



MILITARY INTERSTATE
CHILDREN'S COMPACT
COMMISSION

2016 ANNUAL REPORT

SUCCESSFUL EDUCATIONAL TRANSITIONS



Leadership



CHAIR

Kate Wren Gavlak (CA)
Commissioner



VICE CHAIR

Rosemarie Kraeger (RI)
Commissioner



TREASURER

Bob Buehn, Capt, USN (Ret.) (FL)
Commissioner

Letter from the Chair

It has been an honor to serve over the past two years as the 4th Chairman of the National Commission. We've had a lot to celebrate the past couple of years with meeting our goal of obtaining agreements between all 50 states and the District of Columbia (referred to as 50+1). It is now time for us to move forward as an organization. This past summer, the Executive Committee and MIC3 staff came together to work with Fahy Mullaney, a talented professional, who facilitated our discussion about MIC3 and where we are headed. This is a very exciting time for MIC3, and I look forward to continuing to work with all of you on the roll-out and discussion around the strategic plan, our mission, vision, and initiatives.

As the Executive Committee continues our work, we remain advocates for doing what is right for students. This was our focus while working on the strategic plan and defining our core values.

Commissioners have the enviable responsibility of encouraging adults to keep the focus on supporting students, and the Compact gives each of us the opportunity to support decisions that lead to positive decisions benefitting kids.

I would like to express my appreciation to the DoD (Department of Defense), MISA (Military Impacted Schools Association), MCEC (Military Child Education Coalition), NMFA (National Military Family Association), and NFHS (National Federation of State High School Associations) for their continued partnership in this work, especially given that we are all "volunteers" with other jobs and responsibilities. My work with MIC3 is my outlet for my passion to support students and education. It is my hope that each of you share that passion.

Thank you for the opportunity you've granted me and your support.

Sincerely,

Kate Wren Gavlak
Chair

General Counsel Report

Richard Masters

The General Counsel provides legal guidance to the Commission and its Committees with respect to legal issues, related to their duties and responsibilities under MIC3 terms, its by-laws and rules. Actively participating in both dispute resolution and litigation matters related to enforcement of the Compact provisions and rules, Counsel also advises the Commission on issues pertaining to investigation, compliance, and enforcement responsibilities. Finally, Counsel may assist with training and presentations to Commissioners and other stakeholders involved in implementation of the Compact as to its legal foundation and application to the states.

NATIONAL OFFICE STAFF

Cherise Imai
Executive Director
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Operations Coordinator
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W. John Matthews III
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MISSION

Through the Interstate Compact, MIC3 addresses key educational transition issues encountered by children of military families.



Facts and Figures

THE US MILITARY HAS BEEN AN
ALL VOLUNTEER FORCE

SINCE 1973

there are about
1.4 MILLION
on active duty

&

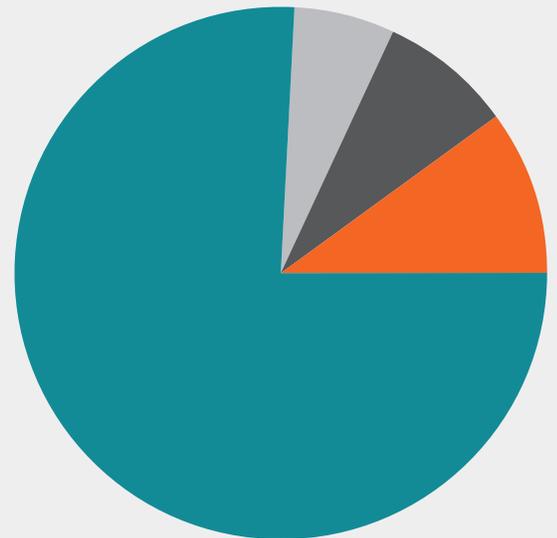
1.4 MILLION
National Guard
and Reserve

across all branches, approximately
10% ARE DUAL-MILITARY MARRIAGES

OF **1.1 MILLION** SCHOOL AGED CHILDREN (5-18)
630,000 ARE CHILDREN OF
ACTIVE DUTY PARENTS

75% OF ACTIVE DUTY CHILDREN
ARE UNDER AGE 12

DISTRIBUTION OF MILITARY-CONNECTED CHILDREN BY TYPE OF SCHOOL ENVIRONMENT



- PUBLIC 76%**
- PRIVATE/PAROCHIAL 10%**
- DODEA 8%**
- HOME SCHOOLED 6%**

Based on data provided by the Military Child Education Coalition (MCEC)



Committee Report

EXECUTIVE COMMITTEE (EXCOM)

July 13th | September 16th | March 16th | June 2nd

"During the Interstate Commission meeting, members will be tasked with electing commission officers from among the member states. These officers will serve as the designated leaders of the commission, officiating at commission meetings, overseeing the development and composition of committees, and maintaining close contact with the commission's staff once hired."

In early December 2015, Major General Stephen Hogan was selected to become the new Adjutant General of Kentucky and resigned from his position as Executive Director (ED) of MIC3. The EXCOM immediately began the process to find his replacement, and in the interim, managed the MIC3 operations. Following an extensive national search, Cherise Imai was hired as the new ED. Having attained the membership of fifty states and the District of Columbia, the EXCOM was concerned about MIC3's future and engaged an independent consultant to assist the team. This past summer, the EXCOM met in Lexington, Kentucky, and worked with consultant Fahy Mullaney to draft the mission, vision and strategic goals to ensure a way forward. Since July, the EXCOM has focused on the strategic plan implementation and planning for the Annual Business Meeting in Orlando, Florida.

RULES COMMITTEE

May 28th | March 1st

"Responsible for administering the commission's rulemaking procedures, and for developing proposed rules for the commission's consideration as appropriate."

Since the 2015 Annual Business Meeting, the Committee discussion was focused primarily on the proposed rule change on temporary housing. They developed and proposed several drafts before sending the final proposal to the EXCOM. The draft was released to the Commission in late August. However, upon further discussion and feedback from State Commissioners, the Committee consensus was to table the language and discuss it further at the 2016 Annual Business Meeting.

FINANCE COMMITTEE

August 26th | February 5th | June 3rd

"Responsible for monitoring the commission's budget and financial practices, including the collection and expenditure of commission revenues, and for developing recommendations for the commission's consideration as appropriate."

The Committee is pleased to report that the 2016 fiscal year closed under budget, and we continually strive towards establishing a minimum reserve fund of \$1.5M. The annual audit was completed in September 2016 by Blue & Company, LLC, and the organization was found in good standing. Adjustments to the 2017 fiscal year budget were approved by the Executive Committee at their summer meeting in July 2016.

"What I find challenging about being a military child is losing friendships and not having my father around most of the time. What I love about being a military child is being able to experience different places and cultures, meet interesting people, and get to know different ways of life."

– Jennifer

CORE VALUES

- » Doing the right thing for children
- » Resolving issues fairly
- » Respect for all
- » Transparency in all we do
- » Committed to making a difference

Ex-Officio Members

MIC3 acknowledges the support it receives from its Ex-Officio members as we all strive to do what is best for children of military families.



Represented by
Kathy Facon



Represented by
Eileen Huck



Represented by
Kyle Fairbairn



Represented by
David Splittek



Represented by
Davis Whitfield

COMPLIANCE COMMITTEE

September 9th | June 1st | February 24th

"Responsible for monitoring the compliance by member states with the terms of the compact and the commission's rules, and for developing appropriate enforcement procedures for the commission's consideration."

Over the past year, the Committee monitored member compliance with the Compact, including State Commissioner vacancies and states without state councils. New information was added to the State Council chart regarding the Commissioner and State Council appointing authority. The Committee also addressed a compliance issue regarding the District of Columbia Public Schools, which was successfully resolved.

PUBLIC RELATIONS AND TRAINING COMMITTEE

July 28th

"Responsible for developing educational resources and training materials for use in the member states to help ensure awareness of, and compliance with, the terms of the compact and the commission's rules."

With the Executive Director vacancy, the Committee focused the majority of their discussion on Commissioner training at the Annual Meeting. The "How to Build a State Council Guide" was reviewed and drafted. With the appointment of a new Executive Director in June, the staff led a complete re-branding of the collateral materials including a new, updated logo, guides, brochures as well as the first annual report. A new streamlined digital newsletter and an enhanced website are planned for the upcoming year.

EXECUTIVE COMMITTEE

» **Kate Wren Gaviak (CA)**
Chair

» **Pete Lupiba (OH)**
Compliance Committee Chair

» **Rosemarie Kraeger (RI)**
Vice Chair

» **LTC Davina French, NDARNG (ND)**
Public Relations and Training
Committee Chair

» **Bob Buehn, Capt, USN (Ret.) (FL)**
Treasurer

» **Richard Masters***
General Counsel

» **Kathleen Berg, Brig Gen,
ANG (Ret.) (HI)**
Past Chair

» **Kathy Facon***
Department of Defense

» **Mary Gable (MD)**
Rules Committee Chair

*non-voting members

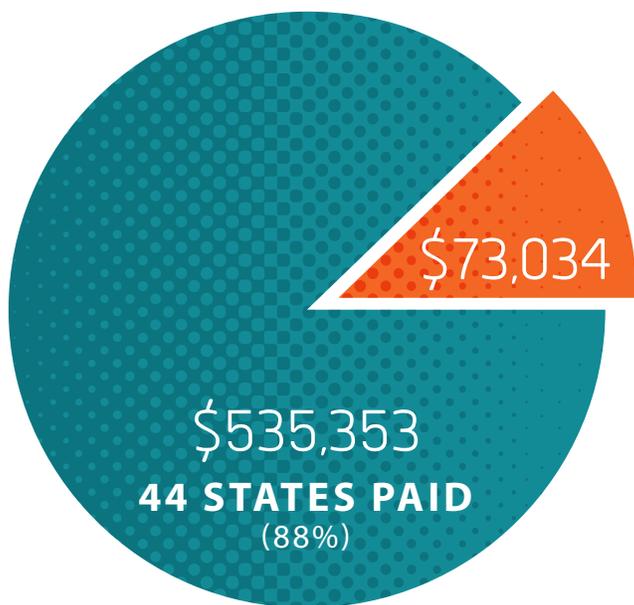
“Every man and woman that serves this country in the armed forces is undoubtedly strong, brave and heroic; however, the family members, specifically the children of these heroes are just as strong and are forced to fight a war of their own; one that comes from inside. I know that when my dad leaves I struggle with him not being by me and keeping me safe. I count the days and hours, write postcards but the war inside me does not end, I am a military child, I am a soldier.” – Nevin

Financial Outlook

ANNUAL DUES PAYMENTS FOR FISCAL YEAR 2017*

based on total amount due of \$608,387

*AS OF 1 OCT 2016



TOTAL PAID 88% | **TOTAL OWED 12%**

“The dues formula shall be based on the figure of one dollar per child of military families eligible for transfer under this compact, and beginning in FY 2014 this calculation shall be based upon the State in which each military family resides, except that effective FY 2013, and each year thereafter, no state dues assessment shall exceed the sum of sixty thousand dollars (\$60,000.00) per year and effective FY 2014, and each year thereafter, no state dues assessment shall be less than two thousand dollars (\$2,000.00).”

MIC3 Annual Audit

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

We have audited the financial statements of the Military Interstate Children’s Compact Commission (the Compact) for the year ended June 30, 2016, and have issued our report thereon dated as of the date of this letter. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our letter dated September 14, 2016 and our engagement letter dated August 15, 2016. Professional standards also require that we communicate to you the following information related to our audit.

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Compact are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Compact during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.



Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of this letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Compact’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Compact’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements, 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

This information is intended solely for the use of the Board of Directors and management of the Compact and is not intended to be and should not be used by anyone other than these specified parties.

Blue & Co., LLC
September 20, 2016

MILITARY INTERSTATE CHILDREN’S COMPACT COMMISSION

Waived adjustments

As of and for the year ended June 30, 2015

Description	Account	Debit	Credit
Consultant expenses	72010	\$1,200	
Staff travel	74000	\$400	
Accounts payable	20010		\$1,600

To record liability for expenditures incurred in June 2015 for attendance at summer meeting. Amounts rounded.

No waived adjustments for fiscal year 2016.



MILITARY INTERSTATE CHILDREN'S COMPACT COMMISSION

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