



OFFICE OF THE STATE AUDITOR



February 21, 2017

DIANNE E. RAY, CPA
STATE AUDITOR

MEMO

2016 ANNUAL REPORT FROM THE COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY ON THE MORAL OBLIGATION BOND PROGRAM

Members of the Legislative Audit Committee:
Members of the Senate Education Committee:
Members of the House Education Committee:
Members of the Capital Development Committee:
Members of the Joint Budget Committee:
Colorado Department of Education:

Please find attached the Colorado Educational and Cultural Facilities Authority's (CECFA) 2016 annual report on the Moral Obligation Bond program for charter schools authorized under Section 22-30.5-407 and 408, C.R.S. Section 22-30.5-409, et seq., C.R.S., requires that, prior to January 30th of each year, CECFA submit a report to the State Auditor containing specific information on bonds issued during the most recently completed calendar year on behalf of charter schools. The State Auditor is required to examine this report and report any findings no later than March 1st of each year to the Legislative Audit Committee, the Education Committees of the Senate and the House of Representatives, the Capital Development Committee, the Joint Budget Committee, and the Department of Education.

We have received and reviewed CECFA's 2016 report dated January 26, 2017, and we have verified that the required data has been accurately compiled in this report from the Official Statements related to the bonds issued during

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Calendar Year 2016. CECFA reports that it issued six bonds under this program in 2016. Our review did not identify any findings related to CECFA's 2016 annual report on the Moral Obligation Bond program.

The total aggregate principal amount of bonds outstanding at December 31, 2016 was \$384,895,960 which was under the statutory limit of \$500 million per Section 22-30.5-408(2)(a), C.R.S.



Colorado Educational and Cultural Facilities Authority

CECFA

January 26, 2017

Legislative Audit Committee
1525 Sherman Street, 7th Floor
Denver, CO 80202

Dear Ladies and Gentlemen:

We are pleased to provide to you the report regarding Colorado charter school moral obligation bonds issued during calendar year 2016, as required by C.R.S. 22-30.5-409(1). Six transactions were completed during the year with a combined gross par amount of \$91,205,000.00. Three of these transactions were refunding of prior issues motivated by savings made possible by low interest rates, and did not involve any new construction projects. The other three included substantial new project components.

The total principal amount of moral obligation bonds outstanding as of December 31, 2016, was \$384,895,960.00 which is within the statutory limit of \$500 million outstanding at any one time.

We appreciate your review of this information. Please let me know if you have any questions or need any additional information.

Sincerely

Mark Heller
Executive Director

cc: Jon Forbes, Deputy State Treasurer
Clair Jozwiak, State Treasurer's Office

**COLORADO EDUCATIONAL AND CULTURAL
FACILITIES AUTHORITY**

**Report to the State Auditor
Issuance of Qualified Charter School Bonds
Required by C.R.S. 22-30.5-407 and 408**

January 2017

This report provides information concerning the issuance of qualified charter school bonds, as defined in C.R.S. Section 22-30.5-408 (1)(c), 22-30.5-407 (2)(a) and 22-30.5-408 (2)(a). This report is required by C.R.S. Section 22-30.5-409(1).

- a) The total amount of qualified charter school bonds issued during the 2016 calendar year was \$91,205,000.
- b) The charter schools on whose behalf such qualified charter school bonds were issued was as follows:
 - Ben Franklin Academy
 - Vanguard School
 - Academy Charter
 - Flagstaff Academy
 - Frontier Academy
 - Excel Academy Charter School
- c) The proceeds of the bond issues were used as follows:

Charter School	Amount of the Issue	Total Cost of New Charter School Facilities	Percentage of Project Paid by Bond Proceeds	Refunding of a Prior Bond Issue for Savings
Ben Franklin Academy	\$19,140,000	\$18,688,356	100%	No
Vanguard School	\$25,120,000	\$6,502,254	100%	Yes
Academy Charter	\$6,210,000	\$0	0%	Yes
Flagstaff Academy	\$13,335,000	\$0	0%	Yes
Frontier Academy	\$21,850,000	\$8,959,440	100%	Yes
Excel Academy Charter School	\$5,550,000	\$0	0%	Yes

- d) The investment ratings of the issues are summarized below:

Charter School	Moral Obligation Program Rating	Underlying Credit Rating
Ben Franklin Academy	“A” by S&P	“BBB-” by S&P
Vanguard School	“A” by S&P	“BBB-” by S&P
Academy Charter	“A” by S&P	“BBB” by S&P

Flagstaff Academy	“A” by S&P	“BBB” by S&P
Frontier Academy	“A” by S&P	“BBB-“ by S&P
Excel Academy Charter School	“A” by S&P	“BBB-“ by S&P

- e) The total amount of net and gross proceeds obtained from the issuance of such qualified charter school bonds during the most recently completed calendar year was:

Aggregate Gross Proceeds in CY 2016	\$91,205,000
Aggregate Net Proceeds in CY 2016	\$89,059,433

- f) The total principal amount outstanding of qualified charter school bonds as of December 31, 2016 was \$384,895,960.
- g) The total amount of annual installments of principal and interest on all outstanding qualified charter school bonds scheduled for payment during the 2016 calendar year was \$25,250,069.

The total amount of such annual installments actually paid during the 2016 calendar year was \$25,527,799 (different than the amount above due to refundings and new money issuances closed during the calendar year). The total amount of annual installments due in the 2017 calendar year is \$28,305,157 and the annual installments due in the calendar years 2017 through 2047 total \$665,925,237.

- h) The total amount of moneys expended from the charter schools’ own debt service reserve funds or accounts during the 2016 calendar year for the purpose of paying principal and interest on such qualified charter school bonds was \$0.
- i) The total amount of moneys expended from the state charter school debt reserve fund during the 2016 calendar year for the purpose of paying principal and interest on such qualified charter school bonds was \$0.

Four schools, Vanguard School, Academy Charter, Frontier Academy, and Excel Academy Charter School, achieved interest rate savings by refunding outstanding moral obligation debt with new moral obligation bonds. Flagstaff Academy achieved interest rate savings by refunding outstanding bonds that were not previously issued in the moral obligation program with new moral obligation bonds. The net present value savings from the refunding transactions for these schools are shown in the table below. In addition, Parker Core Knowledge refunded previously issued moral obligation bonds and the new bonds were not part of the moral obligation program.

Charter School	Net Present Value Savings
Vanguard School	\$1,539,464
Academy Charter	\$890,585
Frontier Academy	\$641,933
Excel Academy Charter School	\$1,183,948
Flagstaff Academy	\$2,549,057

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PLEASE REFER TO REPORT NUMBER 1772S WHEN REQUESTING THIS REPORT