Financial Statements

Volusia County Educational Facilities Authority

For the Year Ended September 30, 2022
With Independent Auditors' Reports

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DeLand, Florida

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INDEPENDENT AUDITORS' REPORT

To the Officers and Members of the Board
Volusia County Educational Facilities Authority
DeLand, Florida

Opinion

We have audited the accompanying financial statements of Volusia County Educational Facilities Authority (the "Authority") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Volusia County Educational Facilities Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Volusia County Educational Facilities Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Volusia County Educational Facilities Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Volusia County Educational Facilities Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BMC CPAs

January 17, 2023

Management's Discussion and Analysis

As financial management of Volusia County Educational Facilities Authority (hereinafter referred to as the "Authority"), we offer the readers of these basic financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year that ended September 30, 2022. This discussion and analysis is designed to assist the reader in focusing on the Authority's significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section, taken as a whole.

Financial Highlights

- Total assets and liabilities decreased by approximately $9 million, to a total of $332 million at the end of the fiscal year, compared with the $341 million reported at the end of the prior fiscal year. This net decrease was caused primarily by routine debt payments combined with the assumption of no new liabilities.

- Revenue representing loan interest payments from benefiting institutions and investment earnings totaled $14.9 million in 2022, compared to $15.2 million in 2021. Current year revenues are composed primarily of loan interest and debt expense payment reimbursements. Investment earnings of $391 were also recognized by the Authority in 2022, compared with $77 earned one year earlier. This represents all service charges and related debt service costs incurred by the Authority's project participants on all of its conduit-debt obligations during these periods.

- Total interest and debt expense on all conduit debt obligations totaled $14.9 million in 2022, compared to $15.2 million in the prior year.

- Current year administrative fund revenues and expenses totaled $14,860 and $14,860, respectively, in 2022, up from $14,320 and $14,320, respectively, for 2021. These amounts represent all service charges and administrative costs incurred by the Authority in conducting its fiscal affairs.

Overview of Financial Statements

Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the basic financial statements. The MD&A represents management's examination and analysis of the Authority's financial condition and financial performance taken as a whole. Summary financial statement data, key financial and operational indicators used in the bond indentures and other management tools were used for this analysis.

The basic financial statements consist of entity-wide financial statements that provide both the short and long-term financial information about the Authority's financial activities, all of which are reported as proprietary fund activities. These statements report information about the Authority using full accrual accounting methods and an economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the Authority's assets and liabilities, both financial and capital, and short-term and long-term are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid, are reported.

The basic financial statements of the Authority include a statement of net position, statement of activities, statement of revenues, expenses and changes in net position, statement of cash flows and notes to the financial statements, which are described as follows:

- The statements of net position (entity-wide and fund level) present the financial position of the Authority on a full accrual, historical cost basis. These statements provide information about the nature and amount of resources and obligations at year-end.

- The statement of activities (entity-wide) and statement of revenues, expenses, and changes in net position (fund level) present the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. These statements also provide certain information about the Authority's recovery of its scheduled debt service costs from benefiting institutions in accordance with the various loan indentures.

- The statement of cash flows presents changes in cash and cash equivalents, resulting from operating, capital and related financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event or when an obligation arises.

- The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Financial Analysis

The Authority's basic financial statements report its net position and how it has changed over the reporting period. Net position - the difference between assets and liabilities - typically serves as a useful indicator of an entity's financial position. However, since the Authority's resources and obligations are accounted for as conduit debt obligations, no accumulated net position exists at any given time. All resources are held in trust accounts by the benefiting institutions and are recognized as reductions in the net amount owed to the Authority by its project borrowers. Similarly, all debt obligations are recognized as liabilities of the Authority, with a corresponding receivable from the project borrower, which is stated net of accumulated trust assets and accrued interest payable. Therefore, one needs to consider other non-financial factors such as changes in the economic conditions, compliance with restrictive covenants, and debt payment histories of the Authority project borrowers to adequately assess its overall health.

The material portion of the Authority's assets ($322.5 million, or 97.2% in 2022, compared to $331.4 million, or 97.2% in 2021) consists of the amounts receivable from its project borrowers for current interest and debt expense, along with future required principal reductions. At September 30, 2022, Embry-Riddle Aeronautical University, Inc. ("Embry-Riddle") and Stetson University, Inc. ("Stetson") had outstanding accounts receivables for debt obligations totaling $236.5 million and $86.0 million, respectively. The remaining assets ($9.5 million) represent cash and investments held in trust for debt service payments.

The following is a summary of the Authority's assets and liabilities at September 30, 2022, compared to September 30, 2021:

Condensed Statements of Net Position
($000's)

	September 30 2022	September 30 2021	Dollar Change	Percent Change
Assets:				
Cash and cash equivalents-restricted	$ 9,500	$ 9,640	$ (140)	-1.45%
Loans receivable	322,474	331,367	(8,893)	-2.68%
Total assets	331,974	341,007	(9,033)	-2.65%
Liabilities:				
Accrued liabilities payable	6,264	6,387	(123)	-1.93%
Revenue bonds payable	325,710	334,620	(8,910)	-2.66%
Total liabilities	331,974	341,007	(9,033)	-2.65%
Net position	$ -	$ -	$ -	0.00%

The Authority's restricted cash for bond funds decreased by $140 thousand in 2022, compared to an increase of $9.6 million during 2021.

Combined loans receivable from participating educational institutions decreased by $8.9 million in 2022, compared to a decrease of $18.4 million in 2021. These receivables totaled $322.5 million and $331.4 million at September 30, 2022 and 2021, respectively. These loans receivable reflect the total amounts due from all project borrowers for accrued interest and future mandatory principal reductions, less amounts aggregated in project trust funds for bond retirement and debt service reserve requirements. The aggregate loan balance due from project borrowers is stated net of $9.5 million and $9.6 million in related bond and debt service reserve funds held in trust at the end of 2022 and 2021, respectively.

The Authority's accrued interest payable at year end 2022 totaled $6.26 million, which was $123 thousand less than the $6.39 million reported at the end of 2021.

The Authority's revenue bond debt decreased by $8.9 million at the end of 2022 compared to a realized net decrease of $8.7 million in 2021. The 2022 net decrease was the result of routine scheduled principal reductions on all outstanding project bonds during the fiscal year.

The following is a summary of the Authority's revenues, expenses and changes in net assets for the year ended September 30, 2022, compared to September 30, 2021.

Condensed Statements of Revenues, Expenses and Changes in Net Position ($000's)

	Year ended September 30		Dollar	Percent
	2022	2021	Change	Change
Revenues:				
Loan interest payments	$ 14,898	$ 15,189	$ (291)	-1.92%
Administrative charges	15	14	1	7.14%
Total revenues	14,913	15,203	(290)	-1.91%
Expenses:				
Administrative contract fees	15	14	1	7.14%
Interest and debt expense	14,898	15,189	(291)	-1.92%
Total expenses	14,913	15,203	(290)	-1.91%
Increase in net position	$ -	$ -	$ -	0.00%

The amount received by the Authority in the current year for loan interest and debt expense payments totaled $14.9 million, a decrease of approximately $300 thousand below last year's $15.2 million. Amounts reported do not include loan interest payments for defeased debt obligations since this debt is considered completely satisfied upon its refunding. Likewise, principal, interest and debt expense payments do not include amounts attributable to the Authority's legally discharged debt obligations.

Long-Term Debt and Debt Administration

As of September 30, 2022, the Authority had $325.7 million in outstanding revenue (conduit debt obligation) bonds, compared to $334.6 million at the end of fiscal year 2021. Certain of these obligations are collateralized by a pledge of tuition revenues from Stetson and Embry-Riddle, as defined in their respective bond indentures.

The following is a summary of the debt activity for 2022:

	Balance September 30, 2021	Principal Payments	Balance September 30, 2022	Current Maturities
Projects:				
Embry-Riddle Aeronautical University, Inc.				
Series 2015A	$ 34,930,000	$ (3,060,000)	$ 31,870,000	$ 3,150,000
Series 2015B	41,290,000	(280,000)	41,010,000	75,000
Series 2015C	16,420,000	(2,535,000)	13,885,000	2,590,000
Series 2017	46,355,000	-	46,355,000	-
Series 2020AB	109,080,000	(1,090,000)	107,990,000	1,135,000
Stetson University, Inc.				
Series 2015	86,545,000	(1,945,000)	84,600,000	2,040,000
Totals	$334,620,000	$ (8,910,000)	$325,710,000	$ 8,990,000

The respective bond ratings from Moody's, Standard & Poor's, and Fitch on the Authority's outstanding bond obligations at the time of their original issuance are as follows:

	Moody's	Standard & Poors	Fitch's
Embry-Riddle Aeronautical University Project:			
Series 2015A (bank placement)	(not rated)	(not rated)	(not rated)
Series 2015B	Baa1	(not rated)	A-
Series 2015C (bank placement)	(not rated)	(not rated)	(not rated)
Series 2017	A3	(not rated)	A-
Series 2020AB	A3	(not rated)	A+
Stetson University Project:			
Series 2015	A3	A-	(not rated)

The most recent underlying ratings on the project borrowers are as follows:

Embry-Riddle Aeronautical University, Inc.	A2 (3/10/2021)	(not rated)	A+ (2/17/2021)
Stetson University, Inc.	A3 (1/7/21)	A- (10/30/20	(not rated)

The mandatory debt service requirements on these obligations are detailed in the notes to the financial statements.

Under its current debt agreements, each project borrower has covenanted to maintain various liquidity and debt service coverage ratios. At September 30, 2022, all project borrowers had substantially complied with these financial covenants.

Current Financial Issues and Concerns

The management of each project borrower continues to review and monitor current bond market conditions for evaluating the feasibility of restructuring any and all outstanding debt obligations if, and when, the opportunity presents itself and only after it is conclusively determined that it makes significant financial "sense" to pursue.

The Authority is empowered under the Higher Educational Facilities Authorities Law, Part II of Chapter 243, Florida Statutes to assist accredited not-for-profit institutions of higher education through the issuance of bonds or notes for the purpose of acquiring, constructing, equipping, improving or refinancing educational facilities projects. The Authority has no taxing power. Neither the State of Florida, Volusia County, nor any other political subdivision of the State, are in any way liable for any payment of principal, interest or redemption premium on bonds or notes issued by the Authority for its project borrowers. The Authority has no source of funds for the payment of any bonds issued by Project sponsors other than the obligations of the Project sponsors under the respective loan agreements and other funds pledged under the related indentures to the payment of the bonds.

As a Florida Special District, the Authority must comply with the requirements of Chapter 189, Florida Statutes, when issuing conduit debt obligations for its Project sponsors. In the event a referendum is not required, the Authority must ensure that, at the time of the closing, the bonds met at least one of the following criteria:

- The bonds were rated in one of the highest four ratings by a nationally recognized rating service;
- The bonds were privately placed with or otherwise sold to accredited investors;
- The bonds were backed by a letter of credit from a bank, savings and loan association, or other creditworthy guarantor, or by bond insurance, guaranteeing payment of principal and interest on the bonds; or
- The bonds were accompanied by an independent financial advisory opinion stating that estimates of debt service coverage and probability of debt repayment are reasonable, which opinion was provided by an independent financial advisory, consulting, or accounting firm registered where professional registration is required by law and which is in good standing with the state and in conformance with all applicable professional standards for such opinions.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those who have expressed an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the office of the Executive Director, c/o Landis Graham French, 145 East Rich Avenue, Suite C, DeLand, Florida 32724.

Basic Financial Statements

VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF NET POSITION
September 30, 2022

Assets:	
Cash and cash equivalents-restricted	$ 9,499,883
Loans receivable - current portion	4,577,149
Total current assets	14,077,032
Loans receivable, net of current portion	317,897,171
Total Assets	$ 331,974,203
Liabilities and Net Position:	
Current liabilities:	
Accrued interest payable	$ 6,264,203
Revenue bonds payable - current portion	8,990,000
Total current liabilities	15,254,203
Revenue bonds payable, net of current portion	316,720,000
Total Liabilities	331,974,203
Net position	-
Total Liabilities and Net Position	$ 331,974,203

The accompanying notes are an integral part of the financial statements

VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF ACTIVITIES
Year Ended September 30, 2022

	Proprietary Funds
Operating Revenues:	
Loan interest payments received	$ 14,897,925
Administrative charges	14,860
Total operating revenues	14,912,785
Operating Expenses:	
Interest expense	14,898,316
Administrative contract fees	14,860
Total operating expenses	14,913,176
Operating loss	(391)
Nonoperating Income:	
Investment earnings	391
Change in net position	-
Net Position:	
Beginning of year	-
End of year	$ -

The accompanying notes are an integral part of the financial statements

VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENTS OF NET POSITION – ALL PROPRIETARY FUNDS
September 30, 2022

	Business-type Activities - Enterprise Funds						
	Embry-Riddle Aeronautical University, Inc.					Stetson University, Inc.	
	Project 2015A	Project 2015B	Project 2015C	Project 2017	Project 2020AB	Project 2015	Total
Assets:							
Cash and cash equivalents - restricted	$ 3,613,708	$ 1,099,500	$ -	$ 1,158,876	$ 3,627,025	$ 774	$ 9,499,883
Loans receivable - current portion	-	-	2,537,149	-	-	2,040,000	4,577,149
Total current assets	3,613,708	1,099,500	2,537,149	1,158,876	3,627,025	2,040,774	14,077,032
Loans receivable, net of current portion	28,680,456	40,849,227	11,492,505	46,258,426	106,647,331	83,969,226	317,897,171
Total assets	$ 32,294,164	$ 41,948,727	$ 14,029,654	$ 47,417,302	$ 110,274,356	$ 86,010,000	$ 331,974,203
Liabilities and Net Position:							
Current liabilities:							
Accrued interest payable	$ 424,164	$ 938,727	$ 144,654	$ 1,062,302	$ 2,284,356	$ 1,410,000	$ 6,264,203
Revenue bonds payable - current portion	3,150,000	75,000	2,590,000	-	1,135,000	2,040,000	8,990,000
Total current liabilites	3,574,164	1,013,727	2,734,654	1,062,302	3,419,356	3,450,000	15,254,203
Revenue bonds payable, net of current portion	28,720,000	40,935,000	11,295,000	46,355,000	106,855,000	82,560,000	316,720,000
Total liabilities	32,294,164	41,948,727	14,029,654	47,417,302	110,274,356	86,010,000	331,974,203
Net position	-	-	-	-	-	-	-
Total liabilities and net position	$ 32,294,164	$ 41,948,727	$ 14,029,654	$ 47,417,302	$ 110,274,356	$ 86,010,000	$ 331,974,203

The accompanying notes are an integral part of the financial statements

VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
ALL PROPRIETARY FUNDS
Year Ended September 30, 2022

Business-type Activities - Enterprise Funds

	Embry-Riddle Aeronautical University, Inc.					Stetson University, Inc.	Both Universities	
	Project 2015A	Project 2015B	Project 2015C	Project 2017	Project 2020AB	Project 2015	Administrative Fund	Total
Operating Revenues:								
Payments for loan interest	$ 930,630	$ 2,050,421	$ 318,764	$ 2,317,730	$ 4,985,817	$ 4,294,563	$ -	$ 14,897,925
Administrative charges	-	-	-	-	-	-	14,860	14,860
Total operating revenues	930,630	2,050,421	318,764	2,317,730	4,985,817	4,294,563	14,860	14,912,785
Operating Expenses:								
Interest expense	930,663	2,050,439	318,764	2,317,750	4,985,867	4,294,833	-	14,898,316
Administrative contract fees	-	-	-	-	-	-	14,860	14,860
Total operating expenses	930,663	2,050,439	318,764	2,317,750	4,985,867	4,294,833	14,860	14,913,176
Operating loss	(33)	(18)	-	(20)	(50)	(270)	-	(391)
Nonoperating Income:								
Investment earnings	33	18	-	20	50	270	-	391
Change in net position	-	-	-	-	-	-	-	-
Net Position:								
Beginning of year	-	-	-	-	-	-	-	-
End of year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

The accompanying notes are an integral part of the financial statements

VOLUSIA COUNTY EDUCATIONAL FACILITIES AUTHORITY
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended September 30, 2022

	Enterprise Funds							
	Embry-Riddle Aeronautical University, Inc.					Stetson University, Inc.	Both Universities	
	Project 2015A	Project 2015B	Project 2015C	Project 2017	Project 2020AB	Project 2015	Administrative Fund	Total
Cash Flows from Operating Activities:								
Cash received from benefitting institutions:								
Embry-Riddle Aeronautical University, Inc	$ 927,411	$ 2,048,982	$ 345,477	$ 2,317,730	$ 4,984,000	$ -	$ 11,034	$ 10,634,634
Stetson University, Inc	-	-	-	-	-	4,327,224	3,826	4,331,050
Cash paid to vendors and contractors.	-	-	-	-	-	-	(14,860)	(14,860)
Cash paid to trustee for interest payments	(971,940)	(2,053,200)	(345,477)	(2,317,750)	(5,005,850)	(4,327,250)	-	(15,021,467)
Net cash provided by (used in) operating activities	(44,529)	(4,218)	-	(20)	(21,850)	(26)	-	(70,643)
Cash Flows from Capital and Related Financing Activities:								
Cash received from benefitting institutions:								
Embry-Riddle Aeronautical University, Inc	3,149,972	75,000	2,535,000	-	1,135,000	-	-	6,894,972
Stetson University, Inc	-	-	-	-	-	1,945,000	-	1,945,000
Cash payments to trustee-bond principal	(3,060,000)	(280,000)	(2,535,000)	-	(1,090,000)	(1,945,000)	-	(8,910,000)
Net cash provided by (used in) capital and related financing activities	89,972	(205,000)	-	-	45,000	-	-	(70,028)
Cash Flows from Investing Activities:								
Interest on investments, net of trustee fees	33	18	-	20	50	270	-	391
Net cash provided by investing activities	33	18	-	20	50	270	-	391
Net increase (decrease) in cash and equivalents	45,476	(209,200)	-	-	23,200	244	-	(140,280)
Cash and cash equivalents - beginning of year	3,568,232	1,308,700	-	1,158,876	3,603,825	530	-	9,640,163
Cash and cash equivalents - end of year	$ 3,613,708	$ 1,099,500	$ -	$ 1,158,876	$ 3,627,025	$ 774	$ -	$ 9,499,883
Reconciliation of change in net position to net cash used in operating activities:								
Change in Net position	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Adjustments to reconcile operating loss to net cash used in operating activities:								
Change in current assets and liabilities:								
Accrued interest payable	(44,529)	(4,218)	-	(20)	(21,850)	(26)	-	(70,643)
Net cash provided by (used in) operating activities	$ (44,529)	$ (4,218)	$ -	$ (20)	$ (21,850)	$ (26)	$ -	$ (70,643)

The accompanying notes are an integral part of the financial statements

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Volusia County Educational Facilities Authority (the "Authority") have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body promulgating governmental accounting and financial reporting principles. The following is a summary of the Authority's significant accounting policies:

A. Reporting Entity

The Authority is a political instrumentality created by the County Council of Volusia County, Florida (the "Volusia County Council") pursuant to the Higher Educational Facilities Authorities Law (the "Act"), Chapter 69-345, Laws of Florida, 1969 (Chapter 243, Part II, Florida Statutes), as revised and amended, to assist institutions for higher education within Volusia County in the construction, financing or refinancing of projects (structures and machinery and equipment related to the operation of the structure) required or useful for the instruction of students or the operation of an institution of higher education. The Authority has no taxing power. Neither the State of Florida, Volusia County nor any other political subdivision of the State are in any way liable for payment of principal, interest or redemption premium on bonds or notes issued by the Authority. The Authority has no source of funds for the payment of bonds other than the obligations of the participating institutions under loan agreements and other funds pledged under the indentures.

Pursuant to the Act, the Volusia County Council appointed five residents of Volusia County as members of the Authority, one of which must be a trustee, director, officer or employee of an institution of higher education in Volusia County. The members are appointed for staggered terms of five years each. Authority members are eligible for reappointment.

The Authority is exempt from both federal and state taxes.

Since its inception, the Authority has issued twenty-six series of revenue bonds, summarized as follows:

1. The first series, dated April 1, 1973, was to finance construction of a building at Stetson University, Inc. (Stetson), DeLand, Florida.
2. The second series, dated April 1, 1977, was used to finance and refinance the acquisition, modification and construction of dormitory facilities at Embry-Riddle Aeronautical University, Inc. (Embry-Riddle), Daytona Beach, Florida. This series was redeemed by Embry-Riddle on October 1, 1991 and title to the property financed was transferred to Embry-Riddle.
3. The third series, dated June 14, 1984, was used for the rehabilitation of Stetson Hall at Stetson, plus furnishings, construction of an operations building, campus roads and parking areas.
4. The fourth series, dated December 31, 1985, was used for construction of residence halls and renovation of existing facilities at Stetson. The 1984 and 1985 Series were refunded by the Stetson Series 1992 revenue bonds.
5. The fifth series, dated August 15, 1989, was used for certain renovations, equipment and construction at the Daytona Beach campus of Embry-Riddle.
6. The sixth series, dated March 11, 1992, was used to refund and refinance certain outstanding obligations of Stetson including the refunding of the 1984 and 1985 series, and finance certain capital improvements.
7. The seventh series, dated November 17, 1992, was used to defease the 1989 series outstanding obligations of Embry-Riddle and finance certain capital improvements.

8. The eighth series, dated March 15, 1996, was used to finance certain capital improvements to Embry-Riddle. These 1996A Series bonds were refunded by the Embry-Riddle Series 2005 revenue bonds on August 5, 2005.
9. The ninth series, dated October 23, 1996, was used to finance the construction of certain capital projects at Stetson and to defease the outstanding Series 1992 Stetson revenue bonds. These 1996A Series bonds were refunded by the Stetson Series 2005 revenue bonds on May 26, 2005.
10. The tenth series, dated June 15, 1999, was applied to finance or refinance certain capital improvements and equipment at Embry-Riddle.
11. The eleventh series, dated June 15, 1999, was used to defease a portion of the 1992 series outstanding obligations of Embry-Riddle.
12. The twelfth series, dated June 15, 1999, was used to finance certain capital improvements at Stetson University.
13. The thirteenth series, dated October 3, 2001, was used to refinance certain existing debt and to finance or refinance the acquisition, construction, and equipping of certain educational facilities at Bethune-Cookman University, Inc. (Bethune-Cookman) in Daytona Beach, Florida.
14. The fourteenth series, dated August 21, 2003, was used to defease the remaining portion of the 1992 series outstanding obligations of Embry-Riddle and to finance certain capital improvements at, and equipment for, Embry-Riddle's Daytona Beach, Florida, and Prescott, Arizona campuses.
15. The fifteenth series, dated May 26, 2005, was used to defease all future maturities of the outstanding Series 1996A Stetson revenue bonds, except for those maturities scheduled for payment on October 15, 2005.
16. The sixteenth series, dated August 5, 2005, was used to refund all of the 1996A series outstanding obligations of Embry-Riddle and to finance certain land, equipment, capital improvements and renovations to Embry-Riddle's Daytona Beach, Florida, and Prescott, Arizona campuses.
17. The seventeenth series, dated December 3, 2010, was used to refund all of the 1996B series and 1999 series outstanding obligations of Stetson and to finance certain campus renovations at Stetson's Deland, Florida, campus.
18. The eighteenth series, dated July 7, 2011, was used to refund all of the 1999A and 1999B series outstanding obligations of Embry-Riddle.
19. The nineteenth series, dated December 15, 2011, was used to refund two existing mortgage obligations and to finance certain campus renovations at Stetson University.
20. The twentieth series, dated November 8, 2013, was used to refund all of the 2003 outstanding obligations of Embry-Riddle. The Series 2013 Bond was modified on June 12, 2015 for the purposes of restructuring its total debt and to effect making certain other covenants and agreements in connection with the restructuring.
21. The twenty-first series, dated February 12, 2015 (Series 2015A), was used for the purposes of refunding a portion of the Series 2005 obligation of Embry-Riddle and making certain other covenants and agreements in connection with the issuance of the loan.
22. The twenty-second series, dated March 23, 2015 (Series 2015B), was issued by Embry-Riddle for the purposes of financing campus renovations and other capital improvements.
23. The twenty-third series, dated April 1, 2015, was used for the purposes of financing certain renovations and improvements to Stetson's Deland campus and Gulfport campus, reimbursement for certain property acquisitions, and to refund the Series 2015, Series 2010 and Series 2011 obligations in their entirety.
24. The twenty-fourth series, dated July 17, 2015 (Series 2015C), was used for the purposes of refunding the remaining portion of the Series 2005 Bonds of Embry-Riddle.

25. The twenty-fifth series, dated July 27, 2017 (Series 2017), was used for the purposes of refunding the outstanding Series 2011 and to finance certain equipment, capital improvements and renovations to the University's Daytona Beach, Florida, and Prescott, Arizona campuses.
26. The twenty-sixth series, dated January 16, 2020 (Series 2020AB) was used for the purpose to finance certain capital projects at the University's Daytona Beach campus located at 1 Aerospace Boulevard, Daytona Beach, Florida (the "Daytona Beach campus"), to finance certain capital projects at the University's Prescott, Arizona campus located at 3700 Willow Creek Road, Prescott, Arizona and to refund the entire Series 2013 Bond and a portion of the Series 2015B Bonds maturing on October 15, 2039.

All refunded bonds are considered to be legally defeased and the liability has been removed from the statement of net position.

The Series 2015 Stetson bonds are collateralized by a pledge of tuition revenues of Stetson, as defined in the Bond Indenture. The Series 2015A, 2015B, 2015C, 2017 and 2020AB Embry-Riddle bonds are collateralized by a pledge of tuition revenues of Embry-Riddle to the lending financial institutions.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and are prepared in accordance with accounting principles generally accepted in the United States of America. The accompanying financial statements present the financial position, results of operations and cash flows of the applicable funds controlled by or dependent on the Authority. In evaluating the Authority as a reporting entity, management has addressed all potential component units for which the entity may or may not be financially accountable and, as such, be included within the Authority's financial statements. No component units exist which would require inclusion in the Authority's financial statements.

The Authority's accounts are organized on the basis of fund accounting, and its operations are recorded as business-type proprietary funds. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the authorizing statute is that the debt service and issuance costs of the bonds issued are recovered through payments made by benefiting institutions. Under the various bond indentures, all operating and administrative fees, including those for administration, legal and accounting services, are incurred on a pro-rata basis by each participating institution, which is fully responsible for payment of such expenses. The Authority's separate proprietary financial activities are reported in the Administrative Fund.

The government reports the following major proprietary funds:

- The *Administrative Fund* accounts for the activities of the Authority's administration of the conduit debt obligations and its administrative expenses.

- The *Embry-Riddle Aeronautical University, Inc. Project 2015A Fund* accounts for the activities of the project participant's reporting and servicing of this conduit debt obligation, which is the sole responsibility of Embry-Riddle Aeronautical University, Inc.

- The *Embry-Riddle Aeronautical University, Inc. Project 2015B Fund* accounts for the activities of the project participant's reporting and servicing of this conduit debt obligation, which is the sole responsibility of Embry-Riddle Aeronautical University, Inc.

- The *Embry-Riddle Aeronautical University, Inc. Project 2015C Fund* accounts for the activities of the project participant's reporting and servicing of this conduit debt obligation, which is the sole responsibility of Embry-Riddle Aeronautical University, Inc.

- The *Embry-Riddle Aeronautical University, Inc. Project 2017 Fund* accounts for the activities of the project participant's reporting and servicing of this conduit debt obligation, which is the sole responsibility of Embry-Riddle Aeronautical University, Inc.

- The *Embry-Riddle Aeronautical University, Inc. Project 2020AB Fund* accounts for the activities of the project participant's reporting and servicing of this conduit debt obligation, which is the sole responsibility of Embry-Riddle Aeronautical University, Inc.

- The *Stetson University, Inc. Project 2015 Fund* accounts for the activities of the project participant's reporting and servicing of this conduit debt obligation, which is the sole responsibility of Stetson University, Inc.

The financial statements are prepared on the accrual basis. On the accrual basis, revenues are recorded when earned and expenses are recorded when related liabilities are incurred. The Authority's financial statements report the Authority's conduit debt obligations as liabilities on their balance sheet along with the related assets as allowed by Interpretation No. 2 of the Governmental Accounting Standards Board, *Disclosure of Conduit Debt Obligations*.

Amounts reported as operating revenues include: 1) collections from loan project participants received exclusively for the servicing of conduit debt obligation interest and fiscal charges, and 2) administrative charges to loan project participants for contract services provided by the Authority. Amounts reported as non-operating revenues include: 1) interest earned during the period from the investment of restricted bond funds.

C. Assets, Liabilities and Net Position

Deposits and Investments. The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and money market funds. All investment acquisition authority is based upon the requirements of each Project bond indenture.

Restricted Bond Fund Accounts. Under the Authority's various Project bond indentures, certain restricted accounts have been established for the purpose of maintaining mandatory debt service reserve funds and for the accumulation of the resources earmarked for the payment of mandatory scheduled debt service payments on outstanding obligations. All of the debt service reserve and bond fund accounts of the Authority are maintained by independent trustees under trust agreements.

Fair Value of Financial Instruments. The carrying amount reported in the statement of net position for cash and cash equivalents, loans receivable, and other payables approximates fair value because of the immediate or short-term maturity of these financial instruments.

Loans Receivable. The Authority's receivables include amounts due from the benefiting institutions for the repayments of current and future debt service payments on the related conduit debt obligations. No provision or estimates have been made for any uncollectible accounts based upon management's analysis of historical trends.

Revenue Bond Obligations. In the financial statements, long-term debt obligations are reported as liabilities in the statement of net position. Bonds payable are reported at their par amounts, since this represents the amounts that will ultimately be required to be paid for retirement of the outstanding principal balances. Therefore, no provision has been made to recognize any original issue premiums or discounts.

Risk Management. The Authority has no title to any existing real or tangible personal property, has no responsibility for the payment of any employee salaries, wages or related benefits, and has no involvement in any other direct financial activities. The Authority's financial activities consist exclusively of those activities associated with reporting the changes in its various conduit debt obligations. The Authority has no capital assets, employees, or other financial activities that are exposed to any type of risk of loss that is necessary to be mitigated through the purchase of commercial insurance, participation in a public entity risk pool, or through risk retention.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Recent GASB Accounting Standards: The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

- Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It is anticipated that no action will be required by the Authority to implement this Statement. The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.

- Statement No. 92, *Omnibus 2020.* The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.

- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue

Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.

- Statement No. 98, *The Annual Comprehensive Financial Report.* This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The provisions of this Statement are effective for reporting periods ending after December 15, 2021.

The Authority is currently evaluating the effects that the following Governmental Accounting Standards Board (GASB) Statements, which will be implemented in future financial statements, will have on its financial statements for subsequent fiscal years.

- Statement No. 91, *Conduit Debt Obligations.* The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. It is anticipated that no action will be required by the Authority to implement this Statement. The provisions of this Statement are effective for reporting periods beginning after December 15, 2021.

- Statement No. 93, *Replacement of Interbank Offered Rates. S*ome governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

  Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

  The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The provisions of this Statement are effective for reporting periods beginning after June 15, 2021.

- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

- Statement No. 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The provisions of this Statement are effective for reporting periods beginning after June 15, 2022.

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

Deposits. The Authority does not possess any unencumbered cash deposits and investments held exclusively in its name at September 30, 2022. Instead, separate cash and money market accounts are established, funded and maintained by each project Participant for each Project bond issue in related trust accounts. At September 30, 2022, the Authority's Project Bond Trust Accounts had $9.6 million in aggregate trust (money market and cash) account deposits. Essentially all deposits at September 30, 2022 were being held for bond payments due in October of 2022. After payment of these bond obligations in October of 2022, the bank balances were well under FDIC insurance limits. During the course of the year the Authority's bond trustees generally do not keep balances over FDIC insurance limits, except for when they are approaching a bond payment.

Pursuant to the applicable provisions of Chapter 280, Florida Statutes, (The Florida Security for Public Deposits Act), the State of Florida, Department of Insurance, Bureau of Collateral Securities, and the Department of Treasury have established specific requirements relative to security and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State Treasurer as eligible to receive deposits from municipal depositors. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State Treasurer to secure such deposits. Additional collateral, up to a maximum of 125% may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States Government and any state thereof and are held in the name of the State Treasurer's office. Compliance with the provisions of Chapter 280, F.S., is monitored by the Department of Insurance. At September 30, 2022, none of the Authority's deposits were included in accounts collateralized in accordance with Chapter 280, F.S.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk as all of its deposits are made pursuant to the related bond indentures and consist of uninsured and uncollateralized amounts invested in institutional U.S. Treasury securities money market funds which are reported at amortized cost. At September 30, 2022, the Authority deposits totaling $9.5 million were held by the respective bond trustee in anticipation of principal and interest payments due in early October. While exposing these deposits to potential custodial credit risk, Florida Statutes 280.03(3) provides for this exception to the collateralization requirement for governmental deposits.

Investment Policy. The Authority's investment policies are governed by State Statutes and trust indentures for each of the specific Project bond issues. Funds held in trust may be invested in direct obligations of, or guaranteed by, the United States Government, obligations of agencies of the United States Government, credit rated general or revenue obligations of any state, municipality or political subdivision of any state, credit rated commercial paper, bank deposits, collateralized repurchase agreements, credit rated investment agreements, federal funds and Banker's Acceptances, credit rated mutual funds, credit rated common trust funds, and credit rated corporate obligations.

Interest Rate Risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Instead, all trust investments are governed by the respective Project bond indentures. Generally, the Authority's trustees limit the acquisition of investments with maturities of greater than six months, unless such investments are purchased for holding to maturity. Interest rate risk is minimized for all other investments, which are normally held for periods of less than six months.

Credit Risk. The Authority's investments are governed pursuant to the Bond Indentures established for each of its outstanding bond obligations. Investments made in mutual funds must be rated in the highest applicable rating category by any nationally recognized credit rating service. Investments made in investment agreements are limited to obligors whose long-term senior unsecured obligations are rated in one of the three highest whole letter rating categories by any nationally recognized credit rating service. As of September 30, 2022, the Authority's investments in money market funds totaling $9,499,883 were in money market funds guaranteed by the U.S. Treasury.

Concentrations of Credit Risk. The Authority places no limit on the amount the trustees may invest in any one issuer. More than 5% of the Authority's investments are in money market funds guaranteed by the U.S. Treasury. This investment of $9,499,883, represents approximately 100.0% of the Authority's total aggregate deposits and investments.

NOTE 3 - RESTRICTED FUNDS HELD IN TRUST

All of the Authority's cash and investments are externally restricted by the Authority's various Project bond indentures. The Authority's funds held in trust consist of the following accounts:

A. Bond Fund Accounts

The various bond fund accounts are established pursuant to the Bond Indentures to account for the payment of principal and interest on all of the Authority's outstanding bond obligations. Each respective bond issue's Bond Fund Account is composed of the following sub-accounts:

Interest Accounts - Interest Accounts are used to accumulate the necessary funds to pay the interest, as it becomes due, on the Embry-Riddle Series 2015A, 2015B 2015C, 2017 and 2020AB Bonds, and the Stetson University Series 2015 Bonds.

Principal Accounts - Principal Accounts are used to accumulate the necessary funds to pay the principal, as it becomes due, on the Embry-Riddle Series 2015A, 2015B, 2015C, 2017 and 2020AB Bonds, and the Stetson University Series 2015 Bonds.

B. Summary of Restricted Funds Held in Trust

The following is a summary of the restricted funds held in trust at September 30, 2022:

Embry-Riddle Aeronautical University, Inc.	
Series 2015A:	
Bond interest fund	$ 463,707
Bond principal fund	3,150,000
Series 2015B:	
Bond interest fund	1,024,500
Bond principal fund	75,000
Series 2017	
Bond interest fund	1,158,876
Series 2020AB	
Bond interest fund	2,492,025
Bond principal fund	1,135,000
Total Embry-Riddle Aeronautical University, Inc.	9,499,108
Stetson University Inc.	
Series 2015	
Bond interest fund	3
Bond principal fund	772
Total Stetson University, Inc.	775
Total - all restricted funds held in trust	$ 9,499,883

Bond Payment and Compliance Matters

Pursuant to the requirements of the various bond indentures and loan agreements, all project participants are required to deposit funds sufficient to pay the upcoming semi-annual bond interest and principal payments in the respective Bond Funds not later than one business day prior to any scheduled bond payment date.

NOTE 4 – FAIR VALUE MEASUREMENTS

Fair Value – Definition and Hierarchy: Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. In determining fair value, the Authority uses various valuation approaches. A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs are to be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Authority. Unobservable inputs reflect the Authority's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Authority has the ability to access. Valuation adjustments are not applied to Level 1 investments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these investments does not entail a significant degree of judgment.

- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the Authority in determining fair value is greatest for investments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement. Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Authority's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Authority uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified to a lower level within the fair value hierarchy.

As of September 30, 2022, the Authority held no assets requiring recurring fair value measurements.

NOTE 5 - LOANS RECEIVABLE

The Authority has outstanding Project bond principal obligations of $325.7 million as of September 30, 2022, for the benefit of various private institutions of higher education. The obligations are secured by loans, the terms of which generally correspond to the amortization requirements of the related bond issues. A summary of the Authority's loans receivable from the issuance of conduit debt obligations is as follows at September 30, 2022:

A. Embry-Riddle Aeronautical University, Inc.

On February 12, 2015, the Authority issued $50,740,000 in tax-exempt bonds. The proceeds of this issue were loaned to Embry-Riddle pursuant to the terms and conditions of the Bond Indenture. The loan receivable is collateralized by tuition revenues pledged by Embry-Riddle under the indenture. The repayment terms for the loan receivable are identical to the terms of the bonds, which Authority management believes are sufficient to cover all principal and interest due each year. The outstanding loan receivable balance at September 30, 2022 is $28,680,456.

On March 23, 2015, the Authority issued $69,195,000 in tax-exempt bonds. The proceeds of this issue were loaned to Embry-Riddle pursuant to the terms and conditions of the Bond Indenture. The loan receivable is collateralized by tuition revenues pledged by Embry-Riddle under the indenture. The repayment terms for the loan receivable are identical to the terms of the bonds, which Authority management believes are sufficient to cover all principal and interest due each year. The outstanding loan receivable balance at September 30, 2022 is $40,849,227.

On July 17, 2015, the Authority issued $26,535,000 in tax-exempt bonds. The proceeds of this issue were loaned to Embry-Riddle pursuant to the terms and conditions of the Bond Indenture. The loan receivable is collateralized by tuition revenues pledged by Embry-Riddle under the indenture. The repayment terms for the loan receivable are identical to the terms of the bonds, which Authority management believes are sufficient to cover all principal and interest due each year. The outstanding loan receivable balance at September 30, 2022 is $14,029,654.

On August 17, 2017, the Authority issued $46,355,000 in tax-exempt bonds. The proceeds of this issue were loaned to Embry-Riddle pursuant to the terms and conditions of the Bond Indenture. The loan receivable is collateralized by tuition revenues pledged by Embry-Riddle under the indenture. The repayment terms for the loan receivable are identical to the terms of the bonds, which Authority management believes are sufficient to cover all principal and interest due each year. The outstanding loan receivable balance at September 30, 2022 is $46,258,426.

On January 16, 2020, the Authority issued $100,135,000 in tax-exempt bonds and $10,000,000 in taxable bonds. The proceeds of this issue were loaned to Embry-Riddle pursuant to the terms and conditions of the Bond Indenture. The loan receivable is collateralized by tuition revenues pledged by Embry-Riddle under the indenture. The repayment terms for the loan receivable are identical to the terms of the bonds, which Authority management believes are sufficient to cover all principal and interest due each year. The outstanding loan receivable balance at September 30, 2022 is $106,647,331.

B. Stetson University, Inc.

On April 1, 2015, the Authority issued $96,420,000 in tax-exempt bonds. The proceeds of this issue were loaned to Stetson pursuant to the terms and conditions of the Bond Indenture. The loan receivable is collateralized by tuition revenues pledged by Stetson under the indenture. The repayment terms for the loan receivable are identical to the terms of the bonds, which Authority management believes are sufficient to cover all principal and interest due each year. The outstanding loan receivable balance at September 30, 2022 is $86,009,226.

NOTE 6 - REVENUE BONDS PAYABLE

Revenue bonds payable consist of the following at September 30, 2022:

$50,740,000 Educational Facilities Revenue Refunding Bond (Embry-Riddle Aeronautical University, Inc. Project); Series 2015A Serial Bond due October 15, 2019 through 2030, semi-annual interest at 2.91% due April 15 and October 15	$ 31,870,000
$69,195,000 Educational Facilities Revenue Bonds (Embry-Riddle Aeronautical University, Inc. Project); Series 2015B Serial Bonds due October 15, 2019 in part by lot on October 15 of the years 2019 through 2034 with semi-annual interest at 2.00% to 3.746%; including mandatory redemption of the $10,060,000 step coupon bonds maturing October 15, 2039 in part by lot on October 15 of the years 2035 through 2039 with semi-annual interest rates of 3.00% through April 14, 2020, 4.00% through April 14, 2025, 5.00% through April 14, 2031, 5.75% through April 14, 2035, and 6.00% through April 14, 2039; and including the $16,205,000 bonds maturing October 15, 2045 in part by lot on October 15 of the years 2040 through 2045 with semi-annual interest at 3.94% due April 15 and October 15	41,010,000
$26,535,000 Educational Facilities Revenue Refunding Bond (Embry-Riddle Aeronautical University, Inc. Project); Series 2015C Serial Bond due October 15, 2019 through 2026, semi-annual interest at 2.28% due April 15 and October 15	13,885,000
$46,355,000 Educational Facilities Revenue and Refunding Bonds (Embry-Riddle Aeronautical University, Inc. Project); Series 2017 Serial Bond due October 15, 2023 through 2047, semi-annual interest at 5.00% due April 15 and October 15	46,355,000
$110,135,000 Educational Facilities Revenue and Refunding Bonds (Embry-Riddle Aeronautical University, Inc. Project); Series 2020AB Serial Bond due April 15, 2020 through 2050, semi-annual interest at varying rates of 3% to 5% due April 15 and October 15	107,990,000
Total Embry-Riddle Aeronautical University, Inc.	241,110,000
$96,420,000 Educational Facilities Revenue Bonds (Stetson University, Inc. Project) Series 2015, in serial bonds due June 1, 2020 and annually through 2045, semi-annual interest at 5.00% due June 1 and December 1	84,600,000
Total bonds payable - all projects	325,710,000
Current maturities	(8,990,000)
Bonds payable long-term - all projects	$316,720,000

A. Schedule of Changes in Bonds Payable

The following is a schedule of changes in bonds payable for the year ended September 30, 2022:

	Balance September 30, 2021	Principal Payments	Balance September 30, 2022	Current Maturities
Projects:				
Embry-Riddle Aeronautical University, Inc.				
Series 2015A	$ 34,930,000	$ (3,060,000)	$ 31,870,000	$ 3,150,000
Series 2015B	41,290,000	(280,000)	41,010,000	75,000
Series 2015C	16,420,000	(2,535,000)	13,885,000	2,590,000
Series 2017	46,355,000	-	46,355,000	-
Series 2020AB	109,080,000	(1,090,000)	107,990,000	1,135,000
Stetson University, Inc.				
Series 2015	86,545,000	(1,945,000)	84,600,000	2,040,000
Totals	$334,620,000	$ (8,910,000)	$325,710,000	$ 8,990,000

B. Scheduled Maturities

Future annual principal and interest payments on all outstanding issues at September 30, 2022, are as follows:

	Embry-Riddle Aeronautical University, Inc.					Stetson University, Inc.	
Year	Project 2015A	Project 2015B	Project 2015C	Project 2017	Project 2020AB	Project 2015	Total
2023	$ 4,031,585	$ 2,122,875	$ 2,877,052	$ 2,317,750	$ 6,096,350	$ 6,270,000	$ 23,715,612
2024	4,028,610	5,756,625	2,956,404	2,698,000	6,098,900	6,273,000	27,811,539
2025	4,027,944	4,006,375	2,958,419	2,693,125	7,852,900	6,270,750	27,809,513
2026	4,024,513	3,964,375	2,954,009	2,643,625	7,851,525	6,273,250	27,711,297
2027	4,023,245	3,909,125	2,948,231	2,707,750	7,852,150	6,270,000	27,710,501
2028-2032	16,084,554	30,053,500	-	23,828,375	24,194,796	31,360,500	125,521,725
2033-2037	-	5,291,625	-	11,997,375	36,313,299	31,361,750	84,964,049
2038-2042	-	-	-	12,083,875	40,958,650	31,359,000	84,401,525
2043-2047	-	-	-	15,251,500	33,995,000	18,821,250	68,067,750
2048-2052	-	-	-	5,545,250	31,497,375	-	37,042,625
Total	36,220,451	55,104,500	14,694,115	81,766,625	202,710,945	144,259,500	534,756,136
Less: Interest	(4,350,451)	(14,094,500)	(809,115)	(35,411,625)	(94,720,945)	(59,659,500)	(209,046,136)
Net due	$ 31,870,000	$ 41,010,000	$ 13,885,000	$ 46,355,000	$ 107,990,000	$ 84,600,000	$ 325,710,000

C. Advance and Current Refunding and Defeasance

When conditions have warranted, the Authority's Project Participants have sold various issues of bonds to provide for the refunding of previously issued obligations. The proceeds received from the sales of the bond issues were used to refund currently the outstanding bond issues or to deposit in an irrevocable escrow fund held by an escrow agent an amount which, when combined with future interest earned thereon, is at least equal to the sum of the outstanding principal amount of the bonds, the interest to accrue thereon to and including the first optional redemption date thereof, and the premium required to redeem the bonds outstanding on such date. In this event, the escrow trust account assets and liabilities for defeased bonds are not included in the Authority's financial statements. The debt service savings, together with any accounting gain or loss that will be deferred, accrued to the respective institutions.

NOTE 7 – SUBSEQUENT EVENTS

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through January 17, 2023, the date the financial statements were available to be issued.

Supplemental Auditors' Reports

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Officers and Members of the Board
Volusia County Educational Facilities Authority
DeLand, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Volusia County Educational Facilities Authority (the "Authority") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 17, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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January 17, 2023

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MANAGEMENT LETTER

To the Officers and Members of the Board
Volusia County Educational Facilities Authority
DeLand, Florida

Report on the Financial Statements

We have audited the financial statements of Volusia County Educational Facilities Authority (the "Authority") as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated January 17, 2023.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 17, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Authority is a political instrumentality established by the County Council of Volusia County, Florida, pursuant to the Higher Educational Facilities Authorities Law, Chapter 69-345, Laws of Florida, 1969 (Chapter 243, Part II, Florida Statutes), as revised and amended. There were no component units related to the Authority at September 30, 2022.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Authority. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. The assessment was done as of the fiscal year end.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2022, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2022. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

In connection with Sections 218.39(3)(c), and 218.32(1)(e)2-3 Florida Statutes, we affirm the following:

1.) VCEFA had no direct employees compensated between October 1, 2021 and September 30, 2022

2.) VCEFA paid no independent contractors in the last month of the fiscal year (September 2022)

3.) VCEFA did not pay any wages to employees for the period between October 1, 2021 and September 30, 2022.

4.) All compensation paid to independent contractors was $14,860 for the period between October 1, 2021 and September 30, 2022. It should be noted that these amounts were paid directly by the individual universities and not by the Authority.

5.) VCEFA had no construction projects during the period between October 1, 2021 and September 30, 2022

6.) VCEFA's funds are proprietary funds. VCEFA does not pay administrative costs but passes them through proportionately to the participating universities. The Authority approves contracts for financial services, but the financial responsibility is born by the participating universities. Invoices for administrative costs are sent directly by the provider to the participating universities, and payments are made from the universities themselves, consistent with the Loan Agreements from the bond issues with the universities and Florida Statute § 243.54(15). There is effectively no budget variance as VCEFA's funds are proprietary funds and VCEFA's effective revenue and expenditures are zero as administrative expenses are the responsibility of and paid by the participating universities.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, Authority Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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January 17, 2023

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INDEPENDENT ACCOUNTANTS' REPORT

To the Officers and Members of the Board
Volusia County Educational Facilities Authority
DeLand, Florida

We have examined Volusia County Educational Facilities Authority's (the Authority) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the period October 1, 2021 to September 30, 2022. Management of the Authority is responsible for the Authority's compliance with the specified requirements. Our responsibility is to express an opinion on the Authority's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements during the period October 1, 2021 to September 30, 2022.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

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January 17, 2023

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