



OFFICE OF THE STATE AUDITOR



February 26, 2019

DIANNE E. RAY, CPA
STATE AUDITOR

MEMO

2018 ANNUAL REPORT FROM THE COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY ON THE MORAL OBLIGATION BOND PROGRAM

THE HONORABLE NANCY TODD
CHAIR
LEGISLATIVE AUDIT &
SENATE EDUCATION COMMITTEES

THE HONORABLE DYLAN ROBERTS
CHAIR
CAPITAL DEVELOPMENT COMMITTEE

THE HONORABLE BARBARA MCLACHLAN
CHAIR
HOUSE EDUCATION COMMITTEE

THE HONORABLE DOMINICK MORENO
CHAIR
JOINT BUDGET COMMITTEE

DR. KATY ANTHES, PH.D
COMMISSIONER OF EDUCATION
COLORADO DEPARTMENT OF EDUCATION

Please find attached the Colorado Educational and Cultural Facilities Authority's (CECFA) Calendar Year 2018 annual report on the State Charter School Debt Reserve Fund, known as the Moral Obligation Bond program, authorized under Section 22-30.5-407 and 408, C.R.S. As required by Section 22-30.5-409, et seq., C.R.S., prior to January 30th of each year, CECFA submits a report to the State Auditor containing specific information on bonds issued by CECFA 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.

OFFICE OF THE STATE AUDITOR
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We have received and reviewed CECFA's 2018 report dated January 30, 2019, 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 Calendar Year 2018. CECFA reports that it issued two bonds totaling \$59,365,000 under this program in 2018. One of the bonds was issued as a bond refunding to achieve savings and the other bond was issued as a bond refunding to restructure a previous bullet maturity bond. Our review did not identify any findings related to CECFA's 2018 annual report on the Moral Obligation Bond program.

The total aggregate principal amount of bonds outstanding at December 31, 2018, was \$423,918,006 which was under the statutory limit of \$500 million established within Section 22-30.5-408(2)(a), C.R.S.



Colorado Educational and Cultural Facilities Authority

CECFA

January 30, 2019

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 2018, as required by C.R.S. 22-30.5-409(1). Two transactions were completed during the year with a combined gross par amount of \$59,365,000.00. Both of these transactions included refundings of prior issues motivated by savings made possible by low interest rates of the program, and one of the transactions included bonds for new construction projects.

The total principal amount of moral obligation bonds outstanding as of December 31, 2018, was \$423,918,005.76 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: Dave Young, State Treasurer
Dana Dove, Office of the State Auditor

**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 30, 2019

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 2018 calendar year was \$59,365,000.
- b) The charter schools on whose behalf such qualified charter school bonds were issued was as follows:
- Union Colony School
 - Stargate 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
Union Colony School	\$18,585,000	\$8,281,145	99.9%	Yes
Stargate Charter School	\$40,780,000	\$0	0%	No

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

Charter School	Moral Obligation Program Rating	Underlying Credit Rating
Union Colony School	“Aa3” by Moody’s	“Baa3” by Moody’s
Stargate Charter Academy	“Aa3” by Moody’s	“Baa3” by Moody’s

- 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 2018 | \$59,365,000 |
| Aggregate Net Proceeds in CY 2018 | \$58,394,769 |
- f) The total principal amount outstanding of qualified charter school bonds as of December 31, 2018 was \$423,918,006.

- g) The total amount of annual installments of principal and interest on all outstanding qualified charter school bonds scheduled for payment during the 2018 calendar year was \$28,605,566.

The total amount of such annual installments actually paid during the 2018 calendar year was \$29,925,485 (different than the amount above due to new issuances closed during the calendar year). The total amount of annual installments due in the 2019 calendar year is \$31,632,664 and the annual installments due in the calendar years 2019 through 2053 total \$721,499,567.

- h) The total amount of moneys expended from the charter schools' own debt service reserve funds or accounts during the 2018 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 2018 calendar year for the purpose of paying principal and interest on such qualified charter school bonds was \$0.

Stargate Charter School refunded outstanding bonds that were not previously issued in the moral obligation program with new moral obligation bonds for the purpose of restructuring the outstanding bond's bullet maturity amortization to a long-term level debt service structure. Union Colony School achieved \$5,500,585 in net present value savings by refunding outstanding bonds that were not previously issued in the moral obligation program with new moral obligation bonds.

AN ELECTRONIC VERSION OF THIS REPORT IS AVAILABLE AT
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