1,003,478</u>

See accompanying notes
to financial statements.

MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from members	\$ 703,550	\$ 611,101
Cash payments to suppliers for goods and services	(275,575)	(287,900)
Cash payments for management services	(286,128)	(351,397)
Other receipts	15,092	5,871
Net cash flows from operating activities	<u>156,939</u>	<u>(22,325)</u>
Cash flows from investing activities:		
Purchases of investments	(356,870)	0
Decrease in due from affiliate	199,931	22,325
Net cash flows from investing activities	<u>(156,939)</u>	<u>22,325</u>
Net change in cash	0	0
Cash, beginning of year	<u>0</u>	<u>0</u>
Cash, end of year	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of operating income to cash flows from operating activities:		
Change in net assets	\$ 80,432	\$ (14,529)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gains	(23,078)	0
Changes in operating assets and liabilities:		
Accounts receivable	(50)	8,285
Prepaid expenses	0	2,500
Accounts payable	3,855	(1,527)
Deferred revenue	95,780	(17,054)
Net cash flows from operating activities	<u>\$ 156,939</u>	<u>\$ (22,325)</u>

See discussion at Note 3 regarding the Compact's financial processes for cash.

MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The Military Interstate Children's Compact Commission (the Compact) was formed in 2009. The goal of the Compact is to replace the widely varying policies affecting transitioning military students. The Compact leverages consistency and uses a comprehensive approach that provides a consistent policy in every school district and in every state that chooses to join. The primary source of revenue is derived from state member dues.

The Compact addresses key educational transition issues encountered by military families including enrollment, placement, attendance, eligibility and graduation. The Compact seeks to make transition easier so that children of military families are not penalized or delayed in achieving their educational goals.

Children of active duty members of the uniformed services, National Guard and Reserve on active duty orders, and members or veterans who are medically discharged or retired for one year are eligible for assistance.

Basis of Accounting and Accounting Presentation

This summary of significant accounting policies is presented to assist in understanding the Compact's financial statements. The financial statements and accompanying notes are representations of the Compact's management who is responsible for their integrity and objectivity.

The Compact's operations are presented as a single enterprise fund. Enterprise funds distinguish operating revenues and expenses from non-operating items in accordance with the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net position, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time the corresponding liabilities are incurred.

Revenues from appropriations are reported as operating revenues. Purchases of services, materials and supplies, and other miscellaneous expenses are reported as operating expenses.

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements*, the Compact follows GASB guidance as applicable to enterprise funds.

MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
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Receivables

Receivables are reported at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectable. The allowance for uncollectible amounts is based on collection history and information regarding the credit worthiness of those doing business with the Compact. There were no material amounts considered uncollectible at June 30, 2018 and 2017.

Operating Revenues and Expenses

Operating revenues consist of appropriations and other revenues. Operating expenses include management fees, consultants, travel and meeting expense, occupancy and other expenses.

Appropriations

The Compact may levy on and collect an annual assessment from each member state to cover the Compact's annual budget as approved each year. The aggregate annual assessment amount shall be allocated based upon a formula to be determined by the Compact, which shall promulgate a rule binding upon all member states.

Revenue for membership dues is recognized as earned throughout the term of membership. Dues that are paid in advance are included as deferred revenue.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The Compact applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Use of Estimates

Management of the Compact has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses, and the disclosure of contingent assets and liabilities, to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Subsequent Events

The Compact evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through August 22, 2018, which is the date the financial statements were available to be issued.

Significant Upcoming Implementation

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The principal objective of this statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. This statement is effective for the Compact's fiscal year ended June 30, 2020.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. This statement is effective for the Compact's fiscal year ended June 30, 2018.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is effective for the Compact's fiscal year ended June 30, 2021.

The Compact has not determined what impact, if any, the above statements will have on its financial statements.

MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
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2. INVESTMENTS

The Compact began investing funds in fiscal year 2018. It presently does not have an investment policy to address interest rate risk, custodial credit risk, or concentration of credit risk.

The Compact follows GASB Statement No. 72, *Fair Value Measurement and Application*, with respect to financial assets and liabilities. GASB 72 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Following is a brief description of those three levels.

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Airport has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The methods and assumptions used to estimate the fair value of assets and liabilities in the financial statements, including a description of the methodologies used for the classifications within the fair value hierarchy, are as follows.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Compact are open-end mutual funds that are registered with the Securities and Exchange Commission and are actively traded.

MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Below is a detail of amounts included in deposits and investments as of June 30, 2018. Amounts rounded and all amounts are Level 1.

<u>Description</u>	<u>Amount</u>
Large-blend equity mutual fund	\$ 240,000
Short-term bond fund	140,000
	<u>\$ 380,000</u>

The average duration of the short-term bond fund (the Bond Fund) is 2.56 years. The average maturity is 3.3 years and the yield is 2.39%. The Bond Fund has a Morningstar rating of four stars and is comprised of cash (5%), bonds (94%) and other (1%). The bonds are comprised of securities with ratings of AAA (32%), AA (13%), A (31%), BBB (21%) and other (3%).

3. AFFILIATE

The Compact is affiliated with The Council of State Governments (CSG). CSG provides the Compact with management and accounting services. Under the Memorandum of Understanding (the Memorandum) between CSG and the Compact, CSG will pay monthly interest on the balance due to affiliate of .75% less than the average return earned by CSG on its short-term investment account. Interest income for fiscal years 2018 and 2017 was approximately \$8,200 and \$5,800, respectively.

The individuals who comprise the staff of the Compact are employees of CSG and their related wages and benefit expenses are passed through to the Compact. Wages and benefit expense passed through to the Compact for fiscal years 2018 and 2017 were approximately \$286,000 and \$351,000, respectively.

Pursuant to the terms of the Memorandum, the Compact agrees to pay indirect costs as a percent of total direct expenses. The applicable percentages were 8.1 each year, respectively, for fiscal years 2018 and 2017. Total indirect costs for fiscal years 2018 and 2017 were approximately \$42,000 and \$48,000, respectively.

The Compact leases its office space on a month-to-month basis from CSG. Total rent expenses for fiscal years 2018 and 2017 were approximately \$16,800 and \$13,600, respectively.

The Compact's expenses are paid through check requests to CSG and credit cards maintained by CSG. Customer payments and other receipts are deposited to bank accounts maintained by CSG. The Compact does not have direct access to any bank accounts or other sources of cash. For this reason, the accompanying statement of financial position does not include an amount for cash.

MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Following is an analysis of the amount due from CSG at June 30 (amounts rounded) :

	<u>2018</u>	<u>2017</u>
Cash held by CSG on behalf of the Compact	\$ <u>881,600</u>	\$ <u>1,064,700</u>
Additions - year-end accruals for amounts owed to the Compact:		
Interest	<u>300</u>	<u>1,600</u>
Deductions - year-end accruals for amounts owed to CSG:		
Vacation and payroll	29,500	20,000
Management fees	3,700	2,100
Consultants	3,400	3,800
Other	<u>7,300</u>	<u>2,500</u>
	<u>43,900</u>	<u>28,400</u>
Due from CSG	\$ <u><u>838,000</u></u>	\$ <u><u>1,037,900</u></u>

4. CONCENTRATIONS

Four member states accounted for approximately 37.7% and 37.3%, respectively, of appropriations revenue for the years ended June 30, 2018 and 2017.

As of June 30, 2018 and 2017, approximately 68.8% and 99.0%, respectively, of total assets was comprised of amounts due from CSG.

As discussed in Note 2, the Compact's cash is in accounts maintained by CSG. CSG maintained approximately \$6,930,000 and \$6,003,000, respectively, in an overnight repurchase agreement collateralized by securities at June 30, 2018 and 2017. Money market deposit funds held by CSG are maintained at various federally insured banks. The balance at each bank does not exceed the federally insured limit of \$250,000.

CSG maintains cash and certificate of deposit accounts with federally insured banks primarily in Lexington, Kentucky. At June 30, 2018 and 2017, approximately \$8,000 and \$7,000, respectively was uninsured.

MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

5. COMMITMENTS AND OTHER MATTERS

As of June 30, 2018, the Compact has entered an agreement with a hotel for a meeting to be held in fiscal year 2018. The agreement includes a penalty clause for cancellation. Estimated total exposure for the Compact for this agreement is approximately \$44,000.