

COLORADO EDUCATIONAL
AND
CULTURAL FACILITIES AUTHORITY

Financial Statements As Of
September 30, 2017 And 2016

Together With Independent Auditors' Report

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Office of the State Auditor

February 15, 2018

JDS professional
group
certified public accountants, consultants and advisors

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Colorado Educational and Cultural Facilities Authority:

We have audited the accompanying financial statements of Colorado Educational and Cultural Facilities Authority (the "Authority") as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Independent Auditors' Report, (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Colorado Educational and Cultural Facilities Authority as of September 30, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

JDS Professional Group

January 24, 2018

As management of the Colorado Educational and Cultural Facilities Authority (the “Authority”), we offer the readers of the Authority’s financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2017. This overview and analysis is required by accounting principles generally accepted in the United States of America (“GAAP”) in Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements, and Management’s Discussion and Analysis for State and Local Governments (“GASB 34”).

FINANCIAL HIGHLIGHTS

The Authority’s net position increased by \$99,868 to \$3,521,921 for the year ending September 30, 2017. The change in net position from the year prior was a decrease of \$143,972. This positive change can be attributed to the initial and annual fee increases made effective January 1, 2017 and significantly decreased operating costs.

The dollar amount of bonds issued by the Authority over the last three fiscal years was:

- FY 2014-2015: \$486,511,038
- FY 2015-2016: \$392,756,136
- FY 2016-2017: \$453,100,704

Total operating revenues for the year were \$911,458, which was a decrease of \$30,917 over the prior year’s operating revenues.

- Initial fee revenues were \$70,398 lower than the previous year.
- Annual fee income increased by \$39,481 from the previous year, due to the fee increases

Total operating expenses including project financing costs and special program expenses totaled \$834,372 which is \$294,564 lower than the previous year.

- Project financing expenses, which are related to the number, type and dollar volume of transactions completed, totaled \$391,099. This was \$221,226 lower than in the prior year, due to the lower amount of bonds induced and other savings.
- Special program costs were \$500 compared to \$59,800 in the prior year due to discontinuing the DAC subsidy.
- Salaries and operating expenses other than project financing and special program expenses were lower than the prior year by \$14,038.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of two parts: Management’s discussion and analysis, and the financial statements of the Authority. This discussion and analysis is intended to serve as an introduction to the Authority’s basic financial statements. The Authority is a body corporate and political subdivision of the State of Colorado established by state statute. The financial statements are presented in a manner similar to that of a private business, using the accrual basis of accounting.

The financial statements report information for all Authority operations. The required financial statements are the Statement of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. The Statements of Net Position includes the

Authority’s assets, liabilities and net assets. Increases and decreases in net assets can serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Nonfinancial factors should also be considered to assess the overall position of the Authority.

All of the revenues and expenses of the Authority are accounted for in the Statements of Revenues, Expenses and Changes in Net Position. The Statement of Revenues, Expenses and Changes in Net Position reports the changes that have occurred during the year to the Authority’s net position. All changes in net position are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows.

The Statement of Cash Flows is concerned solely with inflows and outflows of cash and cash equivalents. Only transactions that affect the Authority’s cash position are reflected in this statement. Transactions are segregated reported in two sections on the statement: (1) cash flows from operating activities, and (2) cash flows from investing activities. The Authority has no cash flows from noncapital financing activities or cash flows from capital and related financing activities.

FINANCIAL ANALYSIS OF THE AUTHORITY

Statement of Net Position

The net position of the Authority increased by \$99,868 since September 30, 2016. The following table summarizes the changes in assets, liabilities and net position between September 30, 2015 and 2016:

	<u>Change</u>	<u>2016</u>	<u>2017</u>
Assets	\$ 129,902	\$ 3,490,239	\$ 3,620,141
Liabilities	\$ 30,034	\$ 68,186	\$ 98,220
Net Position	<u>\$ 99,868</u>	<u>\$ 3,422,053</u>	<u>\$ 3,521,921</u>

The Authority’s net position is impacted by Board policy regarding reserves. The Board modified its reserve policy on September 27, 2016 to revise metrics and purposes for its three reserve funds.

In view of uncertainties as to future changes in federal or state law that could adversely affect the ability of the Authority to issue tax-exempt obligations, competition from other issuers, fluctuations in the marketability of tax-exempt bonds, and other scenarios, the Authority adopted an Operating Reserve goal sufficient to fund approximately three years of the Authority’s typical operating expenses.

The Authority has also determined that an Office Reserve should be maintained for contingencies related to the Authority's office. Expenses could include expenditures for office and computer equipment, building maintenance and upgrades, property taxes, etc. The Authority has determined that approximately \$100,000 would be an adequate reserve to fund these costs. This amount equals

the prior office reserve fund that was established to facilitate CECFA's potential move out of its prior office space.

Third, the Authority continued its Litigation/Legislation Reserve in the amount of \$600,000 for expenses that could be incurred by the Authority in the event of a pending or actual payment or covenant default by an institution which has financed through the Authority.

These reserves may be expended as necessary or appropriate in the operations of the Authority with prior, specific approving action by the Board of Directors and at its sole discretion.

Statement of Revenues, Expenses and Changes in Net Assets

The following table summarizes the changes in revenues and expenses between September 30, 2016 and September 30, 2017:

Revenues	<u>2017</u>	<u>2016</u>	<u>Variance</u>
Annual Service Fees	\$ 329,697	\$ 290,216	\$ 39,481
Initial Fees	581,761	652,159	(70,398)
Investment and Other Income	<u>22,782</u>	<u>42,589</u>	<u>(19,807)</u>
Total Revenue	<u>\$ 934,240</u>	<u>\$ 984,964</u>	<u>\$ (50,724)</u>
Expenses			
Project Financing Costs	\$ 391,099	\$ 612,325	\$ (221,226)
Special Program Expenses	500	59,800	(59,300)
Operating Expenses			
Salary and Benefit Costs	232,649	227,527	5,122
Professional Services	97,316	108,419	(11,103)
Other Expenses	<u>112,808</u>	<u>120,865</u>	<u>(8,057)</u>
Total Expenses	<u>834,372</u>	<u>1,128,936</u>	<u>(294,564)</u>
Change in Net Position	99,868	(143,972)	243,840
Beginning Net Position	<u>3,422,053</u>	<u>3,566,025</u>	<u>(143,972)</u>
Ending Net Position	<u>\$ 3,521,921</u>	<u>\$ 3,422,053</u>	<u>\$ 99,868</u>

Project financing costs, salary and benefits, and professional service expenses are the major expense categories. Project financing costs reflect the payments made to the Authority's counsel and financial advisor with respect to each new bond issue. Project financing costs relate directly to the type of transactions and dollar volume of bonds issued during the year. (Those costs also are roughly equal to initial fee revenues.)

The Board discontinued its experimental subsidy for consulting support to enhance disclosure compliance by charter schools in the State’s moral obligation program, while its cost-sharing to encourage compliance with arbitrage rebate analyses was used only once.

OTHER FINANCIAL ANALYSIS

Below is a comparison of the year ended September 30, 2017, amended budget compared to actual revenues and expenses:

Comparison of FY 2017
Budget to Actual Revenues and Expenses

Revenues	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Annual Service Fees	\$ 270,000	\$ 329,697	\$ 59,697
Initial Fees	586,056	581,761	(4,295)
Investment and Other Income	27,298	22,782	(4,516)
	<hr/>	<hr/>	<hr/>
Total Revenue	<u>\$ 883,354</u>	<u>\$ 934,240</u>	<u>\$ 50,886</u>
Expenses			
Project Financing Costs	454,915	391,099	(63,816)
Special Program Expenses	-	500	500
Operating Expenses			
Salary and Benefit Costs	\$ 249,164	\$ 232,649	\$ (16,515)
Professional Services	100,809	97,316	(3,493)
Other Expenses	141,328	112,808	(28,520)
	<hr/>	<hr/>	<hr/>
Total Expenses	<u>946,216</u>	<u>834,372</u>	<u>182,720</u>
Total net income	<u>\$ (62,862)</u>	<u>\$ 99,868</u>	<u>\$ 162,730</u>

ECONOMIC FACTORS

The number of bond issues undertaken by the Authority in any year depends on many factors outside the control of the Authority, including tax laws and regulations, tax-exempt interest rates, nonprofit borrowers' needs for capital facilities, bonds eligible for current refunding in that year, borrower confidence, borrower financial strength. Additional uncertainty into the flow of tax exempt bond issues has been created by the enactment of the 2017 Tax Cuts and Jobs Act, which radically reduced corporate tax rates, changed and/or eliminated charitable contribution and other deductions, and eliminated advanced refunding of tax exempt bonds. It is simply too early to predict what impact these changes might have.

REQUESTS FOR INFORMATION

This financial report is designed to give its readers a general overview of the Authority's finances. Questions regarding any information contained in this report or requests for additional financial information should be addressed to: Executive Director, Colorado Educational and Cultural Facilities Authority, 1800 Glenarm Place, Suite 1201, Denver, CO 80202.

COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY

Statements of Net Position
As Of September 30, 2017 and 2016

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ASSETS	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and cash equivalents	\$ 473,583	\$ 79,143
Accounts receivable	36,511	29,249
Accrued interest receivable	7,127	6,314
Prepaid expenses and other assets	14,920	4,401
Investments	<u>1,407,277</u>	<u>1,455,467</u>
Total current assets	<u>1,939,418</u>	<u>1,574,574</u>
Long Term Assets:		
Investments	1,339,159	1,562,502
Capital assets, net of accumulated depreciation of \$11,899 and \$985	<u>341,564</u>	<u>353,463</u>
Total long-term assets	<u>1,680,723</u>	<u>1,915,965</u>
TOTAL ASSETS	<u>\$ 3,620,141</u>	<u>\$ 3,490,539</u>
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts payable	\$ 10,148	\$ 9,773
Accrued expenses	14,856	15,368
Unearned revenue	<u>73,216</u>	<u>43,045</u>
Total current liabilities	<u>98,220</u>	<u>68,186</u>
Net Position:		
Invested in capital assets	341,564	353,463
Unrestricted	<u>3,180,357</u>	<u>3,068,590</u>
Total net position	<u>3,521,921</u>	<u>3,422,053</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,620,141</u>	<u>\$ 3,490,239</u>

The accompanying notes are an integral part of the financial statements.

COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position
For The Years Ended September 30, 2017 and 2016

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	<u>2017</u>	<u>2016</u>
Revenues-Operating:		
Annual service fees	\$ 329,697	\$ 290,216
Initial fees	581,761	652,159
Total operating revenue	<u>911,458</u>	<u>942,375</u>
Expenses-Operating:		
Project financing costs	391,099	612,325
Special program expense	500	59,800
Operating expense:		
Salary and benefit costs	232,649	227,527
Professional services	97,316	108,419
Other expenses	112,808	120,865
Total operating expenses	<u>834,372</u>	<u>1,128,936</u>
 Net operating income (loss)	 <u>77,086</u>	 <u>(186,561)</u>
Revenues-Non-Operating:		
(Loss) on investments	(1,167)	(5,537)
Unrealized gain (loss) on investment	(10,784)	8,448
Other income		1,084
Interest income	34,733	38,594
Total non-operating revenue	<u>22,782</u>	<u>42,589</u>
 CHANGE IN NET POSITION	 99,868	 (143,972)
 Net Position, Beginning Of Year	 <u>3,422,053</u>	 <u>3,566,025</u>
 NET POSITION, END OF YEAR	 <u>\$ 3,521,921</u>	 <u>\$ 3,422,053</u>

The accompanying notes are an integral part of the financial statements.

COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY

Statements of Cash Flows

For The Years Ended September 30, 2017 and 2016

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	2017	2016
Cash flows from operating activities:		
Cash received from institutions	\$ 934,367	\$ 955,015
Cash paid to suppliers and contract laborers	(600,490)	(885,290)
Cash paid for salaries and benefits	(232,649)	(227,527)
Net cash provided by (used in) operating activities	101,228	(157,802)
Cash flows from investing activities:		
Purchase of capital assets		(354,447)
Purchase of investments	(1,194,708)	(1,570,000)
Proceeds from maturities of investments	1,454,000	1,677,999
Interest and dividends received	33,920	42,466
Net cash provided by (used in) investing activities	293,212	(203,982)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	394,440	(361,784)
Cash and Cash Equivalents, Beginning of Year	79,143	440,927
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 473,583	\$ 79,143
Reconciliation of net operating income to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 77,086	\$ (186,561)
Adjustments to reconcile net operating income to net cash:		
Depreciation expense	11,889	985
(Increase) decrease in accounts receivable	(7,262)	16,352
(Increase) decrease in prepaid expenses	(10,519)	10,711
Increase (decrease) in accounts payable	375	6,975
Increase (decrease) in unearned revenue	30,171	(3,714)
Increase (decrease) in accrued expenses	(512)	(2,550)
Net cash provided by (used in) operating activities	\$ 101,228	\$ (157,802)

The accompanying notes are an integral part of the financial statements.

COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY

Notes To Financial Statements
For the Years Ended September 30, 2016 and 2015

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NOTE A Organization

The Colorado Educational and Cultural Facilities Authority (the "Authority") is a body corporate and political subdivision of the State of Colorado established pursuant to the Colorado Educational and Cultural Facilities Authority Act, Title 23, Article 15 of the Colorado Revised Statutes, as amended (the "Act"). Operations of the Authority commenced in 1981.

The Authority was created to facilitate alternative financial methods by which nonprofit educational and cultural institutions in Colorado may refund or refinance outstanding indebtedness and finance additional facilities and other capital expenditures. Statutory revisions during the 2000 legislative session expanded the mission of the Authority to include financing for out-of-state networks and organizations, as long as the financing provides benefits to the citizens of Colorado.

The tax-exempt revenue bonds and notes or other obligations issued by the Authority do not constitute a debt of the Authority, the State of Colorado, its legislature, or any political subdivision. Such obligations are the liability of the educational or cultural institution for which the bonds are issued and are payable solely by the borrowing institution or third-party credit enhancers, such as bond insurance companies or issuers of letters of credit.

The Authority's Board of Directors (the "Board") consists of seven members, each appointed by the Governor of Colorado with the consent of the Senate. Ultimate authority and responsibility for the activities of the Authority rest with the Board. The Authority is a special purpose governmental entity reporting as a primary government as defined by Governmental Accounting Standards Board pronouncements. The Authority has determined that it has no component units that are required to be included in the reporting entity because of operational or financial relationship with the Authority. The Board does not appoint or elect members of other Boards of Directors and no other organizations are fiscally dependent upon the Authority. The Authority does not have the power to impose its will on any other entity and has no financial benefit or burden related to any other organization. The accompanying financial statements, therefore, consist only of funds of the Authority and do not include financial information for any component units.

Each January the Authority provides the State Auditor with statutorily required reports on financial operations and the Moral Obligation credit enhancement program.

NOTE B Significant Accounting Policies

Basis Of Accounting

The Authority reports its financial activities on the basis of the governmental proprietary fund accounting concept using the economic resources measurement focus and the accrual basis of accounting. This means that revenues are recognized when earned, and expenses are recognized when a liability is incurred on the accrual basis. The focus of proprietary funds is on the measurement of net income and allows for the reporting of all assets and liabilities of the Authority. The Authority does not have any fiduciary funds or component units.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expense result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. The revenues and expenses related to continuing operations of the Authority are reported as operating income. The non-operating revenues and expenses in these financial statements result from investment activity.

Capital Assets

Capital assets are reported at cost. Depreciation of capital assets is computed on the straight-line method. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss included in the results of operations. It is the Authority's policy to capitalize expenditures for items in excess of \$5,000.

Depreciation is computed using the straight-line method over the estimated useful lives as follows:

	<u>Estimated Useful Lives</u>
Building	30 years

Repairs and maintenance charges which do not increase the useful lives of the assets are charged to operations as incurred.

Classification Of Revenue

The Authority distinguishes between operating or non-operating revenue and expense items in the Statements of Revenues, Expenses and Changes in Net Position according to the following criteria:

Operating revenues and expenses - Operating revenues consist of charges to customers for services provided, including initial financing fees and annual service fees. Operating expenses include the related costs of service, and administrative expenses of the Authority.

Non-operating revenues - Non-operating revenues include activities that have the characteristics of non-exchange transactions, including investment income.

General Budget Policies And Procedures

The Authority adopts its budget annually on a basis consistent with generally accepted accounting principles (GAAP). Revenues are forecasted by source and expenses are forecasted by object of expenditure. The Board approves modifications to the budget during the fiscal year. During 2017 and 2016, the original budget was not amended.

Use Of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition

Initial fees are received from institutions at the inception of each bond issue. The initial fee covers direct expenses such as legal and financial advice incurred in connection with the issuance of the bonds. The Authority determines the amount of the initial fee based on the size of the transaction. The rates for transactions which qualify for the Small Borrower program are lower than standard rates.

At the time their application is submitted, institutions pay an application fee which is non-refundable. If the transaction closes, the application fee is credited against the amount of the initial fee, which is payable at closing from the proceeds of the bond issue.

Annual fees are charged to borrowers each calendar year, and are billed semi-annually from January through June, and July through December. One-twelfth of the amounts billed are recognizable as income each month. The Board reviews fees each year and adopted a new initial and annual fee structure in September 2016, providing for increases effective January 1, 2017 and additional increases effective January 1, 2018.

Cash Equivalents

For purposes of the statement of cash flow, cash and cash equivalents consist of demand deposits and all short-term marketable securities with original maturities of ninety days or less. Certificates of deposit with maturities greater than ninety days are reported as investments.

Unearned Revenue

Unearned revenue represents annual service fees collected in advance of the months to which they relate.

Compensated Absences

Employees receive paid time off which includes vacation, sick leave and personal time. Paid time off accrues from the first day of employment at a rate based on the tenure of the employee's year of employment. No more than 30 days may be accumulated at any point in time. Employees are permitted to request up to 20 hours of future paid time off. Accrued paid time off balances are paid upon termination up to the maximum allowed. Final pay upon termination is deducted from final pay for any balance of future paid time off.

Net Position

The Authority follows the Statement of Governmental Accounting Standards Board relating to Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides guidance for reporting deferred outflows and deferred inflows of resources and identified net position as residual of all elements presented in the statement of net position. This statement also amends net asset reporting requirements by incorporating deferred outflows of resources and deferred inflow of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. As of September 30, 2017 and 2016, the Authority had no deferred inflows or outflows.

Subsequent Events

Management has performed an evaluation of subsequent events through January 24, 2018, which is the date the financial statements were available to be issued, and considered any relevant matters in the preparation of the financial statements.

NOTE C Cash, Certificates Of Deposit And Investments

Deposits and investments of the Authority's monies are made in accordance with deposit and investment guidelines authorized by State statute and pursuant to an investment policy adopted by the Board.

The Authority has cash accounts, sweep account and certificates of deposits. Each of these accounts is either insured by the Federal Deposit Insurance Corporation or fully collateralized in accordance with the State of Colorado Public Deposit Protection Act. The cash demand deposits are held at financial institutions where deposits are insured up to \$250,000 per institution by the FDIC.

The Authority has adopted guidelines intended to maximize the rate of return on the Authority's excess cash. The securities investments are recorded at fair value. Investments in securities as of September 30, 2017 and 2016, were \$2,746,436 and \$3,017,669, respectively.

Interest Rate Risk: Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. The Authority investment policy limits investment maturities to no longer than 5 years and an average life no longer than 3 years.

Concentration of Credit Risk: The Authority does not have a policy that addresses specific limitations on the amount that can be invested in any one issuer. As of September 30, 2017 and 2016, the Authority's investments were concentrated in certificates of deposit.

Credit Quality Risk: Credit Quality risk is the risk that the issuer or other counter party to a debt security will not fulfill its obligations to the Authority. This risk is assessed by national rating agencies, which assign a credit quality rating for investments. The Authority's investment policy limits investments to the following: obligations of U.S. Government, obligations guaranteed as to both principal and interest by the United States government, obligations issued or guaranteed by United States agencies, obligations issued or guaranteed by any state or any political subdivision, repurchase agreements collateralized by above named instruments, certificates of deposit or time deposits fully insured by FDIC, money market accounts or investment pools either rated AAA by one of the three major rating agencies or fully collateralized.

COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY

As of September 30, 2017, the Authority had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Percent of Portfolio</u>	<u>Rating</u>	<u>Maturity</u>
Certificates of deposit	\$ 1,407,277	51%	None	Less than 1 year
Certificates of deposit	1,339,159	49%	None	1 year to 5 years
Total	<u>\$ 2,746,436</u>			

As of September 30, 2016, the Authority had the following investments:

<u>Investment type</u>	<u>Fair Value</u>	<u>Percent of Portfolio</u>	<u>Rating</u>	<u>Maturity</u>
Certificates of deposit	\$ 1,455,167	48%	None	Less than 1 year
Certificates of deposit	1,562,502	52%	None	1 year to 5 years
Total	<u>\$ 3,017,669</u>			

The following table presents the investments that represent 5% or more of the Authority's total investments for the year ended September 30:

	<u>2017</u>	<u>2016</u>
BMO Harris Bank CD	\$	\$ 250,060
Wells Fargo Bank CD		201,800
Santander Bank CD		153,021
Grundy National Bank CD		177,063
Ally Bank CD		200,204
Capital One CD	200,434	201,800
Goldman Sachs Bank CD	200,706	203,778
Compass Bank CD	225,261	227,034
JP Morgan Chase CD	199,754	200,680
Bank Hope CD	174,878	
BMW Bank CD	140,828	
American Express CD	174,634	

NOTE D Accounts Receivable

Due to the nature of the business and the size of the Authority, receivables are owed by a small number of institutions. Generally, the Authority does not require collateral or other security to support institution receivables.

NOTE E Net Position And Board Designations

In accordance with GASB pronouncements, the Authority's net position consist of investments in capital assets net of related debt, restricted net position and unrestricted net position. Investments in capital assets net of related debt include assets with useful lives greater than one year and any debt used to acquire these assets. Restricted net position include assets restricted as to use due to creditors, laws and regulations of other governments, or imposed through constitutional provisions or enabling legislation. Unrestricted net position are net position that do not meet the definition of investments in capital assets net of related debt or restricted net position. As of September 30, 2017 and 2016, the Authority had capital assets net of accumulated depreciation and related debt or restricted net position in the amount of \$341,564 and \$353,463, respectively

The Authority's net position is impacted by Board policy regarding reserves. The Board modified its reserve policy on September 27, 2017, to revise metrics and purposes for its three reserve funds. In view of uncertainties as to future changes in federal or state law that could adversely affect the ability of the Authority to issue tax-exempt obligations, competition from other issuers, fluctuations in the marketability of tax-exempt bonds, and other scenarios, the Authority adopted an Operating Reserve goal sufficient to fund approximately three years of the Authority's typical operating expenses. The Authority has also determined that an Office Reserve should be maintained for contingencies related to the Authority's office. Expenses could include expenditures for office and computer equipment, building maintenance and upgrades, property taxes, etc. The Authority has determined that approximately \$100,000 would be an adequate reserve to fund these costs. This amount equals the prior office reserve fund that was established to facilitate CECFA's potential move out of its prior office space. Third, the Authority continued its Litigation/Legislation Reserve in the amount of \$600,000 for expenses that could be incurred by the Authority in the vent of a pending or actual payments or covenant default by an institution which has financed through the Authority. These reserves may be expended as necessary or appropriate in the operations of the Authority with prior, specific approving action by the Board of Directors and at its sole discretion.

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Notes To Financial Statements (Continued)

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NOTE F Project Financing Costs

Project financing costs include estimated costs incurred by the financial advisors and general counsel in connection with bond issues that have not yet closed. They include unbilled expenses that have been recognized in the financial statements.

NOTE G Tabor Amendment

During 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including restrictions on increases in revenues and expenditures, and other specific requirements of state and local governments. The Authority has received an opinion from its general counsel that the Authority qualifies as an enterprise fund under the amendment and therefore is exempt from its provisions.

NOTE H Conduit Debt

The Authority has issued conduit tax-exempt revenue bonds, the proceeds of which were made available to various nonprofit educational and cultural institutions with facilities, operations, or related entities in Colorado for refunding and refinancing outstanding indebtedness and for financing additional facilities and other capital expenditures. Existing balances as of June 30, 2017 and 2016, (latest report available) plus balances of bonds closed between July 1 and September 30, 2017 and 2016, were \$2,926,541,512 and \$2,604,438,634, respectively. The bonds are payable solely from funds of the institutions obtaining the financing. The bonds do not constitute a debt or pledge of the faith or credit of the Authority, the State of Colorado, its legislature, or any political subdivision, and accordingly, they have not been reported in the accompanying financial statements.

NOTE I Risk Management

The Authority is exposed to various risks of loss related to torts, errors and omissions, and disasters, natural or otherwise. The Authority carries insurance for risks of loss as follows: comprehensive general liability insurance for \$2,000,000, an umbrella liability policy for \$1,000,000, a public official liability policy for \$5,000,000, and a commercial crime policy for \$10,000.

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NOTE J Pension Cost

Effective January 1, 2010, the Authority initiated a qualified pension plan created in accordance with Internal Revenue Code Section 401(a). The plan requires all eligible employees to contribute 2% of their eligible compensation. The Authority is required under the plan agreement to make a matching contribution of 9% of eligible salaries. The plan is available to all full time employees defined as employees working at least 20 hours per week. Employee and employer contributions to the plan are limited to the lesser of \$40,000 or the employee's salary. The Authority is responsible for the organization and administration of the Plan. Employer contributions to the plan during 2017 and 2016 were \$16,160 and \$14,703, respectively.

The Authority also initiated a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b) on January 1, 2010. The plan permits Authority employees to defer a portion of their salary until future years. An amount up to \$22,000 for employees over 50 years of age and \$16,500 for those under 50 years of age, may be contributed by the employee to the plan. The deferred compensation is not available to employees until termination, retirement, death or an unforeseen emergency. No employer contributions were made to the plan during the years ended September 30, 2017 and 2016.

COLORADO EDUCATIONAL AND CULTURAL FACILITIES AUTHORITY

Schedule Of Budgeted And Actual Revenues And Expenses
 For The Year Ended September 30, 2017

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue-Operating:				
Annual service fees	\$ 270,000	\$ 270,000	\$ 329,697	\$ 59,697
Initial fees	586,056	586,056	581,761	(4,295)
Total operating revenue	<u>856,056</u>	<u>856,056</u>	<u>911,458</u>	<u>55,402</u>
Expenses-Operating:				
Project financing costs:				
Legal services - bond issues	354,915	354,915	294,219	60,696
Financial services - bond issues	100,000	100,000	96,880	3,120
Total project financing costs	<u>454,915</u>	<u>454,915</u>	<u>391,099</u>	<u>63,816</u>
Operating expense:				
Salaries and benefits	249,164	249,164	232,649	16,515
Professional service fees	100,809	100,809	97,316	3,493
Special program			500	(500)
Other expenses	141,328	141,328	112,808	28,520
Total operating expenses	<u>491,301</u>	<u>491,301</u>	<u>443,273</u>	<u>48,028</u>
Change in net position from operating activities	<u>(90,160)</u>	<u>(90,160)</u>	<u>77,086</u>	<u>(167,246)</u>
Revenue-non-Operating:				
Gain (loss) on investments	(5,856)	(5,856)	(11,951)	(6,095)
Interest and dividends on investments	33,154	33,154	34,733	1,579
Total non-operating revenue	<u>27,298</u>	<u>27,298</u>	<u>22,782</u>	<u>(4,516)</u>
Change in net position	<u>\$ (62,862)</u>	<u>\$ (62,862)</u>	<u>\$ 99,868</u>	<u>\$162,730</u>