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March 16, 2020

DIANNE E. RAY, CPA
STATE AUDITOR

2019 ANNUAL REPORT FROM THE COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY ON THE MORAL OBLIGATION BOND PROGRAM

THE HONORABLE LORI SAINÉ
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CAPITAL DEVELOPMENT COMMITTEE

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CHAIR
HOUSE EDUCATION 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 2019 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. CECFA is statutorily-required [Section 22-30.5-409, C.R.S.] to submit the report to the State Auditor prior to January 30 each year. 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.

Although CECFA provided an initial 2019 report to us on January 9, 2020, CECFA notified us on February 20, 2020, that it had identified errors in both the 2018 and 2019 reports. CECFA reported to us that it had

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discovered inaccuracies in the original information submitted for 2018 and 2019 due to CECFA's failure to remove some schools that exited the moral obligation bond program during those years. The errors resulted in an overstatement of the total principal amount of qualified charter school bonds outstanding at December 31 each year. CECFA subsequently provided revised information to us on March 16, 2020. This resulted in the delay of the completion of this report beyond the March 1 reporting deadline noted above.

Our review of the revised reports did not identify any findings related to CECFA's 2018 or 2019 annual report on the Moral Obligation Bond program.



CECFA

Colorado Educational and Cultural Facilities Authority

March 16, 2020

Legislative Audit Committee
1525 Sherman Street, 7th Floor
Denver, CO 80203

Dear Ladies and Gentlemen:

Please find enclosed revised reports regarding Colorado charter school moral obligation bonds during calendar years 2018 and 2019. These revised reports account for two schools that exited the program in 2018, one school that exited the program in 2019, and several schools whose additional partial payments were not reported over the last several years. All of these changes increased rather than decreased program capacity. CECFA has revised its moral obligation auditing procedures to prevent similar errors in the future.

The total principal amount outstanding of qualified charter school bonds as of December 31, 2018 was originally reported as being \$423,918,006, but was in fact \$411,713,006. The total principal amount outstanding of qualified charter school bonds as of December 31, 2019 was originally reported as being \$423,777,099, but was in fact \$404,652,099.

With the approval of five moral obligation bond issues at CECFA's January and February meetings this year, we have allocated the full revised capacity of the program, assuming these schools are actually able to achieve an investment grade rating and use the moral obligation program. Preliminary conversations about increasing the capacity of the program through legislation have begun.

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
Crystal L. Dorsey, CPA, Office of the State Auditor

**COLORADO EDUCATIONAL AND CULTURAL
FACILITIES AUTHORITY**

**2018 Report to the State Auditor
Issuance of Qualified Charter School Bonds
Required by C.R.S. 22-30.5-407 and 408**

Revised February 26, 2020

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	0%	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 \$411,713,006.

- 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 \$28,603,729.

The total amount of such annual installments actually paid during the 2018 calendar year was \$29,602,019 (different than the amount above due to new issuances closed and exiting bonds being prepaid during the calendar year). The total amount of annual installments due in the 2019 calendar year is \$30,881,146 and the annual installments due in the calendar years 2019 through 2053 total \$701,510,276.

- 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. Free Horizon Academy and Crown Pointe Academy both made prepayments on their outstanding moral obligation bonds during the calendar year.

**COLORADO EDUCATIONAL AND CULTURAL
FACILITIES AUTHORITY**

**2019 Report to the State Auditor
Issuance of Qualified Charter School Bonds
Required by C.R.S. 22-30.5-407 and 408**

Revised February 26, 2020

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 2019 calendar year was \$10,430,000.
- b) The charter school on whose behalf such qualified charter school bonds were issued was as follows:
 - West Ridge Academy
- 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
West Ridge Academy	\$10,430,000	\$1,254,000	100%	No

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

Charter School	Moral Obligation Program Rating	Underlying Credit Rating
West Ridge 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 2019	\$11,155,407
Aggregate Net Proceeds in CY 2019	\$10,739,866

- f) The total principal amount outstanding of qualified charter school bonds as of December 31, 2019 was \$404,652,099.

- g) The total amount of annual installments of principal and interest on all outstanding qualified charter school bonds scheduled for payment during the 2019 calendar year was \$30,881,146.

The total amount of such annual installments actually paid during the 2019 calendar year was \$30,665,256 (different than the amount above due to new issuances closed and existing bonds being prepaid during the calendar year). The total amount of annual installments due in the 2020 calendar year is \$31,039,205 and the annual installments due in the calendar years 2020 through 2054 total \$680,141,022.

- h) The total amount of moneys expended from the charter schools' own debt service reserve funds or accounts during the 2019 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 2019 calendar year for the purpose of paying principal and interest on such qualified charter school bonds was \$0.

West Ridge Academy 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. Rocky Mountain Academy of Evergreen and Woodrow Wilson Academy made prepayments on their outstanding moral obligation bonds during the calendar year.

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303.869.2800

PLEASE REFER TO REPORT NUMBER 2051S WHEN REQUESTING THIS REPORT