

Colorado Educational and Cultural Facilities Authority

Moral Obligation Bond Program, Calendar Year 2021

Informational Report
February 2022
2251S



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The mission of the Office of the State Auditor is to improve government for the people of Colorado.



OFFICE OF THE STATE AUDITOR
KERRI L. HUNTER, CPA • STATE AUDITOR

February 7, 2022

MEMO

Annual Report from the Colorado Educational and Cultural Facilities Authority on the Moral Obligation Bond Program, Calendar Year 2021

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) Calendar Year 2021 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.

Our review of the report did not identify any findings related to CECFA's 2021 annual report on the Moral Obligation Bond program.





CECFA

Colorado Educational and Cultural Facilities Authority

January 28, 2022

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 2021, as required by C.R.S. 22-30.5-409(1). Eleven series were issued during the year with a combined gross par amount of \$105,135,000.00. These eleven series included bonds issued for both new money and refunding purposes.

The total principal amount of moral obligation bonds outstanding as of December 31, 2021 is \$541,265,096.34, which is within the statutory limit of \$750 million outstanding at any one time. The program capacity was increased in September, 2021 from \$500 million to \$750 million, per Senate Bill 21-157.

We would like to note that the final balance of our 2020 Annual Report was understated by \$40,000 because we had mistakenly allocated a Rocky Mountain Academy of Evergreen 2020 sinking fund payment to the 2040 term bond as a prepayment to the 2040 maturity. However, the beginning balance shown in our 2021 Annual Report is correct.

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**

**2021 Report to the State Auditor
Issuance of Qualified Charter School Bonds
Required by C.R.S. 22-30.5-407 et seq.**

As of December 31, 2021

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 2021 calendar year was \$105,135,000.
- b) The charter schools on whose behalf such qualified charter school bonds were issued were as follows:
 - Pinnacle Charter School
 - Lincoln Academy Charter School
 - DSST
 - High Point Academy
 - Banning Lewis Ranch Academy
 - Westgate Community School
 - Windsor Charter 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
Pinnacle Charter School	\$17,765,000	\$9,180,000	100%	Partial
Lincoln Academy Charter School	\$8,835,000	\$0	0%	Partial
DSST	\$17,930,000	\$19,024,974	100%	No
High Point Academy	\$8,395,000	\$0	0%	100%
Banning Lewis Ranch Academy	\$29,315,000	\$0	0%	100%
Westgate Community School	\$7,615,000	\$0	0%	100%
Windsor Charter Academy	\$15,280,000	\$0	0%	100%

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

Charter School	Moral Obligation Program Rating	Underlying Credit Rating
Pinnacle Charter School	“A+” by S&P	“BBB-” by S&P

Lincoln Academy Charter School	“A+” by S&P	“BBB-” by S&P
DSST	“Aa3” by Moody’s	“Baa1” by Moody’s
High Point Academy	“Aa3” by Moody’s	“Baa3” by Moody’s
Banning Lewis Ranch Academy	“Aa3” by Moody’s	“Baa3” by Moody’s
Westgate Community School	“Aa3” by Moody’s	“Baa3” by Moody’s
Windsor 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 2021	\$115,452,646
Aggregate Net Proceeds in CY 2021	\$112,204,932

f) The total principal amount outstanding of qualified charter school bonds as of December 31, 2021 was \$541,265,096.

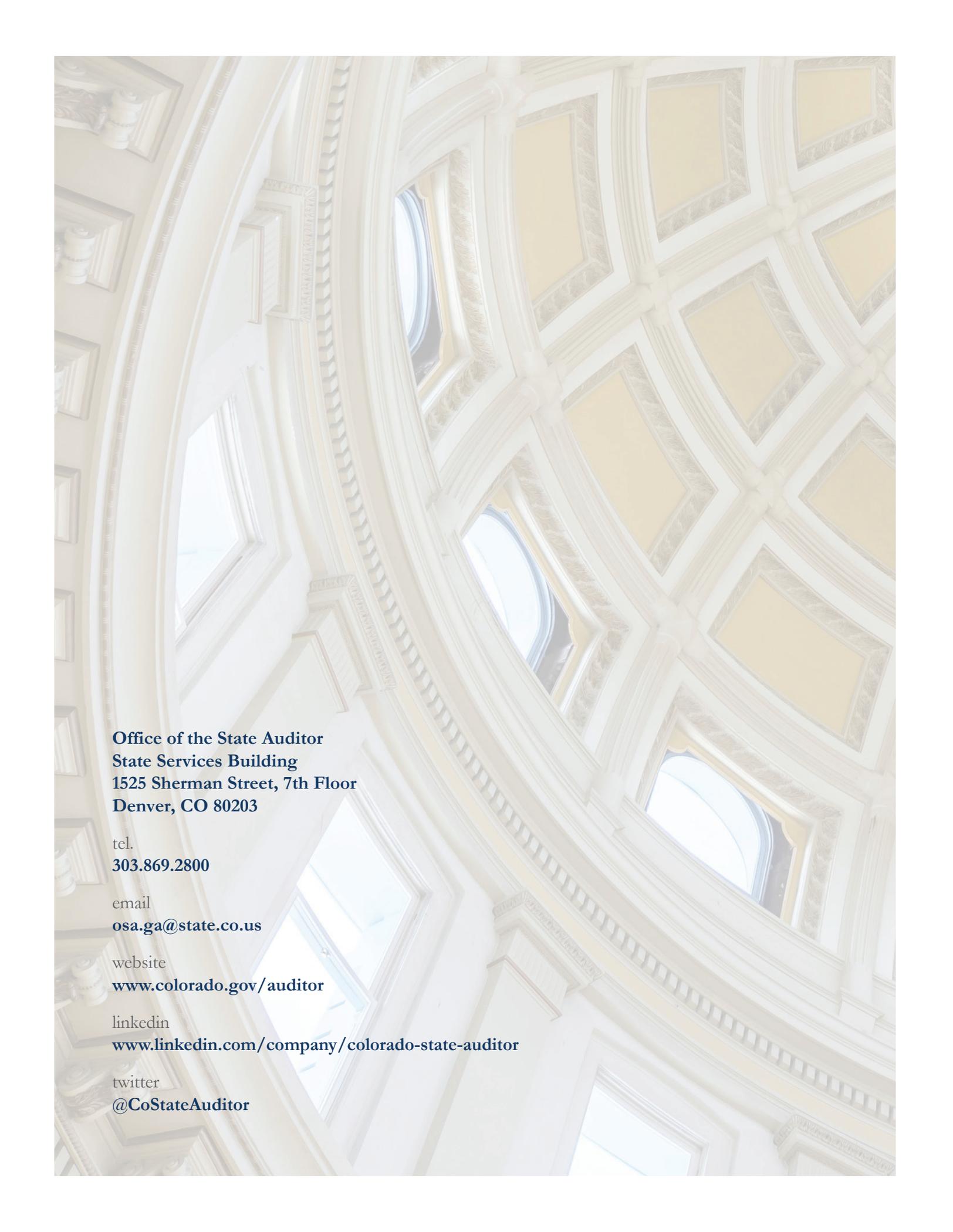
g) The total amount of annual installments of principal and interest on all outstanding qualified charter school bonds scheduled for payment during the 2021 calendar year was \$31,522,439.

The total amount of such annual installments actually paid during the 2021 calendar year was \$31,456,863 (different than the amount above due to new issuances closing and existing bonds being prepaid during the calendar year). The total amount of annual installments due in the 2022 calendar year is \$34,999,303 and the annual installments due in the calendar years 2022 through 2056 total \$910,517,519.

h) The total amount of moneys expended from the charter schools’ own debt service reserve funds or accounts during the 2021 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 2021 calendar year for the purpose of paying principal and interest on such qualified charter school bonds was \$0.

Banning Lewis Ranch Academy, Westgate Community School, and Windsor Charter 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 previously outstanding bonds to achieve a long-term level debt service structure and/or for the purpose of achieving debt service savings. High Point Academy refunded its outstanding Moral Obligation Bonds with new Moral Obligation Bonds. In addition to issuing bonds for refunding purposes, Pinnacle Charter School and Lincoln Academy Charter School also issued new money Moral Obligation Bonds for the purposes of constructing new school facilities and improving existing school facilities, respectively. DSST issued new money Moral Obligation Bonds for the purposes of converting office and warehouse space into school facilities. Rocky Mountain Academy of Evergreen refunded its outstanding Moral Obligation Bonds with non-Moral Obligation bonds.



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