



March 21, 2024

Rockwell Charter High School
c/o Dale Erling, Board Chair
3435 E Stonebridge Ln.
Eagle Mountain, UT 84005

Re: The Establishment of Warning Status

Dear Rockwell Charter High School Governing Board:

This letter notifies you that Rockwell Charter High School is out of compliance with the requirements of Utah Code 53G-5-404 and your Charter Agreement, which has resulted in being placed on Warning Status. This is a Board-level action, taken by the State Charter School Board (SCSB), by consent calendar at March 21, 2024 SCSB meeting. This letter identifies the deficiencies and terms of Warning Status:

1. **Deficiency:** Failed Charter School Accountability Framework (CSAF) metric requiring a school to have a debt service coverage ratio greater than 1.0. In addition, it was noted in the 2023 audited financials that “As of June 30, 2023, the School failed to comply with the debt service coverage requirement covenant, which constitutes an event of default as defined in the loan agreement”. Also, Notice of Default and Late Filing submitted to EMMA notes that “The Charter School’s Net Income Available for Debt Service for the Fiscal Year ended June 30, 2023, was 81%. Failure to maintain Net Income Available for Debt Service equal to at least 100% of Debt Service constitutes an Event of Default under the Loan Agreement.”

Evidence: FY23 Audit

Terms of Warning: Ensure a debt service coverage ratio of greater than 1.00 in FY24, as indicated by the FY24 audit results and compliance with the SCSB’s Charter School Accountability Framework metric.

2. **Deficiency:** Failure to disclose the Event of Default. Also, Notice of Default and Late Filing submitted to EMMA notes that “The Charter School failed to timely file the Notice of Default under the Prior Disclosure Agreement”.

Evidence: Late notification and posting of the Event of Default.

Terms of Warning: Create or revise policies and procedures outlining the roles and responsibilities of administration, business officials, and board members concerning fiscal oversight. As recommended



by SCSB staff, you should consider addressing roles and responsibilities, budget development and approval, financial reporting, internal controls, conflict of interest, audit and review processes, submission of continuing bond disclosures, and other required bond disclosures.

3. **Deficiency:** In the FY23 audit of Rockwell Charter High School, significant concerns regarding the school's ability to continue as a going concern were noted in multiple sections. Below is a copy of what was noted in page 1 of the report itself:

"Substantial Doubt About the Entity's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note 4 to the financial statements, the School is not in compliance with its debt service coverage requirement covenant, which constitutes an event of default, creating uncertainty about its ability to continue as a going concern. Management's evaluation of the event of default and management's plans regarding this matter is also described in Note 4. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter."

Evidence: FY23 Audit

Terms of Warning: Assess the factors contributing to the status as a going concern and develop a comprehensive plan to address these concerns. This plan should include measures to improve financial stability, enhance operational efficiency, and ensure the long-term sustainability of the school.

Warning Status is designed to give Rockwell Charter High School's governing board autonomy on how to correct the above deficiencies and come into compliance. We want to stress the seriousness of what has occurred; nonetheless, we believe in your capability to address and improve upon these deficiencies. The SCSB also recognizes that you have been engaged with our staff and we have confidence that you will continue to do so as you work to resolve the terms of this warning. Should you require any additional information or clarity regarding Warning Status, we encourage you to work with our Executive Leadership Team, Dr. Kremer and Ms. Steffensen.

Sincerely,

Dr. Bryan W. Bowles
Board Chair
Utah State Charter School Board