



June 13, 2024

Monticello Academy
c/o Martell Winters, Board Chair
2782 S, Corporate Park Dr,
West Valley City, UT 84120

Re: The Establishment of Warning Status

Dear Monticello Academy School Governing Board:

This letter notifies you that Monticello Academy 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 on June 13, 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 of equal to or greater than 1.10. In addition, it was noted in the 2023 audited financials that “The bond agreements require the School to maintain a debt service coverage ratio of 110% of maximum annual debt service and unrestricted cash on hand equal to or greater than 30 days of the operating expenses for the applicable fiscal year, which amount shall be increased to the extent it is not sufficient to meet accrued salary obligations. Net income available for debt service was 83% of the School’s maximum annual debt service for the year ended June 30, 2023.”

Evidence: FY23 Audit

Terms of Warning: Ensure a Debt Service Coverage ratio of equal to or greater than 1.10 in FY24, as indicated by the FY24 audit results and compliance with the SCSB’s Charter School Accountability Framework metric.

2. Deficiency: The school failed to send a Notice Of Failure to inform the UCSFA (Issuer) and the Beneficial Owners of the Outstanding Bonds (depending on what information we get back from the school) although based on the FY2023 audited financials the school’s Net income available for debt service was 83% of the School’s Maximum Annual Debt Service for the year ended June 30, 2023. Based on the bond documents (screenshots below) since the school’s Net Income Available for Debt Service is less than 1.0 times the Maximum Annual Debt Service on all indebtedness outstanding, the school should have adopted a cure plan but failed to do so.

2014

If, however, the Lessee's Net Income Available for Debt Service is less than 1.0 times the Maximum Annual Debt Service on all Indebtedness then outstanding on any testing date, the Lessee shall give notice of such event to the Issuer and the Beneficial Owners of the Outstanding Bonds and shall have 12 months to cure such noncompliance. In the event such noncompliance is not cured within such 12 month period, an Event of Default shall be deemed to have occurred hereunder.

2022

If, however, the Net Income Available for Debt Service is less than 1.0 times the Maximum Annual Debt Service on all Indebtedness then outstanding on any testing date, the Borrower shall give notice of such event to the Issuer and the Owners of the Outstanding Bonds and shall have 12 months to cure such noncompliance. In the event such noncompliance is not cured within such 12-month period, an Event of Default shall be deemed to have occurred hereunder.

Evidence: FY2023 Audit and Bond Documents (2014 and 2022)

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: Risk of default - SCSB staff is not aware of the school having any cure plan although there exists a Risk of Default in the future since based on the FY2023 audited financials the school's Net income available for debt service was 83% of the School's Maximum Annual Debt Service for the year ended June 30, 2023.

Evidence: SCSB staff not aware of any cure plan posted by the school on the EMMA website.

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.

4. Deficiency: Form of Certificate For Annual Filing posted on EMMA website notes that the school's Net Income Available for Debt Service for FY2023 was equal to 1.07% of Maximum Annual Debt Service on all Indebtedness Outstanding. The calculation is inaccurate given that it was noted in the FY2023 audited financials that the Net income available for debt service was 83% of the School's Maximum Annual Debt Service for the year ended June 30, 2023.

Evidence: FY2023 Audit and Form of Certificate of Annual Filing

Terms of Warning: Ensure that the correct numbers be used while calculating the Maximum Annual Debt Service.

5. Deficiency: Late filing of the Annual Report – The trustee (U.S. Bank Trust Company National) posted a Notice of the Failure to File Annual Report on EMMA on December 28,2023.

Evidence: Notice of Failure to File Annual Report (screenshot below)

Terms of Warning: The school needs to use unaudited statements to make sure the reporting occurs on time, even in the situation where they have not received the audited versions from their auditors. Also, 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.

NOTICE OF FAILURE TO FILE ANNUAL REPORT	
Name of Issuer:	State Charter School Finance Authority
Name of Bond Issues:	Charter School Refunding Bonds (Monticello Academy), 2014
Dissemination Agent:	U.S. Bank national Association, Salt Lake City, Utah
Name of Charter School:	Monticello Academy, Inc.
Date of Issuance:	February 25, 2014
<p>NOTICE IS HEREBY GIVEN that the Borrower has not provided the Annual Financial Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement dated February 25, 2014 between the Borrower and U.S. Bank Trust Company National Association, as dissemination agent. No Anticipation of when the Annual Financial Report will be completed at this time.</p>	
Date: December 28, 2023	
U.S. Bank Trust Company National Association, as Dissemination Agent	
Cc: Issuer/Obligor	



Warning Status is designed to give Monticello Academy'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.

In addition, we would like to include a disclaimer that the Terms of Warning is not a prescriptive way to remove the Warning but is more of internal staff ideas to suggest to the SCSB. These ideas may be used as part of the discussions and decisions related to the Warning. It is the SCSB who will ultimately determine the appropriate course of action based on the available information and context.

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