



November 14, 2024

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

Re: The Removal of Warning Status

Dear Rockwell Charter High School Governing Board:

We are pleased to inform you that Rockwell Charter High School has been removed from Warning Status following a Board-level decision on November 14, 2024. This action was taken after the school successfully resolved the identified deficiencies and met the terms of the Warning Status.

Rockwell Charter High School was initially placed on Warning Status during the SCSB meeting on March 21, 2024, due to noncompliance with Utah Code 53G-5-404 and the Charter Agreement.

Below, you will find details regarding the deficiencies, evidence used, terms of the warning, and the verification process:

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.

Verification: SCSB staff has verified that Rockwell Charter High School has met the Debt Service Coverage Ratio (DSCR) satisfying the CSAF requirement. The documentation used to



verify DSCR were the Annual Financial Report submitted into the Utah Public Education Financial System (UPEFS) as well as the Working Trial Balance provided by the Rockwell Charter High School team.

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.

Verification: SCSB staff was provided a comprehensive Finance Policy that was adopted by the Rockwell Charter High School. The Finance Policy outlines the roles and responsibilities of administration, business officials, and board members concerning fiscal oversight. The policy addresses 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. The Finance Policy also includes measures to improve financial stability at Rockwell Charter High School, enhance operational efficiency, and ensure the long-term financial stability of the organization.

Also, SCSB staff was provided a copy of the Rockwell Charter High School's corrective action letter to USBE, which outlines the required annual review of Utah Code, Title 53G, Chapter 7, Part 3 (Budgets); adoption of the revised finance policy; and adopted financial oversight.

Further, SCSB staff was also provided a copy of the public notice of the school board meeting held on May 2024. In this meeting Cindy Phillips (Consultant) led a training entitled "The Fiduciary Duties of Boards of Directors". The 2025 budget hearing was held along with consideration of the new Finance Policy and public and board discussion about the Warning letter from SCSB.

In addition, the finance committee has followed through on its monthly examinations of the state of finances and plans for revenues and expenditures on a monthly, yearly, and looking



forward to future years basis.

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.

Verification: SCSB staff was provided a comprehensive Finance Policy that was adopted by the Rockwell Charter High School. The Finance Policy outlines the roles and responsibilities of administration, business officials, and board members concerning fiscal oversight. The policy addresses 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. The Finance Policy also includes measures to improve financial stability at Rockwell Charter High School, enhance operational efficiency, and ensure the long-term financial stability of the organization.

SCSB appreciates your efforts in addressing the Warning status. We commend Rockwell Charter High School for its teamwork and commitment, which have led to positive outcomes.

Removing the Warning status shows our confidence in your school's ability to maintain these improvements.



We emphasize the importance of continuing the positive collaboration that has led to this success. As your authorizer, we are dedicated to supporting Rockwell Charter High School.

Please reach out with any questions or needs. We look forward to seeing Rockwell Charter High School's continued success and its positive impact on our community's youth.

Sincerely,

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

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