



# **MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION**

LEXINGTON, KENTUCKY

FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT AUDITORS

JUNE 30, 2015 AND 2014

**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

### Report on the Financial Statements

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, 2015 and 2014, 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, 2015 and 2014, 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  
September 4, 2015

**MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015 AND 2014**

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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 2015 with comparative data for fiscal years 2014 and 2013. 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, 2015 and 2014.

**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**  
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With Legislation now passed in New York and New Hampshire and with Oregon becoming effective in January 2015 all 50 states have now 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 years ended June 30, 2015 (amounts rounded):

- Assets exceeded liabilities by \$891,000 as of June 30, 2015 and \$786,000 as of June 30, 2014.
- The total balance of net position is unrestricted as of June 30, 2015 and 2014.
- Net position increased \$105,000 for the fiscal year ended June 30, 2015 and increased \$142,000 for the fiscal year ended June 30, 2014.
- Operating revenues were \$665,000 for the fiscal year ended June 30, 2015 and \$650,000 for the fiscal year ended June 30, 2014.

The following major financial highlights are of note for the year ended June 30, 2014 (amounts rounded):

- Assets exceeded liabilities by \$786,000 as of June 30, 2014 and \$645,000 as of June 30, 2013.
- The total balance of net position is unrestricted as of June 30, 2014 and 2013.
- Net position increased \$142,000 for the fiscal year ended June 30, 2014 and increased \$106,000 for the fiscal year ended June 30, 2013.
- Operating revenues were \$650,000 for the fiscal year ended June 30, 2014 and \$598,000 for the fiscal year ended June 30, 2013.

**MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015 AND 2014**

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**NET POSITION SUMMARY**

Net position was approximately \$891,000 at June 30, 2015, \$786,000 at June 30, 2014 and \$645,000 at June 30, 2013. Most of the increases in net position for fiscal years 2015 and 2014 were due to appropriations revenue in excess of operating expenses.

A condensed summary of the major components of the net position for the fiscal year ended June 30, 2015, 2014 and 2013 is as follows (amounts rounded):

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>FY 2015</u>		<u>FY 2014</u>	
				<u>\$ change</u>	<u>% change</u>	<u>\$ change</u>	<u>% change</u>
Current assets	\$ <u>988,000</u>	\$ <u>930,000</u>	\$ <u>743,000</u>	\$ <u>58,000</u>	6.24%	\$ <u>187,000</u>	25.17%
Current liabilities	\$ <u>97,000</u>	\$ <u>144,000</u>	\$ <u>98,000</u>	\$ <u>(47,000)</u>	-32.64%	\$ <u>46,000</u>	46.94%
Unrestricted net position	\$ <u>891,000</u>	\$ <u>786,000</u>	\$ <u>645,000</u>	\$ <u>105,000</u>	13.36%	\$ <u>141,000</u>	21.86%

Current assets increased in fiscal years 2015 and 2014 due to operating income. See discussion at revenues and expenses sections.

Current liabilities increased or decreased in fiscal years 2015 and 2014 due to increased or reductions in membership fees received in advance.

**CHANGES IN NET POSITION**

A condensed summary and discussion of changes in net position, revenues, and expenses for fiscal years 2015, 2014 and 2013 is as follows (amounts rounded):

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>FY 2015</u>		<u>FY 2014</u>	
				<u>\$ change</u>	<u>% change</u>	<u>\$ change</u>	<u>% change</u>
Operating revenues	\$ <u>665,000</u>	\$ <u>650,000</u>	\$ <u>598,000</u>	\$ <u>15,000</u>	2.31%	\$ <u>52,000</u>	8.70%
Operating expenses	\$ <u>560,000</u>	\$ <u>508,000</u>	\$ <u>492,000</u>	\$ <u>52,000</u>	10.24%	\$ <u>16,000</u>	3.25%
Change in net position	\$ <u>105,000</u>	\$ <u>142,000</u>	\$ <u>106,000</u>	\$ <u>(37,000)</u>	-26.06%	\$ <u>36,000</u>	33.96%

**MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**Revenues**

	2015	2014	2013	FY 2015		FY 2014	
				\$ change	% change	\$ change	% change
Appropriations	\$ 654,000	\$ 645,000	\$ 591,000	\$ 9,000	1.40%	\$ 54,000	9.14%
Other	11,000	5,000	7,000	6,000	120.00%	(2,000)	-28.57%
Change in net position	<u>\$ 665,000</u>	<u>\$ 650,000</u>	<u>\$ 598,000</u>	<u>\$ 15,000</u>	2.31%	<u>\$ 52,000</u>	8.70%

Appropriations revenue increased year over year for 2015 and 2014 due to additional member-states.

Other revenues increase for fiscal year 2015 due to conference registration fees.

**Expenses**

	2015	2014	2013	FY 2015		FY 2014	
				\$ change	% change	\$ change	% change
Management fees	\$ 367,000	\$ 337,000	\$ 322,000	\$ 30,000	8.90%	\$ 15,000	4.66%
Travel and meetings	110,000	78,000	79,000	32,000	41.03%	(1,000)	-1.27%
Consultants	35,000	48,000	37,000	(13,000)	-27.08%	11,000	29.73%
Occupancy	14,000	14,000	17,000	0	0.00%	(3,000)	-17.65%
Other	34,000	31,000	37,000	3,000	9.68%	(6,000)	-16.22%
Change in net position	<u>\$ 560,000</u>	<u>\$ 508,000</u>	<u>\$ 492,000</u>	<u>\$ 52,000</u>	10.24%	<u>\$ 16,000</u>	3.25%

Fiscal Year 2015

Management fees increased due to required payments for pension plan.

Travel and meetings increased due to increased attendance at annual meeting as well as state council visits.

Consultants decreased due reduced utilization of general counsel.

Occupancy and other expenses were stable year over year.



**MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015 AND 2014**

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Fiscal Year 2014

Management fees increased due to required payments for pension plan.

Consultants expense increased due to the change in the executive director position and additional time and travel in lobbying efforts to adopt the Interstate Compact in the remaining non-member states.

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

**DISCUSSION OF CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

The Compact has approved its fiscal year 2015-2016 operating budget. Budgeted operating revenues are approximately \$641,000. Budgeted operating expenditures are approximately \$643,000, of which approximately fifty percent 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, 2760 Research Park Drive, Lexington, Kentucky, 40511 or by e-mail to [shogan@csg.org](mailto:shogan@csg.org).

**MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Current assets:		
Accounts receivable	\$ 19,241	\$ 4,928
Prepaid expenses	0	509
Due from affiliate	<u>968,862</u>	<u>924,273</u>
Total assets	<u>\$ 988,103</u>	<u>929,710</u>

LIABILITIES AND NET POSITION

Current liabilities:		
Accounts payable	\$ 0	\$ 462
Deferred revenue	<u>97,282</u>	<u>143,027</u>
Total liabilities	<u>97,282</u>	<u>143,489</u>
Unrestricted net position	<u>890,821</u>	<u>786,221</u>
Total liabilities and net position	<u>\$ 988,103</u>	<u>\$ 929,710</u>

**MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION**  
**STATEMENTS OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Appropriations	\$ 654,100	\$ 644,539
Interest	2,111	1,979
Other revenue	8,608	3,261
Total operating revenues	<u>664,819</u>	<u>649,779</u>
Operating expenses:		
Management fees	367,329	337,428
Travel and meetings	109,684	78,467
Consultants	35,192	47,835
Occupancy	13,560	13,874
Information technology	8,937	8,737
Advertising	8,729	4,458
Professional fees	6,250	5,500
Telephone	5,459	5,014
Other	5,079	6,903
Total operating expenses	<u>560,219</u>	<u>508,216</u>
Operating income	104,600	141,563
Unrestricted net position, beginning of year	<u>786,221</u>	<u>644,658</u>
Unrestricted net position, end of year	<u>\$ 890,821</u>	<u>\$ 786,221</u>

See accompanying notes  
to financial statements.

**MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from members	\$ 602,650	\$ 687,345
Cash payments to suppliers for goods and services	(259,358)	(231,165)
Cash payments for management services	(300,814)	(277,098)
Other receipts	<u>2,111</u>	<u>1,979</u>
Net cash flows from operating activities	44,589	181,061
Cash flows from investing activities:		
Increase in due from affiliate	<u>(44,589)</u>	<u>(181,061)</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	\$ 104,600	\$ 141,563
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	(14,313)	(4,928)
Prepaid expenses	509	(509)
Accounts payable	(462)	462
Deferred revenue	<u>(45,745)</u>	<u>44,473</u>
Net cash flows from operating activities	<u>\$ 44,589</u>	<u>\$ 181,061</u>

See discussion at Note 2 regarding the Compact's financial processes for cash.

**MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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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**  
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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 receivable at June 30, 2015 and 2014.

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**  
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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 September 4, 2015, which is the date the financial statements were available to be issued.

Adoption of New Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, effective for periods beginning after June 15, 2014. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Once implemented, employers which participate in cost-sharing plans and which do not have special funding situations, are required to recognize liabilities for their proportionate shares of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability. The requirements of this Statement are intended to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance their value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense.

GASB Statement No. 68 has been applied retrospectively and had no impact on the Compact's net position, changes in net position, or financial reporting disclosures. All personnel for the Compact are leased.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective for periods beginning after June 15, 2014. This Statement addresses an issue regarding application of the transition provisions of Statement No. 68. The Statement amends GASB Statement No. 68 to require that, at transition, governments recognize a beginning deferred outflow of resources for pension contributions, if any, made after the measurement date of the beginning net pension liability. Other deferred positions will be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68, noted above.

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Significant Upcoming Implementation

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for periods beginning after June 15, 2015. This Statement will enhance the comparability of financial statements among governments by requiring the measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statements users about the impact of fair value measurements on a government's financial position.

The Compact has not yet determined the effects that the implementation of this statement will have on its financial statements.

**2. AFFILIATE**

The Military Interstate Children's Compact Commission 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 2015 and 2014 was approximately \$2,100 and \$2,000, 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 2015 and 2014 were approximately \$301,000 and \$277,000, respectively.

Pursuant to the terms of the Memorandum, the Compact agrees to pay indirect costs in the amount of thirteen and one half (13.5) percent of total direct expenses. Total indirect costs for fiscal years 2015 and 2014 were approximately \$66,000 and \$60,000, respectively.

The Compact leases its office space on a month-to-month basis from CSG. Total rent expenses for fiscal years 2015 and 2014 were approximately \$13,600 and \$13,900, 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**  
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Following is an analysis of the amount due from CSG at June 30:

	<u>2015</u>	<u>2014</u>
Cash held by CSG on behalf of the Compact	\$ <u>1,004,181</u>	\$ <u>952,294</u>
Additions - year-end accruals for amounts owed to the Compact:		
Interest	<u>161</u>	<u>154</u>
Deductions - year-end accruals for amounts owed to CSG:		
Vacation and payroll	26,601	20,537
Management fees	4,256	3,719
Consultants	125	2,025
Other	<u>4,498</u>	<u>1,894</u>
	<u>35,480</u>	<u>28,175</u>
Due from CSG	\$ <u><u>968,862</u></u>	\$ <u><u>924,273</u></u>

### 3. CONCENTRATIONS

Four member states accounted for approximately 35.6% and 36.3%, respectively, of appropriations revenue for the years ended June 30, 2015 and 2014.

As of June 30, 2015 and 2014, approximately 98.0% and 99.4%, 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 \$9,360,000 and \$10,060,000, respectively, in an overnight repurchase agreement collateralized by securities at June 30, 2015 and 2014. 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, 2015 and 2014, approximately \$4,000 and \$175,000, respectively was uninsured.

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4. COMMITMENTS AND OTHER MATTERS

As of June 30, 2015, the Compact has entered into two agreements with hotels for conferences and meetings to be held in fiscal year 2016. Each agreement includes a penalty clause for cancellation. Estimated total exposure for the Compact for these agreements is approximately \$30,000.