



# Financial Framework Report

## FIRST STATE MILITARY

Reporting Period: July 1, 2017 to June 30, 2018

Beginning in SY16/17 for each measure, a school receives one of three ratings:

Meets Standard
Approaching Standard
Far Below Standard

In the years prior to SY16/17 a school received one of the three ratings below:

Meets Standard
Does Not Meet Standard
Far Below Standard

Rating targets for each measure can be referenced on the Organizational Section of the [Delaware Performance Framework](#). Further clarifications for each measure’s data and methodology can be referenced in the [Financial Framework Guidance Document](#). School performance on each measure is presented below.

Each measure is weighted equally with discretion of the Authorizer incorporated to determine an overall rating.

*The school has elected to submit a response to one or more measures to provide context of not meeting standard(s). The statements made therein are not made by or on behalf of Delaware Department of Education.*

### 1. NEAR TERM INDICATORS

#### Measure 1a. Current Ratio:

*Current Assets divided by Current Liabilities*

2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
N/R	N/R	0.1	0.78	1.04

The current ratio measures a school’s ability to pay its obligations over the next twelve months. The preferred result is more than 1.0, which indicates that the school’s current assets exceed its current liabilities.

#### School Response To Rating:(Max 1100 Characters)

**Measure 1b. Days Cash:**

*Cash divided by (Total Expenses / 365)*

2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
N/R	N/R	45	34	47

The days cash on hand ratio indicates how many days a school can pay its expenses without another inflow of cash. The preferred result is more than 60 days cash.

**School Response To Rating:(Max 1100 Characters)**

**Measure 1c. Enrollment Variance:**

*Actual Enrollment as of September 30 divided by Authorized Enrollment*

2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
N/R	N/R	101%	89%	91%

The enrollment variance depicts actual versus authorized enrollment. A school budgets based on projected enrollment but is funded based on actual enrollment; therefore, a school that fails to meet its enrollment targets may not be able to meet its budgeted expenses. The preferred result is more than 95%.

**School Response To Rating:(Max 1100 Characters)**

**Measure 1d. Default, Loan Covenants, & Debt Service Payments**

2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
N/R	N/R	No	No	Yes

This metric addresses whether or not a school is meeting its loan covenants and / or is delinquent with its debt service payment, as noted in the notes accompanying the audited financial statements. A school which cannot meet the terms of its loan may be in financial distress.

**DOE Rating Information :**

The FY18 independent audit identified that the school has not been compliant with debt covenant requirements related to the refinancing of outstanding constructions loans originally held by NCALL Inc. with the USDA under the Community Facilities Loans and Grants program.

School Response To Rating:(Max 1100 Characters)

## 2. SUSTAINABILITY INDICATORS

Measure 2a. Total Margin:

*Net Income divided by Total Revenue*

2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
1 YR: N/R	1 YR: N/R	1 YR: -32.25%	1 YR: -10.19%	1 YR: 0.7%
3 YR: N/R	3 YR: N/R	3 YR: N/R	3 YR: N/R	3 YR: -9.69%

Total margin measures the deficit or surplus a school yields out of its total revenues ; in other words, whether or not the school is living within its available resources. The preferred result is a positive margin for the past year and the past 3 years.

School Response To Rating:(Max 1100 Characters)

Measure 2b. Debt to Asset Ratio:

*Total Liabilities divided by Total Assets*

2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
N/R	N/R	1.11	1.16	1.05

The debt to asset ratio compares the school’s liabilities to its assets, or what a school owes against what it owns. The preferred result is less than 0.90.

School Response To Rating:(Max 1100 Characters)

Measure 2c. Cash Flow

2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
1 YR: \$N/R	1 YR: \$N/R	1 YR: \$N/R	1 YR: \$-11342	1 YR: \$301883
3 YR: \$N/R	3 YR: \$N/R	3 YR: \$N/R	3 YR: \$N/R	3 YR: \$290541

Cash flow indicates the trend in the school’s cash balance over a period of time. This measure is similar to days cash on hand, but indicates long-term stability versus near-term. Since cash flow fluctuations from year-to-year can have a long-term impact on a school’s financial health, this metric assesses both three-year cumulative cash flow and annual cash flow. The preferred result is greater than zero.

**School Response To Rating:(Max 1100 Characters)**

**Measure 2d. Debt Service Coverage Ratio:**

*(Net Income + Depreciation + Interest Expense) / (Principal and Interest Payments)*

2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
N/R	N/R	-1.18	-1.67	2.64

The debt service coverage ratio indicates a school’s ability to cover its debt obligations in the current year.

**School Response To Rating:(Max 1100 Characters)**

**3. FINANCIAL MANAGEMENT AND OVERSIGHT**

2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
N/R	N/R	D	AS	M

This measures assesses the timeliness of reporting , the implementation of the Citizen Budget Oversight Committee, and the adherence to the policies and procedures of the First State Financial Management System.

**DOE Rating Information :**

The FY18 independent audit disclosed a related party transaction in the notes to the financial statements (Note 5).

**School Response To Rating:(Max 1100 Characters)**

**SUMMARY AND OVERALL RATING**

## First State Military

Year	1a	1b	1c	1d	2a	2b	2c	2d	3	OVERALL RATING
2015-2016	F	M	M	M	N/R	F	N/R	D	D	Falls Far Below Standard
2016-2017	F	AS	AS	M	N/R	F	N/R	AS	AS	Approaching Standard
2017-2018	M	M	AS	F	F	F	M	M	M	Approaching Standard