



Annual Comprehensive Financial Report

For the Fiscal Years Ended September 30, 2022 & 2021

Loxahatchee River Environmental Control District

-Jupiter, Florida-

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT
JUPITER, FLORIDA**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

**Fiscal Years Ended
September 30, 2022 and 2021**

**Prepared by:
Finance Department**

**Kara Fraraccio, CPA
Director of Finance and Administration**

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Years Ended September 30, 2022 and 2021**

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i - vi
Certificate of Achievement for Excellence in Financial Reporting	vii
Organization Chart	viii
List of Principal Officials	ix
FINANCIAL SECTION	
Independent Auditor's Report	1 – 3
Management's Discussion and Analysis	4 – 10
Basic Financial Statements	
Statements of Net Position	11 – 12
Statements of Revenues, Expenses, and Changes in Net Position	13
Statements of Cash Flows	14 – 15
Notes to Financial Statements	16 - 35
STATISTICAL SECTION	
Schedule of Net Position by Component	36
Schedule of Changes in Net Position	37
Schedule of Revenue by Source	38
Total Sewer Units by Category	39
Total Sewer Revenue by Category	40
Schedule of Sewer Rates	41
Wastewater Treated	42
Ratio of Outstanding Debt	43
Schedule of Pledged Revenue Coverage	44
Demographic and Economic Statistics	45
Principal Employers	46
Full-time Equivalent Employees by Function	47
Schedule of Wastewater Treatment Capacity	48
Capital and Infrastructure Statistics	49
OTHER INFORMATION SECTION	
Information Required by Section 218.39(3)(c), Florida Statutes	50
Budget Variance Report	51
OTHER REPORTS	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	52 - 53
Independent Auditor's Management Letter Required by Chapter 10.550, Rules of the State of Florida, Office of the Auditor General	54 - 56
Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes	57 - 58

INTRODUCTORY SECTION



LOXAHATCHEE RIVER DISTRICT

2500 JUPITER PARK DRIVE, JUPITER, FLORIDA 33458

TEL: (561) 747-5700

FAX: (561) 747-9929

D. Albrey Arrington, Ph.D. EXECUTIVE DIRECTOR

loxahatcheeriver.org

February 9, 2023

Chairman and Members of
the District Governing Board and Customers of
Loxahatchee River Environmental Control District
Jupiter, Florida

Florida Statutes require that government entities publish, within nine months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards accepted in the United States and government auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we are pleased to submit this Annual Comprehensive Financial Report of the Loxahatchee River Environmental Control District (the District) for the fiscal years ended September 30, 2022 and 2021. District staff remains committed to reaching and maintaining the highest possible standards in financial reporting now and in the future.

This report was prepared by the District's Finance Department. Responsibility for data accuracy and completeness and fairness of the presentation, including all disclosures, rests with the District's management. We believe the data, as presented, are accurate in all material respects, that they are presented in a manner designed to fairly set forth the financial position and results of operations of the District, and that all disclosures necessary to enable readers to gain maximum understanding of the District's financial activity have been included.

Nowlen, Holt & Miner, P.A., independent auditors, have issued an unmodified opinion on the Loxahatchee River Environmental Control District's financial statements for the fiscal years ended September 30, 2022 and 2021. The independent auditor's report is presented as the first component of the financial section of this report.

Following the independent auditor's report, you will find the Management Discussion and Analysis (MD&A) where senior District staff provide a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter and should be read in conjunction with it.

District Profile

The Loxahatchee River Environmental Control District was created by Chapter 71-822, Special Acts of Florida, 1971, as amended, and codified in Chapter 2021-249, Laws of Florida, as a separate local agency of government to provide for the management of sewage, storm drainage, and water supply, and conduct environmental monitoring, education, and enhancements in an area of approximately 73 square miles in portions of northern Palm Beach and southern Martin Counties generally defined as the Loxahatchee River Basin. An elected five-member board governs the District.

Dr. Matt H. Rostock
CHAIRMAN

Kevin L. Baker
BOARD MEMBER

Gordon M. Boggie
BOARD MEMBER

Stephen B. Rockoff
BOARD MEMBER

Clinton R. Yerkes
BOARD MEMBER

The District is dedicated to protecting public health and preserving the Loxahatchee River watershed and its natural habitats through innovative wastewater solutions, research, and environmental stewardship.

The District's wastewater treatment facility provides the following services to approximately 31,500 residential customers and 1,500 commercial customers.

Wastewater collection, treatment and disposal

The District's wastewater system is made up of more than 1,578,720 feet or 299 miles of gravity sewer pipes, over 1,526 single family residential sewage pumping units, 233 regional or neighborhood sewage pumping stations, and 554,400 feet of major force mains. This network carries wastewater from homes and businesses to our regional wastewater treatment facility, which is located at 2500 Jupiter Park Drive, Jupiter, FL. The original treatment plant became operational in 1978. In 2007, a major upgrade to our wastewater treatment facility increased its capacity from 9 to 11 million gallons per day. Excess treated wastewater, i.e., during wet periods, is disposed of using our deep injection well, which effectively removes the water from our local hydrologic cycle. Excess microbial biomass generated in our wastewater treatment facility, also known as biosolids, is dewatered onsite and hauled in tractor trailers to the Biosolids Processing Facility (adjacent to the SWA landfill) where methane gas from the landfill is used to process the microbial biomass into energy and nutrient dense pellets and recycled as fertilizer.

Irrigation Quality Water

During normal and dry periods, 100% of the wastewater we treat is recycled to meet landscape irrigation needs. Our treated wastewater goes by many names: treated effluent, reclaimed water, reuse water, and, our favorite, Irrigation Quality (IQ) Water. In 1986 the District began recycling our treated wastewater to meet local landscape irrigation needs as a proactive effort to offset impacts to the National Wild and Scenic Loxahatchee River being caused by saltwater intrusion. Today, our Irrigation Quality Water meets the irrigation needs at 13 local golf courses and throughout Abacoa. The District distributes IQ Water to these customers through more than 184,800 feet or 35 miles of force mains (pipes) that measure up to 24-inches in diameter.

River Research

The District's Wildpine Laboratory is a state-certified laboratory that provides scientific staff, equipment, and professional analysis of daily wastewater treatment facility operations, as well as an extensive environmental monitoring program within the Loxahatchee River watershed. Scientists conduct routine monitoring of water quality throughout the watershed on a monthly basis. Scientists also assess seagrass and oyster health within the Loxahatchee River because these species provide critical habitat to countless species and are a reliable indicator of ecosystem health.

Environmental Education

The District's River Center features live aquatic tanks, interactive exhibits, and a touch tank, all of which allow the public, especially children, to explore, experience, and connect with the diverse habitats and creatures found within the Loxahatchee River watershed. The River Center provides a fun educational opportunity for school children, adults, visitors, and long-time residents to learn about Florida's first National Wild and Scenic River and the efforts to preserve and protect it. The River Center offers a variety of programs such as Seine & Snorkel, Fishing Clinics, Youth Camps, Monthly Lecture Series, Kayak Trips, and Boating Safety Classes.

Financial Data

The District's financial accounting system is based on the full accrual basis of accounting. All District activities are accounted for within a single proprietary (enterprise) fund.

In developing and evaluating the District's accounting system, consideration is given to the adequacy of internal accounting controls which are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of an internal control system should not exceed the benefits likely to be derived, and that the evaluation of cost and benefits requires estimates and judgements by management. We are confident the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The District maintains a system of budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual, appropriated budget approved by the Board. The budget process begins in March with the rate study. The operating budget incorporates the goals and objectives identified during the rate study and the strategic plan. The Board begins reviewing proposed budget figures in June and approves final budget appropriations in September; any subsequent revisions that increase the total appropriations must be approved by the Board.

The District follows its adopted investment policy when handling public funds. The investment policy is in compliance with Florida Statutes, Section 218.415 and the intent of this policy is to 1) ensure the preservation of principal, 2) maintain sufficient cash flow to enable the District to meet its obligations, and 3) maximize the return on assets for acceptably low exposure to risk.

The District currently has no outstanding debt. The intent of the Governing Board is that the cost of providing goods or services to the general public is financed primarily through user charges. Operational and maintenance costs, including minor equipment purchases, are funded from customer fees and charges. The acquisition and construction of capital assets are funded by assessment charges, grants, contributions from customers and developers, and customer revenues.

Economic Outlook

Systematic, effective treatment and disposal of wastewater (sewage) is critical to the maintenance of public health and environmental health. Wastewater treatment is a public necessity; thus, revenues derived from wastewater treatment typically remain stable regardless of transient economic conditions. During the fiscal year 2022, the District had an increase in residential equivalent connections (ECs) of 209 (0.3%). The District expects a continued increase in equivalent connections until build out has been reached, which is anticipated to be in the fiscal year 2024. Once the District has reached build out, the District anticipates redevelopment and rate increases will sustain our future revenue needs.

The District performs an annual rate study where rates are compared to planned spending over the course of a five-year period. During the fiscal year 2022, the District implemented a 2% rate increase for quarterly sewer service charges; 7% rate increase for connection charges, a 3% rate increase for retail IQ Water charges, and a 5% rate increase in Nano IQ Water charges. There was no rate increase for wholesale IQ Water charges.

The District remains financially sound through conservative budgeting and continuously monitoring costs compared to the budget. District staff makes a concerted effort to be frugal with

expenditures, which helps keep annual rate increases minimal. Nonetheless, the District understands the critical importance of renewal and replacement of existing assets, and each year we systematically assess our assets and invest in rehabilitation and/or renewal of degraded assets (e.g., gravity sewer pipe lining projects, rehabilitation of sewage pumping stations, cleaning and rehabilitation of aeration basins).

Major Initiatives

The Strategic Plan sets the priorities and the direction of the District. In 2018, the Governing Board and senior management utilized a comprehensive strategic planning process to identify and prioritize key strategic objectives and improvement initiatives. The four strategic initiatives are Stakeholder Focus, Operational Excellence, Employee Learning and Growth, and Financial Stewardship. An update of the accomplishments and advancements of strategic initiatives is summarized below.

Stakeholder Focus

The Stakeholder Focus initiative is to improve Customer and Stakeholder satisfaction.

- During the fiscal year 2022, the District began the implementation of a new customer information and billing system (CIS). The District has maintained the present CIS system for nearly 20 years. As the District has evolved, so have our needs and desires for centralized digital information to manage all aspects of our customers' information including billing, delinquency, commercial bill computations, sewer assessments, payment plans, etc. The new CIS system is anticipated to provide a feature-rich solution that will meet all of our service needs and desires. Along with a new CIS system, the District is in the process of switching our payment service provider and print and mail provider.
- Construction is underway to interconnect B-structure with IQ511 to bypass lakes in drought conditions. This project will minimize losses during regional droughts and assure that IQ water is available to fulfill contracted quantities for existing IQ customers and develop new supplies and opportunities where economically feasible. Construction is scheduled for completion in fiscal year 2023.

Operational Excellence

The Operational Excellence initiative is to increase system reliability, optimize use of technology, improve analytical use of data, improve internal policies and procedures, improve workplace safety, and improve environmental stewardship.

Major initiatives for this strategy during fiscal year 2022 included:

- As part of the District's comprehensive rehabilitation initiative, the District started work on our gravity system lining program, where we use lining services which install a structural pipe liner within existing vitrified clay gravity mains and laterals. To date, this program has lined 89,599 linear feet out of 484,735 linear feet of vitrified clay gravity mains and 553 out of 3,704 vitrified clay laterals. We expect to continue this lining program over the next several years.
- The District is committed to serving as a steward of environmental, financial, and human health for its customers and the surrounding community. Recognizing that greenhouse gases (GHG) are a contributor to climate change, the District engaged in an Operational

Greenhouse Gas and Cost Assessment that looks at greenhouse gas emissions specific to our collection system, water reclamation facility, effluent storage and disposal, reuse system and biosolids process. This study provided process specific emissions and cost data as well as benchmarking to other utilities and will be used to make informed decisions moving forward on potential process and system improvements.

- The District continues to fund capital improvement projects to maintain and improve District facilities. The most notable FY 2022 capital project completed was the completion of the Olympus Drive Force Main Replacement. This project was completed and placed into service and replaces aging asbestos cement force main piping in our system with piping that meets our current construction standards, reducing the risk of failure when construction activities are nearby due to settlement and vibration.
- The District completed two neighborhood sewerage projects, converting an additional 26 homes from septic systems to our regional sanitary sewer system.
- The District continued to conduct Wastewater Surveillance to monitor trends of infection rates of SARS-CoV-2, the virus that causes COVID-19, within our sewer system area. These SARS-CoV-2 virus fragments are shed from individuals infected with the virus, including both symptomatic and asymptomatic infections. Because individuals shed huge amounts of SARS-CoV-2 early in their infection, even before symptoms, wastewater surveillance of SARS-CoV-2 virus fragments is a proven early indicator of COVID-19 infection rates in a community.

Employee Learning and Growth

The Employee Learning and Growth initiative is to maintain employee morale and satisfaction, improve employee capabilities, and enhance internal communication.

During the fiscal year the District had over 150 assigned classroom trainings completed, with the most significant training being a six sigma green belt training for select team members to collaborate and improve processes on five team defined projects. This training spanned over the course of eight weeks, teaching the tools and methods that are essential to participate in the DMAIC (Define, Measure, Analyze, Improve and Control) improvement of projects. The green belt training was designed to give team members an understanding of not only the six sigma principles, but how to incorporate the approach in their daily workload.

Other notable training conducted during the year were: Internet and online security training, Fall Protection Awareness Training, Confined Space Entry Training, Utility Truck Crane Operator Use and Inspection Training; and Lock Out/Tag Out Training. Providing employees with the proper training gives them the knowledge to perform their duties confidently while ensuring the safety of employees and surrounding neighborhood and environment.

Financial Stewardship

The Financial Stewardship initiative is to ensure prudent financial stewardship to achieve the expected level of return to stakeholders.

- The District had an unmodified or 'clean' audit report for the fiscal year 2022.
- The District's operating expenses (excluding depreciation and amortization) came in \$1,046,574 (6.1%) below the anticipated budget.
- The District has continued to operate at full capacity without the need to issue any debt.

Finally, the Strategic Plan provides a strategic direction to the District and staff for the focus of our resources and efforts over the coming years. These accomplishments over the past year are primarily the result of the efforts of the District's dedicated professional staff, who routinely and consistently deliver superior service to our customers in an efficient and respectful manner.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Loxahatchee River Environmental Control District for its comprehensive annual financial report for the fiscal year ended September 30, 2021. This was the fourth year the District has achieved this prestigious award. Requirements to receive a Certificate of Achievement include the government publishing an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this annual comprehensive financial report was made possible by the dedicated service of the entire staff of the District. Each participant has our sincere appreciation for the contributions made in support of this report.

We would like to thank the Governing Board and customers of the Loxahatchee River Environmental Control District for their interest and support in enabling the District to achieve its goal of providing quality service in a cost effective and responsible manner.

Respectfully submitted,



D. Albrey Arrington, Ph.D.
Executive Director



Kara Fraraccio, CPA
Director of Finance
and Administration



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Loxahatchee River Environmental Control District
Florida**

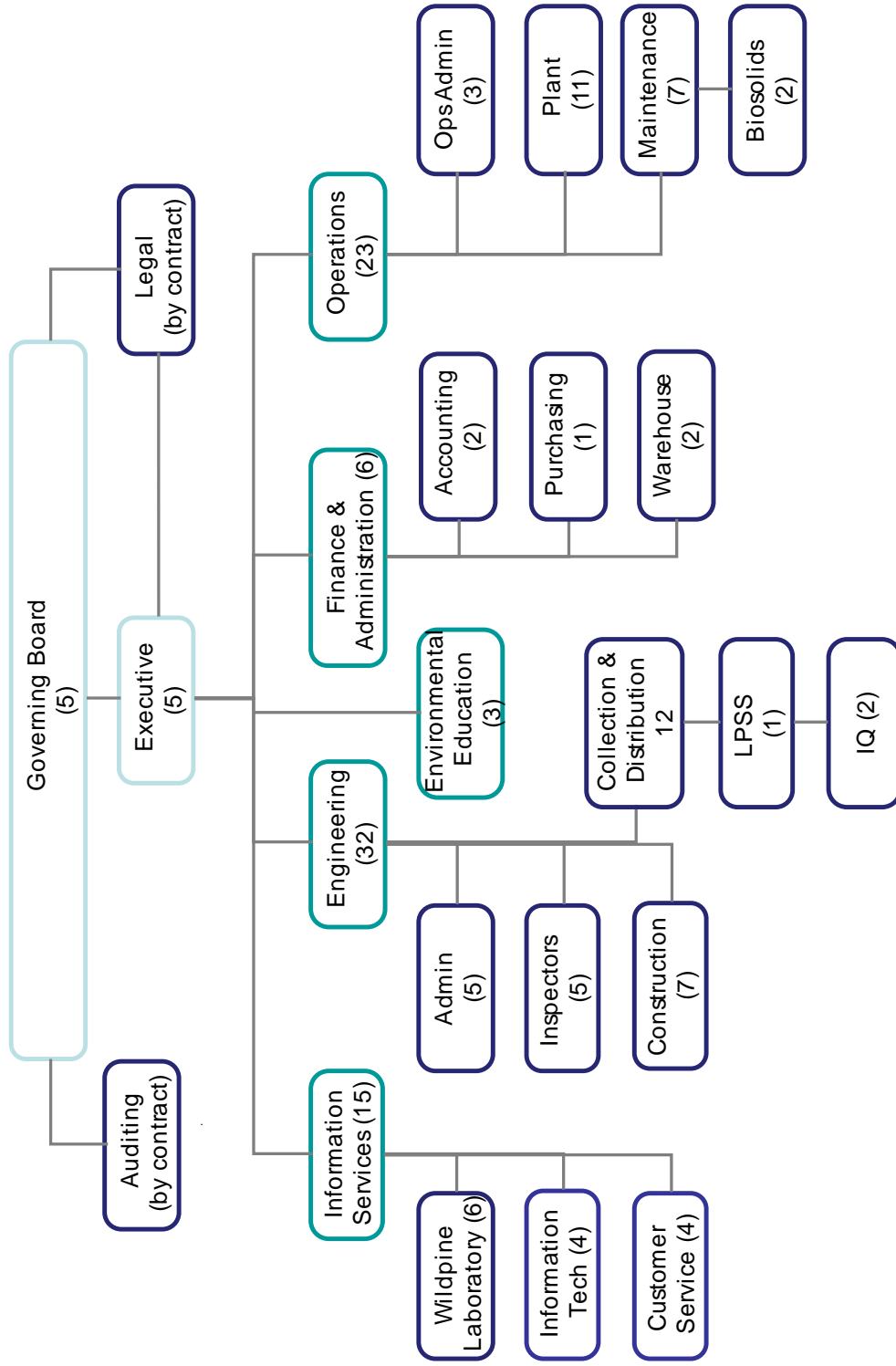
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2021

Christopher P. Morrell

Executive Director/CEO

LRD Organizational Chart



LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
LIST OF PRINCIPAL OFFICIALS
September 30, 2022

Governing Board Members

James D. Snyder	Chairman
Dr. Matt H. Rostock	Vice-Chairman
Stephen B. Rockoff	Treasurer
Gordon Boggie	Secretary
Vacant	Assistant Secretary/Treasurer

District Staff

D. Albrey Arrington, Ph.D.	Executive Director
Kris Dean, PE	Deputy Executive Director/ Director of Engineering
Kara D. Fraraccio, CPA	Director of Finance and Administration
Kenneth Howard	Director of Information Services
Jason A. Pugsley, PE	Plant Manager

Consultants

Curtis Shenkman, P.A.	Legal Counsel
Nowlen, Holt & Miner, P.A.	Independent Auditors

FINANCIAL SECTION



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCPA.COM

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, RETIRED
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, RETIRED, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CVA, ABV, CFF, CPA
ALEXIA G. VARGA, CFE, CPA
EDWARD T. HOLT, JR., PFS, CPA
BRIAN J. BRESCIA, CFP®, CPA

MARK J. BYMASTER, CFE, CPA
RYAN M. SHORE, CFP®, CPA
WEI PAN, CPA
WILLIAM C. KISKER, CPA
RICHARD E. BOTTS, CPA

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Loxahatchee River Environmental Control District
Jupiter, Florida

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Loxahatchee River Environmental Control District, as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Loxahatchee River Environmental Control District'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 respective financial position of the Loxahatchee River Environmental Control District, as of September 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Loxahatchee River Environmental Control District 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.

Change in Accounting Principle

As described in Note 11 to the financial statements, the Loxahatchee River Environmental Control District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, during the year ended September 30, 2022. Application of this new standard to October 1, 2020, the earliest year presented, was insignificant. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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 the Loxahatchee River Environmental Control District'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.

Auditor's 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 and *Government 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 and *Government 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 the Loxahatchee River Environmental Control District'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 the Loxahatchee River Environmental Control District'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 through 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, statistical, and other information sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2023, on our consideration of the Loxahatchee River Environmental Control District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Loxahatchee River Environmental Control District's 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 Loxahatchee River Environmental Control District's internal control over financial reporting and compliance.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
February 9, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Loxahatchee River Environmental Control District's (the District) Management's Discussion and Analysis presents highlights of the District's financial activities for the fiscal years ended September 30, 2022 and 2021. Please read it in conjunction with the letter of transmittal in the introductory section and the District's audited financial statements which follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District uses a single enterprise fund to provide wastewater services. The Annual Comprehensive Financial Report is presented in four sections: Introductory, Financial, Statistical, and Compliance. The Introductory section includes a Transmittal Letter, List of Principal Officials and Staff, and the District's Organization Chart. The Financial section includes the MD&A, audited basic financial statements and accompanying notes, as well as the report of the independent certified public accountant on the financial statements. The Statistical section includes unaudited financial and demographic information, and the Compliance section includes the supplemental auditors' reports.

The MD&A represents management's examination, analysis, and report on the District's financial condition and performance. The financial statements as well as other available operational and financial information and budget were used for this analysis. The MD&A should be used with the audited financial statements and the accompanying notes to those statements.

FINANCIAL HIGHLIGHTS

- Operating revenues were \$20,052,329, an increase of 3.33% over the prior year.
- Capital contributions were \$2,878,217, an increase of 73.19% over the prior year.
- Operating Expenses, including depreciation and amortization, were \$23,095,413, an increase of 5.15% over the prior year.
- Net position increased by \$754,259 or 0.42%.
- Net investment in capital assets were \$121,680,199, a decrease of 0.38% over the prior year.

REQUIRED FINANCIAL STATEMENTS

As an Enterprise Fund, the District's financial statements and accounting methods closely resemble those used by private sector companies. These statements offer short and long-term financial information about its activities. The required financial statements include Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; Statement of Cash Flows; and Notes to Basic Financial Statements.

The Statement of Net Position includes all of the District's assets and liabilities. This statement provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. Over time, increases or decreases are indicators of whether the financial position is improving or not.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all its costs through its user fees and other charges, as well as being fiscally accountable and creditworthy. While the Statement of Net Position discussed previously shows a snapshot of balances as of a certain date, the Statement of Revenues, Expenses, and Changes in Net Position focuses on changes in the fiscal operating period.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, non-capital and capital financing, and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Finally, the accompanying Notes to the Financial Statements provide required disclosures and other information pertinent to understanding and explaining the financial statements. The notes contain information such as accounting policies, explanations, and descriptions of significant account balances, expended detail on summarized data in the financial statements, as well as required disclosures about the District.

FINANCIAL ANALYSIS OF THE DISTRICT

Net position may serve over time as a useful indicator of a government's financial position. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the District's activities in a way that will help determine the District's financial position at September 30, 2022. The District's net position is one way to measure the financial health or financial position of the District. Over time, increases and decreases in the District's net position indicate whether the District's financial health is improving or deteriorating. However, other factors such as changes in economic conditions, population growth, and new or changed governmental legislation also impact the fiscal condition.

Net Position

We begin our analysis by providing a summary of the District's statements of net position for the fiscal years ended September 30, 2022, 2021, and 2020. The analysis below shows the District net position (Table 1) and changes in net position (Table 2) during the year in a condensed format.

Table 1
Condensed Statements of Net Position

	2022	2021	%	2020	%
Current and other assets	\$ 60,871,381	\$ 58,814,098	3.50	\$ 55,484,729	6.00
Capital assets, net	122,895,010	122,527,302	0.30	125,718,802	(2.54)
Total assets	183,766,391	181,341,400	1.34	181,203,531	0.08
Long-term debt	\$	\$		\$	
Other liabilities	5,367,032	3,696,300	45.20	3,641,358	1.51
Total liabilities	5,367,032	3,696,300	45.20	3,641,358	1.51
Net position:					
Net investment in capital assets	\$ 121,680,199	\$ 122,143,333	(0.38)	\$ 125,138,836	(2.39)
Restricted					
Unrestricted	56,719,160	55,501,767	2.19	52,423,337	5.87
Total net position	178,399,359	177,645,100	0.42	177,562,173	0.05

As illustrated in the table above, the District's assets exceeded liabilities by \$178,399,359, \$177,645,100, and \$177,562,173, at September 30, 2022, 2021, and 2020, respectively. A broad array of factors contributed to this positive increase in net position: conscientious collection practices, careful attention to cost control, sizable capital contributions. The largest portion of the District's net position (68.0%) reflects its investment in capital assets (land, right to use asset, treatment and disposal systems, collection and transmission systems, equipment and construction in progress). The District uses capital assets to provide services to citizens; accordingly, these assets are not available for future spending. Current and other assets include \$9.9 million in noncurrent special assessments receivable.

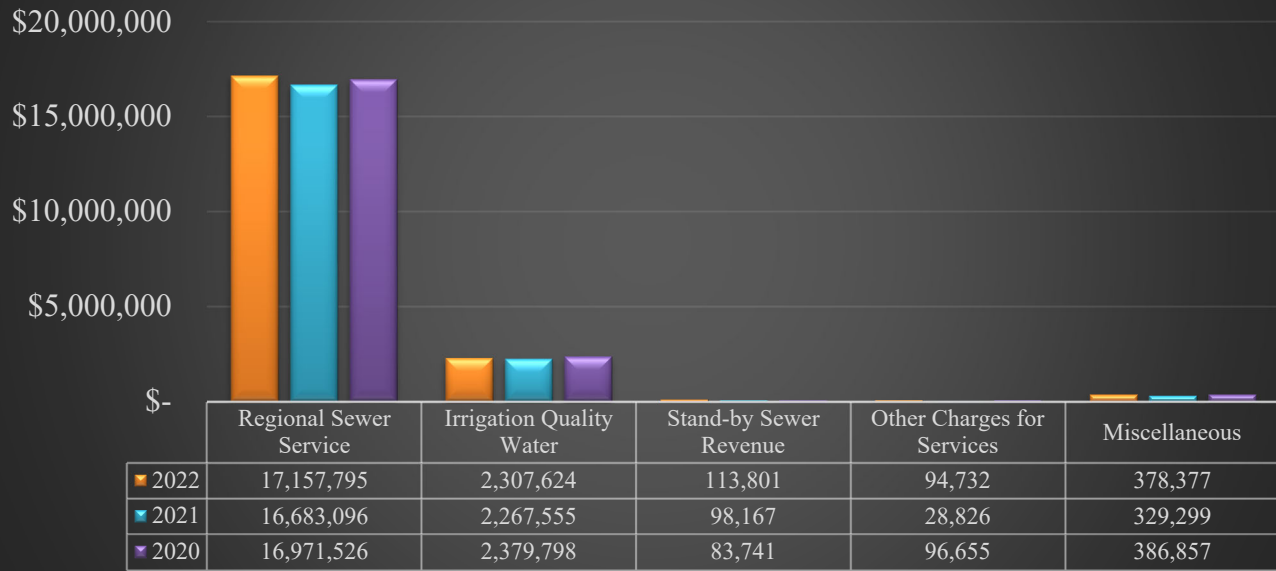
Table 2
Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2022	2021	%	2020	%
Operating revenues:					
Charges for services	\$ 19,673,952	\$ 19,077,644	3.13	\$ 19,531,720	(2.32)
Miscellaneous	378,377	329,299	14.90	386,857	(14.88)
Total operating revenues	20,052,329	19,406,943	3.33	19,918,577	(2.57)
Operating expenses:					
Personal services	9,207,293	8,193,390	12.37	7,994,898	2.48
Operational	3,428,115	3,055,824	12.18	2,928,535	4.35
Supplies and chemicals	1,161,338	975,258	19.08	1,034,064	(5.69)
Repairs and maintenance	1,621,574	1,427,301	13.61	1,685,351	(15.31)
Contractual services	522,724	783,509	(33.28)	401,169	95.31
Depreciation and amortization	7,154,369	7,528,150	(4.97)	7,262,858	3.65
Total operating expenses	23,095,413	21,963,432	5.15	21,306,875	3.08
Nonoperating revenues					
(expenses):					
Grant revenue	351,500	270,000	30.19	-	100.00
Interest income	754,712	722,220	4.50	969,565	(25.51)
Net increase (decrease) on					
fair value of investments	(152,397)	-	100.00	-	100.00
Net income (loss) on					
disposal of capital assets	(28,603)	(14,652)	95.22	63,860	122.94
Interest expense	(6,086)	-	100.00	-	-
Total nonoperating revenues					
(expenses)	919,126	977,568	(5.98)	1,033,425	(5.41)
Income (loss) before					
capital contributions	(2,123,958)	(1,578,921)	34.52	(354,873)	344.93
Capital contributions	2,878,217	1,661,848	73.19	6,961,105	(76.13)
Change in net position	754,259	82,927	809.55	6,606,232	(98.74)
Net position, beginning of year	177,645,100	177,562,173	0.05	170,955,941	3.86
Net position, end of year	\$ 178,399,359	\$ 177,645,100	0.42	\$ 177,562,173	0.05

While the statements of net position show the change in financial position of the District, the statements of revenues, expenses and changes in net position provide answers as to the nature and source of these changes.

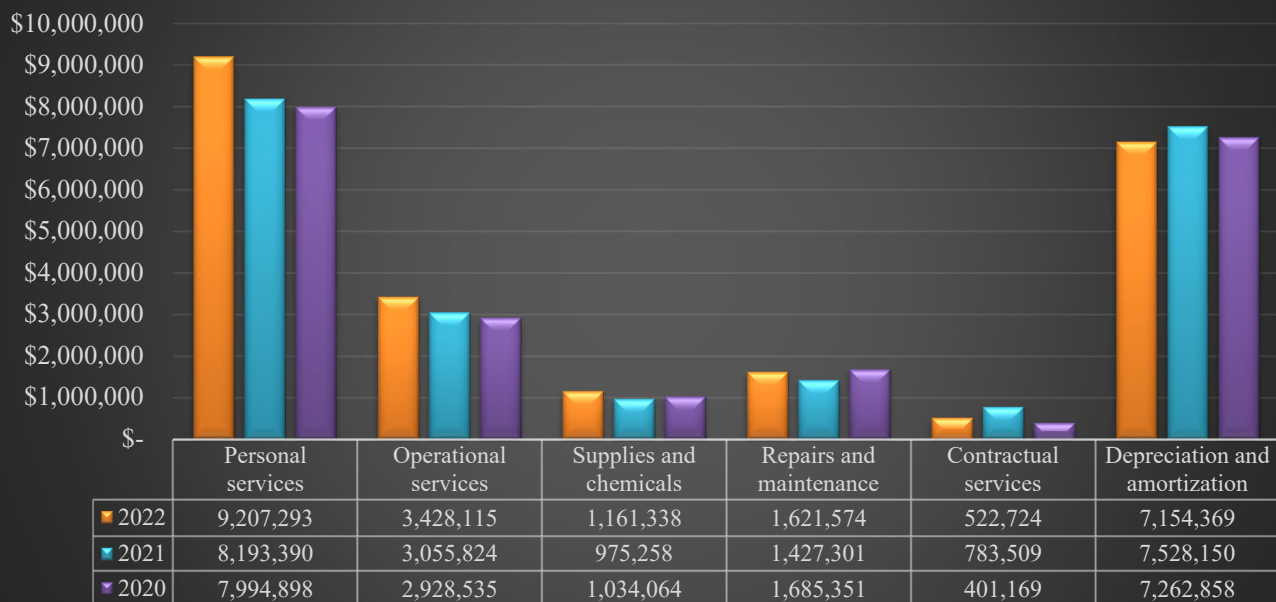
Operating revenue increased by \$645,386 or 3.3% compared to fiscal year 2021 and increased \$133,752 or .67% comparing fiscal year 2022 to 2020. The chart below compares operating revenues by source for the fiscal years 2022, 2021, and 2020. The increase in Regional Sewer Service is largely due to a 2% rate increase effective April 1, 2022, and an increase in commercial business usage after a decline in 2021 due to COVID-19 closures. Commercial sewer sales are billed based on their average prior year usage; therefore, there is a lag between the COVID-19 effects and the reported revenues. Other charges include charges for late fees, interest, etc. During fiscal year 2020 and throughout fiscal year 2021, the District forgave all delinquency fees, charges, interest, and all lien processing fees. These charges were reinstated during fiscal year 2022, causing the level to increase back to a more normal amount. In fiscal year 2021, Irrigation Quality Water agreements were curtailed due to dry weather conditions. Curtailed agreements offset by a rate increase effective April 1, 2022, caused Irrigation Quality Water sales to increase from fiscal year 2021 and are comparable to fiscal year 2020.

Operating Revenue Comparisons



Operating expenses increased from \$21,306,875 in fiscal year 2020 to \$21,963,432 in fiscal year 2021 and \$23,095,413 in fiscal year 2022. The chart below presents operating expenses for the comparative years ending September 30, 2022, 2021, and 2020. Of the increases driving fiscal year 2022 higher, inflation was the principal factor, but not the only factor. Personal Services have increased largely due to open positions being filled during fiscal year 2021 and maintained throughout fiscal year 2022 along with additional overtime to accommodate a COVID-19 work schedule. The increase in Contractual Services in fiscal year 2021 is primarily related to wastewater surveillance to test trends of SARS-CoV-2 within our sewer system area, where testing continued throughout fiscal year 2022 and the Nano Bubble Ozone Technology (NBOT) water quality project which started in fiscal year 2021 and concluded in 2022.

Operating Expense Categories



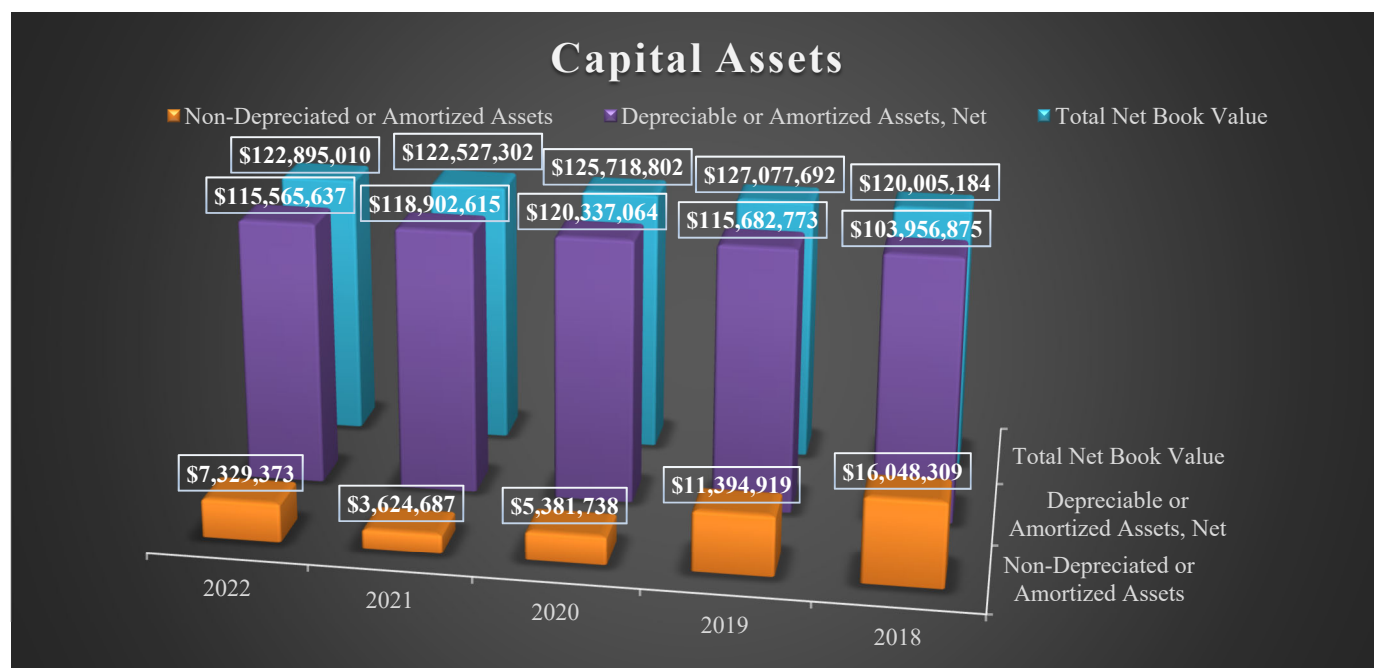
Non-operating revenues and expenses decreased slightly to \$919,126 in fiscal year 2022 from \$977,568 in fiscal year 2021 and \$1,033,425 in fiscal year 2020. Market conditions, investable surplus, and cash flow needs dictate the District's investment earnings. Changing interest rate market conditions between fiscal year 2020 and fiscal year 2022 resulted in a decrease in interest income. In March 2020, impacts related to COVID-19 and other economic conditions reduced investment yields notably. Interest rates remained low throughout fiscal year 2021, only starting to increase in late fiscal year 2022. The District received grant revenue of \$270,000 for a completed neighborhood sewerage project during fiscal year 2021 and grant revenue of \$350,000 to fund the Nano Bubble Ozone Technology (NBOT) water quality project during fiscal year 2022. During fiscal year 2022, the District invested in government backed bond funds. However, the impacts of COVID-19 weakened the bond market, sending rates on potential authorized investments to historical lows resulting in a decrease in the fair value of investments of \$152,397. A loss on disposal of capital assets results when capital items are replaced before they are fully depreciated, the amount of which will vary from year to year. District staff seeks to maximize cash recovery for disposed assets by public sale. By the end of fiscal year 2022, construction costs related to a rehab of an original force main was capitalized and the original asset, which was not fully depreciated, was written off resulting in a loss. Interest expense in fiscal year 2022 is a result of the District implementing GASB 87, Accounting for Leases.

Capital Contributions are composed of special assessments related to neighborhood sewerage, connection charges, and donated infrastructure. Consequently, capital contributions can fluctuate from one fiscal year to the next. In fiscal year 2020 activity was extraordinary due to the completion of a major neighborhood sewerage project. Assessment revenue fell back to a more typical level in fiscal year 2021 and 2022. Completed developer construction activity donated and accepted by the District caused the increase in capital contribution revenues in fiscal year 2022.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of September 30, 2022, in the amount of \$122,895,010 (net of accumulated depreciation and amortization) has increased 0.30% over the prior year. This investment in capital assets includes land, right to use asset, treatment and reuse/disposal system, collection and transmission system, equipment, and construction in progress. There were \$7.3 million in capital additions, but the decrease of \$7.0 million due to normal scheduled depreciation, amortization and asset disposals left an increase in capital assets of approximately \$300,000.



Major capital asset events during the current year included the following:

- Construction work in progress as of the close of the fiscal year ended September 30, 2022, was \$6,474,939. Of this amount, notable projects include: \$2,387,500 for septic to sewer conversions; \$2,174,640 for lift station improvements; \$630,542 for IQ Pump Station improvements; and \$447,665 for Loxahatchee River Subaqueous Replacement Project.
- Construction of new treatment and disposal features and renewal of existing features completed and booked during fiscal year 2022 totaled \$146,695.
- Construction of new collection and transmission systems and renewal of existing features completed and recorded in fiscal year 2022 totaled \$3,115,370.
- Construction of IQ system improvements completed in fiscal year 2022 totaled \$98,348.

Also, presented in Note 4 to the financial statements are additional details of the District's Capital Assets.

Long-term Debt

The District has no long-term debt. Additional information on the District's long-term liabilities can be found in Note 6 to the financial statements.

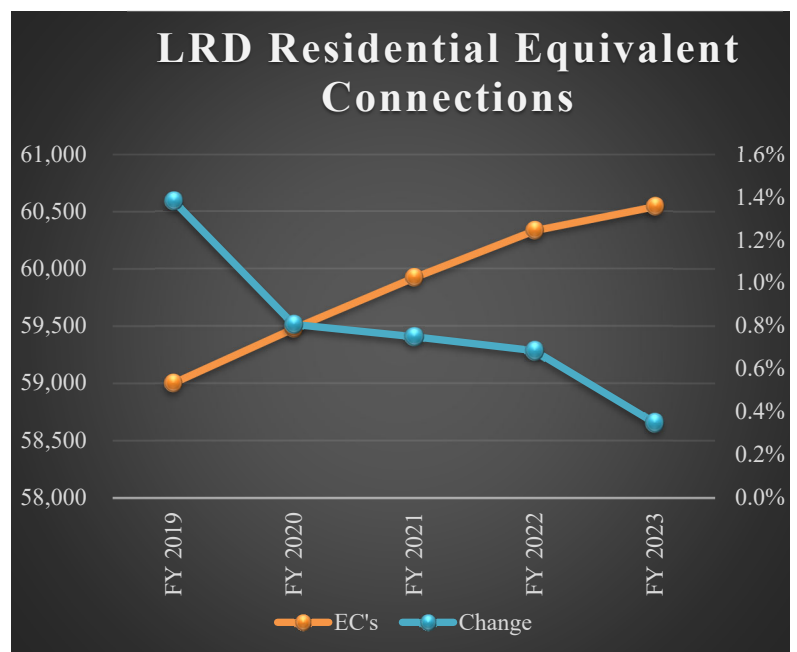
ECONOMIC FACTORS AND RATES

The District operates in a stable economic environment evidenced by a steadily growing customer base along with some of the most affordable rates in South Florida. Numerous economic factors, such as increasing operating costs, the need for new or renewed facilities, the pace of growth, cost of financing, etc., are evaluated when determining the District's budget and rates. Charges for services continue to be the District's largest single source of revenue, as wastewater treatment is a public necessity. Revenue typically remains stable as long as the number of equivalent connections does not decline.

The following information summarizes the financial conditions anticipated over the next few years and the core assumptions that produced these conditions.

Rates and System Growth

In March, 2022, the District approved the revised District Rule 31-10 which included an annual rate increase of 2.0% in 2022 and 2023 and 3.0% in 2024 through 2026 for Quarterly Services Charges, and an increase of 7.28% in 2022 for total connection charges (Plant Connection Charges, Regional Transmission System Line Charges, and Administrative Charges) to be followed by annual increases using the Engineering News Records (ENR) Utility Cost Construction Index. These rate increases were implemented in an effort to provide funding for anticipated future expenses while balancing a desire to reduce the unrestricted cash balance. The figure on the right shows the change in residential equivalent connections over the last 5 years (based on October billing). Once the remaining developable land is consumed this growth rate is anticipated to fall to near zero.



Significant neighborhood sewerage projects have been ongoing for over 20 years, so we are starting to experience a decline in assessment revenues. However, low pressure sewers were completed on SE Hobart Street and 181st Street N during fiscal year 2022, for a total assessment of \$287,035. Other ongoing neighborhood sewerage projects include Rolling Hills and Olympus Drive. Excluding private roads, neighborhood sewerage east of I-95 will be completed in 2023.

System Renewal and Replacement

Over the last few years, the District initiated several major construction projects that focus on renewal and replacement of its facilities and infrastructure. The District's capital improvements will continue to be funded primarily through existing cash reserves, grants, and rate revenue. No additional debt is expected to be issued. Approved capital improvements include:

- Fiscal year 2023 neighborhood sewerage projects include Rolling Hills, Olympus Drive, 5331 Center Street, Island Way, and 69th Terrace. The District will continue to pay 10% of associated neighborhood sewerage costs.
- Rehabilitation of Lift Station #82.
- Completion of Construction of Fall Protection at all existing District Lift Stations.
- Lift Station Cellular Telemetry.
- IQ511 Pump Station Piping Improvements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District at 2500 Jupiter Park Drive, Jupiter, Florida 33458.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT

**Statements of Net Position
September 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents - unrestricted	\$ 23,672,396	\$ 29,742,612
Cash and cash equivalents - restricted	78,945	86,463
Investments	19,839,185	10,632,289
Receivables		
Accounts	465,495	541,128
Special assessments	1,155,632	1,125,686
Accrued interest	565,080	600,509
Due from other governments	476,614	352,258
Inventories	2,689,221	2,555,888
Prepaid expenses	369,893	360,629
Total current assets	<u>49,312,461</u>	<u>45,997,462</u>
Noncurrent assets		
Receivables		
Accounts	614,711	650,399
Accounts - allowance	(157,185)	(157,185)
Special assessments	9,897,400	10,943,585
Investment in joint venture	1,203,994	1,379,837
Capital assets		
Right to use lease assets (net of amortization)	108,639	
Non-depreciable	7,329,373	3,624,687
Depreciable (net of depreciation)	115,456,998	118,902,615
Total noncurrent assets	<u>134,453,930</u>	<u>135,343,938</u>
Total assets	<u>\$ 183,766,391</u>	<u>\$ 181,341,400</u>

Continued on the following page.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
Statements of Net Position (Continued)
September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 627,716	\$ 471,957
Construction contracts payable	1,099,649	383,969
Accrued liabilities		
Wages and payroll taxes	289,882	230,552
Pension	43,007	33,054
Compensated absences	108,056	95,051
Unearned revenue	2,075,325	1,462,019
Lease liability	71,885	
Total current liabilities (payable from current assets)	<u>4,315,520</u>	<u>2,676,602</u>
Payable from restricted assets		
Customer deposits	78,945	86,463
Total current liabilities (payable from restricted assets)	<u>78,945</u>	<u>86,463</u>
Total current liabilities	<u>4,394,465</u>	<u>2,763,065</u>
Noncurrent liabilities		
Compensated absences	929,290	933,235
Lease liability	43,277	
Total noncurrent liabilities	<u>972,567</u>	<u>933,235</u>
Total liabilities	<u>5,367,032</u>	<u>3,696,300</u>
Net Position		
Net investment in capital assets	121,680,199	122,143,333
Unrestricted	56,719,160	55,501,767
Total net position	<u>\$ 178,399,359</u>	<u>\$ 177,645,100</u>

See notes to the financial statement.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
Statements of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues		
Charges for services	\$ 19,673,952	\$ 19,077,644
Miscellaneous	378,377	329,299
Total operating revenues	<u>20,052,329</u>	<u>19,406,943</u>
Operating expenses		
Personal services	9,207,293	8,193,390
Operational	3,428,115	3,055,824
Supplies and chemicals	1,161,338	975,258
Repairs and maintenance	1,621,574	1,427,301
Contractual services	522,724	783,509
Depreciation and amortization	7,154,369	7,528,150
Total operating expenses	<u>23,095,413</u>	<u>21,963,432</u>
Operating (loss)	<u>(3,043,084)</u>	<u>(2,556,489)</u>
Nonoperating revenues (expenses)		
Grants	351,500	270,000
Interest income	754,712	722,220
Net increase (decrease) in fair value of investments	(152,397)	
Gain (loss) on disposal of capital assets	(28,603)	(14,652)
Interest expense	(6,086)	
Total nonoperating revenues (expenses)	<u>919,126</u>	<u>977,568</u>
Income (loss) before capital contributions	(2,123,958)	(1,578,921)
Capital contributions	2,878,217	1,661,848
Change in net position	754,259	82,927
Total net position, beginning of year	<u>177,645,100</u>	<u>177,562,173</u>
Total net position, end of year	<u>\$ 178,399,359</u>	<u>\$ 177,645,100</u>

See notes to the financial statement.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
Statements of Cash Flows
For the Fiscal Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Receipts from customers	\$ 19,777,755	\$ 19,697,612
Payments to employees	(9,128,950)	(8,081,443)
Payments for goods and services	(6,720,589)	(6,585,034)
Cash (payments) receipts	988,535	748,168
Net cash provided (used) by operating activities	<u>4,916,751</u>	<u>5,779,303</u>
Cash flows from non-capital financing activities:		
Grants	351,500	
Net cash provided (used) by non-capital financing activities	<u>351,500</u>	
Cash flows from capital and related financing activities:		
Contributed capital	1,118,258	804,293
Acquisition and construction of capital assets	(5,168,011)	(4,245,907)
Cash received from the sale of capital assets	50,069	34,763
Paymnet paid on leasing activities	(67,336)	
Interest paid on leasing activities	(6,086)	
Proceeds from collections of special assessments	1,296,273	2,033,610
Net cash provided (used) by capital and related financing activities	<u>(2,776,833)</u>	<u>(1,373,241)</u>
Cash flows from investing activities:		
Purchase of investments	(25,989,282)	(16,257,486)
Proceeds from sales of investments	16,629,989	9,292,146
Interest and dividends on investments	790,141	701,247
Net cash provided (used) by investing activities	<u>(8,569,152)</u>	<u>(6,264,093)</u>
Net increase (decrease) in cash and cash equivalents	(6,077,734)	(1,858,031)
Cash and cash equivalents at beginning of year	<u>29,829,075</u>	<u>31,687,106</u>
Cash and cash equivalents at end of year	<u>\$ 23,751,341</u>	<u>\$ 29,829,075</u>

Continued on the following page.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
Statements of Cash Flows (Continued)
For the Fiscal Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating loss	\$ (3,043,084)	\$ (2,556,489)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	7,154,369	7,528,150
(Increase) decrease in assets:		
Accounts receivable	111,321	602,695
Due from other governments	(3,148)	58,346
Inventory	(133,333)	(96,625)
Prepaid expenses	(9,264)	(7,713)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	234,102	(126,857)
Developer deposits	(7,518)	17,273
Unearned revenue	613,306	360,523
Net cash provided by operating activities	<u>\$ 4,916,751</u>	<u>\$ 5,779,303</u>
 Noncash investing, capital and financing activities		
Contributions of lift stations, lines and equipment	\$ 1,358,717	\$ 171,202
Book value of assets disposed	78,672	54,419

See notes to the financial statements.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Loxahatchee River Environmental Control District (the District) was created by Chapter 71-822, Special Acts of Florida, 1971, as amended, and codified pursuant to Chapter 2021-249, Laws of Florida, as a separate local agency of government to provide for the management of sewage, storm drainage, and water supply, and conduct environmental monitoring, education, and enhancements in an area of approximately 73 square miles in portions of northern Palm Beach and southern Martin Counties generally defined as the Loxahatchee River Basin. An elected five-member board governs the District. The following is a summary of the more significant accounting principles and policies used in the preparation of these financial statements.

Reporting Entity

As required by generally accepted accounting principles, these financial statements present the government and its component units. Component units are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the District's financial statements to be misleading or incomplete. The primary government is considered financially accountable if it appoints a voting majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board (GASB), the District has determined that there are no legally separate entities to consider as potential component units.

Basis of Presentation and Accounting

On October 1, 2002, the District adopted the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.*" Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net position, a statement of revenues, expenses, and changes in net position and a statement of cash flows. It requires the classification of net position into three components – net investment in capital assets, restricted and unrestricted. These classifications are defined as follows:

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation and Accounting (Continued)

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted net position – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

The District’s financial statements are presented on the full accrual basis. All activities of the District are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are: (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District’s wastewater treatment enterprise fund are charges for the operation of the plant facilities. Operating expenses for the enterprise fund include the cost of the operation of the plant facilities, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Accounting

The District's procedures for establishing budgetary data are as follows:

- The District's Executive Director submits a proposed operating budget to the governing board for the fiscal year commencing the following October 1.
- Public meetings and a public hearing are conducted to obtain comments.
- Formal budget integration is employed as a management control device during the year. The accounting principles applied for the purpose of developing data on a budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles in that the District does not provide for depreciation expense in its budget.
- The Governing Board approves the budget appropriations. Any revisions that increase the total appropriations must be approved by the Governing Board.
- Unused appropriations for budgeted funds lapse at the end of the fiscal year.

Reclassifications

Certain accounts in the prior year information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Other Post Employment Benefits (OPEB)

The District implemented Governmental Accounting Standards Board Statement 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the fiscal year ending September 30, 2018. The District has determined that they do not provide any benefits that qualify as other postemployment benefits under GASB 75.

Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use and recoverability of inventory, and useful lives and impairment of tangible assets. Accordingly, actual results could differ from those estimates.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of fair value measurement in both cases is the same, that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The District categorizes investments reported at fair value in accordance with the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost and Florida Prime of the Local Government Surplus Funds Trust, which is stated at amortized cost. Investments should also be considered the fair value of the investment. The investments held by the District consist of non-negotiable certificates of deposit with original maturities ranging from three months to two years, mutual funds, and Florida Prime. Florida Prime is reported as cash and cash equivalents.

Inventory and Prepaid Items

Inventories are valued at cost (as determined by the first-in/first-out method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments on the statement of net position.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Property, plant and equipment in service and construction in progress are recorded at cost, if purchased or constructed. Assets acquired through contributions from developers or other customers are capitalized at acquisition value. All assets greater than \$5,000 are capitalized. Expenditures for maintenance and repairs are expensed as incurred, while expenditures for renewals and improvements are capitalized. Construction costs of new collection and transmission facilities that are reimbursed by users or financed by developers and property owners are capitalized and recorded as revenues.

Depreciation has been provided over the useful lives using the straight-line method. The estimated useful lives are as follows:

Lakes and retention ponds	50-100 years
Buildings	10-40 years
Improvements other than buildings	20-60 years
Equipment	3-10 years

Accumulated Compensated Absences

It is the District's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid upon separation from the District's service. The District uses the vesting method in accruing vacation and sick leave as the benefits are earned by the employee if it is probable that the employee will be compensated for the benefits through payments conditioned on termination or retirement.

Restricted Assets

As of September 30, 2022 and 2021, the District has \$78,945 and \$86,463, respectively of cash and investments restricted for customer deposits. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Special Assessments

The District levies special assessments against benefited property owners for design, construction and other expenses necessary to complete wastewater and sewerage system improvements constructed in their assessment area. The property owners have an option to pay the assessment in full at the time of connection or have installment payments added to their real estate taxes over a period of 20 years with a rate of Wall Street Journal Prime Rate plus 2% at the time assessed.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Lease contracts that provide the District with control of a non-financial asset, such as land, buildings, or equipment, for a period of time in excess of twelve months are reported as an intangible right to use lease asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible right to use leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

Lease contracts that provide an external entity with control of a District's non-financial asset, such as land, buildings, or equipment, for a period of time in excess of twelve months are reported as a leased receivable with a related lease deferred inflow of resources. The lease receivable is recorded at the present value of future lease payments expected to be received during the lease term, reduced by any provision for estimated uncollectible amounts. The lease deferred inflow of resources is recorded for the same amount as the related lease receivable less any lease incentives. Leased deferred inflow of resources are amortized over the lease term. The lease receivable is reduced for lease payments made, less the interest portion of the lease payment.

Unearned Revenues

Unearned revenues primarily represent capital connection and inspection fees and service payments that are paid in advance by customers. These fees will be recognized as income in subsequent years as the services are performed.

Capital Contributions

Capital contributions are recognized in the statement of revenues, expenses, and changes in net position when earned and include capital grants or contributions from developers, customers, or other governmental agencies.

Allowance for Doubtful Accounts

The District's enabling legislation gives the District the authority to place liens on properties in the event that fees or charges are not paid when due. An allowance for uncollectible accounts is maintained at a level the District believes is sufficient to cover potential losses. A portion of the accounts receivable is classified as a noncurrent asset. These represent accounts that currently have liens or are anticipated to have liens placed on them in the future.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Governmental Accounting Standards Board Statements

The District implemented the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2022:

- GASB Statement No. 87, *Leases*. This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting that is based on the foundational principle that leases are financings of the right to use an underlying asset.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset.
- GASB Statement No. 92, *Omnibus 2020*. This Statement will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of certain GASB Statements. This Statement addresses a variety of topics. The requirements of this Statement related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature by addressing the accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR) for agreements in which variable payments made or received depend on an IBOR.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

The Governmental Accounting Standards Board has also issued new Statements effective in future years. Management has not completed its analysis of the effects, if any, of these GASB statements on the financial statements of the District:

- GASB Statement No. 91, *Conduit Debt Obligation*. This Statement will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. This Statement is effective for the fiscal year ending September 30, 2023.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement will improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. This Statement is effective for the fiscal year ending September 30, 2023.
- GASB 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). This Statement is effective for the fiscal year ending September 30, 2023.
- GASB Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements. The requirements related to leases, public-private and public-public partnerships, and subscription-based information technology arrangements are effective for the fiscal year ending September 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for the fiscal year ending September 30, 2024.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

- GASB Statement No. 100, *Accounting Changes and Error Corrections*. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. This Statement is effective for the fiscal year ending September 30, 2024.
- GASB Statement No. 101, *Compensated Absences*. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. This Statement is effective for the fiscal year ending September 30, 2025.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the Treasurer of the State of Florida. Under Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or other banking institution eligible collateral. In the event of the failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The District's deposits are considered insured for custodial credit risk purposes.

At September 30, 2022 and 2021, the carrying amount of the District's deposits were \$38,203,413 and \$40,450,439, respectively, and the related bank balance was \$38,474,177 and \$39,814,112, respectively. As of September 30, 2022 and 2021, the District also had cash on hand of \$10,925 and \$10,925, respectively. At September 30, 2022 and 2021, deposits included non-negotiable certificates of deposit with financial institutions with original maturities greater than three months in the amount of \$16,476,221 and \$10,632,289, respectively. The non-negotiable certificates of deposit are reported as investments.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments

The investment of surplus public funds is governed by an investment policy approved by the Board. The policy limits investments to the following securities:

- A. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Florida Statutes s. 163.01.
- B. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- C. Interest-bearing time deposits, savings accounts, or money market accounts in qualified public depositories as defined in Florida Statutes s. 280.02.
- D. Direct obligations of the United States Treasury.
- E. Federal agencies and instrumentalities.
- F. Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.
- G. Repurchase agreements collateralized by obligations of the United States Government.
- H. Authorized Deposits up to the amount guaranteed by the U.S. Government under Federal Deposit Insurance Corporation (FDIC) limits where:
 - 1. Funds are initially deposited in a qualified public depository, as defined in Florida Statutes, 280.02 selected by the District;
 - 2. The selected depository arranges for depositing the funds in financial deposit instruments insured by the FDIC in one or more federally insured banks or savings and loan associations, wherever located, for the account of the unit of local government;
 - 3. The full amount of the principal and accrued interest of each financial deposit instrument is insured by the FDIC; and
 - 4. The selected depository acts as custodian for the unit of local government with respect to each financial deposit instrument issued for its account.
- I. Other investments authorized by law or by resolution of the Governing Board.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

GASB Statement No. 72, Fair Value Measurement and Application, requires governments to disclose the fair value hierarchy for each type of asset or liability measured at fair value in the notes to the financial statements. The standard also requires governments to disclose a description of the valuation techniques used in the fair value measurement and any significant changes in valuation techniques. GASB 72 establishes a three-tier fair value hierarchy. The hierarchy is based on valuation inputs used to measure the fair value as follows:

- Level 1: Inputs are directly observable, quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs are other than quoted prices included within Level 1 that are for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means.
- Level 3: Inputs are unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable.

The level to which an asset is assigned is not indicative of its quality but an indication of the source of valuation inputs.

The Florida PRIME investment pool and the non-negotiable certificate of deposit are exempt from reporting under the fair value hierarchy. The fair value of the Florida PRIME is measured at amortized cost in accordance with GASB Statement No. 79. Fair value of the certificates of deposit is measured at cost.

The Florida Prime fund consists of equity in an external investment pool administered by the State of Florida which meets the requirements with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. GASB Statement No. 79 allows reporting the investments at amortized cost. As of September 30, 2022 and 2021, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value. However, the Trustees of the funds can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2022, the District held the following investments:

<u>Investments by Level</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>	<u>Fair Value Measurement</u>	
			<u>Level 1</u>	<u>Level 2</u>
U.S Government and Agency	67 days	\$ 1,731,805	\$	\$ 1,731,805
Fixed Income Mutual Funds	N/A	1,631,159	1,631,159	
		3,362,964	<u>\$ 1,631,159</u>	<u>\$ 1,731,805</u>
 <u>Investments Reported at Cost</u>				
Non-Negotiable Certificates of Deposit	223 days	16,476,221		
 <u>Investments Reported at Amortized Cost</u>				
Cash equivalent:				
Florida Prime	21 days	2,013,224		
Total Investments		<u>\$ 21,852,409</u>		

As of September 30, 2021, the District held the following investments:

<u>Investments Reported at Cost</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
Non-Negotiable Certificates of Deposit	214 days	<u>\$ 10,632,289</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District limits its exposure to fair value losses resulting from rising interest rates by structuring the investment portfolio to remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated and structuring the portfolio so that securities mature concurrent with cash needs. The District's investment policy does not specifically limit the maturity of investments.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk

Credit risk is the risk that an issuer will not fulfill its obligations. The District's investment policy addresses credit risk by limiting allowable investments in U.S. Agencies and Instrumentalities, Local Government Surplus Funds Trust Fund, Local Government Investment Pools, Authorized Deposits, Repurchase Agreements, and High-Quality Investments. The security rating by a Nationally Recognized Statistical Rating Organization (NRSRO) is also an indication of credit risk. The table below outlines the District's credit ratings for investments with certain investments not specifically rate by both S&P and Moody's.

As of September 30, 2022, the District held the following investments:

<u>Investments</u>	<u>S&P Rating</u>	<u>Moody's Rating</u>	<u>Fair Value</u>
U.S Government and Agency	AA+	AAAa	\$ 1,731,805
Fixed Income Mutual Funds	NR	NR	1,631,159
Non-Negotiable Certificates of Deposit	NR	NR	16,476,221
Cash equivalent:			
Florida Prime	AAAm	NR	2,013,224
Total Investments			<u>\$21,852,409</u>

As of September 30, 2021, the District held the following investments:

<u>Investments</u>	<u>S&P Rating</u>	<u>Moody's Rating</u>	<u>Fair Value</u>
Non-Negotiable Certificates of Deposit	NR	NR	<u>\$ 10,632,289</u>

Custodial Credit Risk

Custodial credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy limits its investments to high quality investments to control custodial credit risk.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 3 – INVESTMENT IN JOINT VENTURE

Biosolids Processing and Recycling Facility

On June 7, 2005, the District entered into an interlocal agreement (Agreement) with the Solid Waste Authority (SWA) to fund a portion of the cost to design, build, and operate a Biosolids Processing and Recycling Facility (BPF). There have been three amendments to the original agreement. The first amendment dated June 15, 2006 adjusted the original capital costs of the BPF, and the second amendment dated June 21, 2012 set forth the total net capital costs for the BPF. On July 18, 2013, the District sold 1.54% of its share of the original capacity to another government agency, thereby reducing the District's share of the total capacity to 8.96%. Proceeds from the sale were \$448,282, which reduced the District's original capital cost to \$3,311,772. Additional capital costs were incurred in the fiscal year ended September 30, 2014 in the amount of \$68,944; in the fiscal year ended September 30, 2018 in the amount of \$84,224; and in the fiscal year ended September 30, 2021 in the amount of \$5,232, increasing its portion of the capital cost to \$3,470,172.

The BPF processes certain wastewater treatment residuals (biosolids) which is necessary to comply with increasingly stringent environmental regulations that have significantly decreased the number of land application sites available. Prior to August 2009, bulk land application was the primary method of disposing of the biosolids.

The Agreement is for a period of 20 years beginning with the August 1, 2009 operations commencement. Upon the conclusion of the term of the agreement, the BPF will remain the property of SWA with each participating entity owning its share of the BPF, in perpetuity, for the life of the plant. Under accounting principles generally accepted in the United States of America, the District is required to account for this arrangement as a joint venture. Therefore, an asset is reported on the District's financial statements under the caption "Investment in joint venture." Since the BPF agreement does not state that the participants are to share in the profits and losses of the joint venture, the investment in joint venture account will not be adjusted to reflect the joint venture's results of operations. Rather the investment in joint venture will be amortized using the straight-line method over the 20-year life of the agreement. The District's total operating costs were \$751,215, and \$667,917 for the years ended September 30, 2022 and 2021. The District's pro rata share of the construction costs is shown as an asset – investment in joint venture – on the statements of net position.

The SWA is responsible for the design, construction, operation, and maintenance of the BPF. On April 12, 2005, the SWA approved a contract with a private company, NEFCO, to design/build/operate the BPF. The District, along with the other participating entities, are in turn responsible for delivering wastewater biosolids to the BPF and for paying their pro rata share of the capital and net operating costs. This provision helps to ensure that the BPF venture does not accumulate assets that may result in a financial benefit to the District or cause the District to experience fiscal stress from the BPF.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 3 – INVESTMENT IN JOINT VENTURE (Continued)

No separate financial statements are prepared for the BPF, which is reported as part of the SWA operations. Financial statements for the SWA may be obtained at the following address: Solid Waste Authority, 7501 North Jog Road, West Palm Beach, Florida 33412.

NOTE 4 – CAPITAL ASSETS

A summary of the District's property, plant, and equipment at September 30, 2022 and 2021 is as follows:

	September 30, 2022		
	Beginning Balance	Increases	Decreases
			Ending Balance
Capital assets not being depreciated and amortized			
Land and land rights	\$ 854,434	\$	\$ 854,434
Construction in progress	2,770,253	5,300,421	(1,595,735)
Total capital assets not being depreciated and amortized	3,624,687	5,300,421	(1,595,735)
Capital assets being depreciated and amortized			
Plant	70,439,005	146,695	(114,432)
Lakes	1,211,079		1,211,079
Lines	119,554,170	2,480,294	(197,602)
Lift stations	31,243,972	733,425	(85,309)
Equipment	10,581,960	201,515	(394,259)
Leased assets - equipment		245,868	245,868
Total capital assets being depreciated and amortized	233,030,186	3,807,797	(791,602)
Less accumulated depreciation and amortization			
Plant	(39,221,035)	(2,244,222)	90,283
Lakes	(527,261)	(12,121)	(539,382)
Lines	(47,041,969)	(3,146,995)	137,324
Lift stations	(19,804,641)	(1,075,280)	72,102
Equipment	(7,532,665)	(431,294)	394,259
Leased assets - equipment		(137,229)	(137,229)
Total accumulated depreciation and amortization	(114,127,571)	(7,047,141)	693,968
Total capital assets being depreciated and amortized, net	118,902,615	(3,239,344)	(97,634)
Capital assets, net	\$ 122,527,302	\$ 2,061,077	\$ (1,693,369)

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 4 – CAPITAL ASSETS (Continued)

	September 30, 2021			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and land rights	\$ 854,434	\$	\$	\$ 854,434
Construction in progress	4,527,304	2,818,999	(4,576,050)	2,770,253
Total capital assets not being depreciated	5,381,738	2,818,999	(4,576,050)	3,624,687
Capital assets being depreciated				
Plant	69,955,333	625,555	(141,883)	70,439,005
Lakes	1,211,079			1,211,079
Lines	115,655,808	3,937,701	(39,339)	119,554,170
Lift stations	30,681,089	630,970	(68,087)	31,243,972
Equipment	9,981,099	778,707	(177,846)	10,581,960
Total capital assets being depreciated	227,484,408	5,972,933	(427,155)	233,030,186
Less accumulated depreciation				
Plant	(36,564,731)	(2,771,762)	115,458	(39,221,035)
Lakes	(515,140)	(12,121)		(527,261)
Lines	(44,014,856)	(3,050,148)	23,035	(47,041,969)
Lift stations	(18,772,933)	(1,088,103)	56,395	(19,804,641)
Equipment	(7,279,684)	(430,827)	177,846	(7,532,665)
Total accumulated depreciation	(107,147,344)	(7,352,961)	372,734	(114,127,571)
Total capital assets being depreciated, net	120,337,064	(1,380,028)	(54,421)	118,902,615
Capital assets, net	\$ 125,718,802	\$ 1,438,971	\$ (4,630,471)	\$ 122,527,302

Depreciation expense was \$6,909,912 and \$7,352,961 for the years ended September 30, 2022 and 2021, respectively.

Restatement for the implementation of GASB 87 as of October 1, 2020 and October 1, 2021 were deemed insignificant. The changes in intangible right to use assets (Leased assets – equipment) in the summary on page 30 reflect the increases or additions presented for the implementation of GASB 87 in fiscal year ending September 30, 2022. The actual amortization expense related to the fiscal year ending September 30, 2022 was \$68,614. See Note 11.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 5 – CONTRACTS PAYABLE

Construction contracts of the District at September 30, 2022 and 2021 are as follows:

	September 30, 2022			
	<u>Total Project Authorization</u>	<u>Total Expended</u>	<u>Contracts Payable</u>	<u>Balance to Complete</u>
Lift Station Rehabilitations	\$ 167,001	\$ 133,433	\$ 4,094	\$ 29,474
Septic to Sewer Conversions	2,720,790	1,241,010	769,735	710,045
Sewering Line Lining	1,150,000	280,458	118,494	751,048
Other Construction Contracts	2,000,192	1,251,904	207,326	540,962
Total:	<u>\$ 6,037,983</u>	<u>\$ 2,906,805</u>	<u>\$ 1,099,649</u>	<u>\$ 2,031,529</u>

	September 30, 2021			
	<u>Total Project Authorization</u>	<u>Total Expended</u>	<u>Contracts Payable</u>	<u>Balance to Complete</u>
Sewering Line Lining	\$ 1,363,388	\$ 1,062,833	\$	\$ 300,555
Other Construction Contracts	3,537,890	1,544,184	383,969	1,609,737
Total:	<u>\$ 4,901,278</u>	<u>\$ 2,607,017</u>	<u>\$ 383,969</u>	<u>\$ 1,910,292</u>

NOTE 6 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the years ended September 30, 2022 were as follows:

	September 30, 2022				
	<u>Balance October 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30, 2022</u>	<u>Due Within One year</u>
Compensated absences	\$ 1,028,286	\$ 111,960	\$ 102,900	\$ 1,037,346	\$ 108,056
Lease liability		245,868	130,706	115,162	71,885
Total:	<u>\$ 1,028,286</u>	<u>\$ 357,828</u>	<u>\$ 233,606</u>	<u>\$ 1,152,508</u>	<u>\$ 179,941</u>

Restatement for the implementation of GASB 87 as of October 1, 2021 related to the lease liability was deemed insignificant. The changes in the lease liability summarized above reflect the additions and reductions presented for the implementation of GASB 87 in fiscal year ending September 30, 2022. See Note 11.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 6 – LONG-TERM LIABILITIES (Continued)

	September 30, 2021				
	Balance October 1, 2020	Additions	Reductions	Balance September 30, 2021	Due Within One year
Compensated absences	\$ 967,283	\$ 125,287	\$ 64,284	\$ 1,028,286	\$ 95,051
Total:	<u>\$ 967,283</u>	<u>\$ 125,287</u>	<u>\$ 64,284</u>	<u>\$ 1,028,286</u>	<u>\$ 95,051</u>

Restatement for the implementation of GASB 87 as of October 1, 2020 related to the lease liability was deemed insignificant.

NOTE 7 – RESTRICTED ASSETS, LIABILITIES AND RESERVES

Restricted assets and liabilities at September 30, 2022 and 2021 consist of customer deposits. Assets restricted for these purposes represent cash and investments totaling \$78,945 and \$86,463 for the years ended September 30, 2022 and 2021, respectively.

The following is a summary of restricted assets, related liabilities, and restricted net position at September 30, 2022 and 2021:

September 30, 2022	Restricted Assets	Liabilities Payable from Restricted Assets	Restricted Net Position
Customer Deposits	<u>\$ 78,945</u>	<u>\$ 78,945</u>	<u>\$</u>

September 30, 2021	Restricted Assets	Liabilities Payable from Restricted Assets	Restricted Net Position
Customer Deposits	<u>\$ 86,463</u>	<u>\$ 86,463</u>	<u>\$</u>

**LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 8 – DEFINED CONTRIBUTION PLAN

The District contributes to the Loxahatchee River Environmental Control District Money Purchase Plan and Trust, a defined contribution pension plan, for its full-time employees. The Plan is administered by an Administrative Committee that reports to the Governing Board. Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Governing Board. The District is required to contribute 12% of annual salary to individual employee accounts for each participating employee. Employees contribute 4% of their eligible compensation. For the years ended September 30, 2022 and 2021, employee contributions totaled \$218,347 and \$198,813 and the District's recognized pension expense was \$890,106 and \$818,300, respectively.

Employees are required to participate in the District's mandatory plan after attainment of 18 years of age and completion of one year of continuous service. Employees are fully vested after two years of plan participation. Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to reduce employer contributions. There were no forfeitures for the year ended September 30, 2022 and there were forfeitures in the amount of \$16,084 for the year ended September 30, 2021.

The District had a liability to the Plan at September 30, 2022 and 2021 in the amount of \$43,007 and \$33,054, respectively.

NOTE 9 – COMMITMENTS

Service Agreement

The District entered into an agreement with Synagro South, LLC for the hauling and disposal of wastewater sludge to the SWA Pelletization Facility for a 24-month period starting October 1, 2018. The contract provided for the hauling and disposal of wastewater sludge from the District's facility to the SWA Pelletization Facility at an agreed upon distance of 16 miles at a rate of \$9.01 per mile. The contract also provided for the hauling and disposal of wastewater sludge from the District's facility to an undesignated site within a 60-mile radius at a rate of \$5.61 per mile. In September 2020, the District Governing Board executed the first of three one-year options with Synagro South, LLC. The new rates were \$9.07 per mile and \$5.65 per mile. In September 2021, the District Governing Board approved the second one-year option with Synagro South, LLC. The new rates were \$9.55 per mile and \$5.96 per mile. In September 2022, the District Governing Board approved the third one-year option with Synagro South, LLC. The new rates will be \$10.42 per mile and \$6.50 per mile. For the years ended September 30, 2022 and 2021, the District paid \$145,212 and \$137,774, respectively.

Purchase Commitments

The District had outstanding purchase orders totaling approximately \$276,392 and \$342,604 for the fiscal years ended September 30, 2022 and 2021, respectively.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Specifically, the District purchases commercial insurance for property, medical benefits, workers' compensation, general liability, automobile liability, errors and omissions, and directors and officers liability. The District is also covered by Florida Statutes under the Doctrine of Sovereign Immunity, which effectively limits the amount of liability of government agencies to individual claims of \$200,000/\$300,000 for all claims relating to the same accident. In March 2021, the District removed approximately \$17,000,000 of lift stations from property insurance. There were no changes in insurance coverage for the year ended September 30, 2022. There were no settlements that exceeded insurance coverage in the last three years.

NOTE 11 – LEASES

Effective October 1, 2021, the District implemented Governmental Accounting Standards Board Statement 87 (GASB 87), *Leases*. Restatement for the implementation of GASB 87 as of October 1, 2020 and October 1, 2021 were deemed insignificant.

Right to Use Lease

In January 2019, the District entered into a right to use lease for certain biofilter and odor control scrubber equipment. Under the terms of the agreement, the lease is paid monthly with a term of 64 months. The discount rate was 4% using the District's estimated incremental borrowing rate.

Annual lease requirements to term are as follows:

Year Ending September 30,	Principal	Interest	Total
2023	\$ 71,885	\$ 3,298	\$ 75,183
2024	43,277	579	43,856
	<u>\$ 115,162</u>	<u>\$ 3,877</u>	<u>\$ 119,039</u>

STATISTICAL SECTION

STATISTICAL SECTION

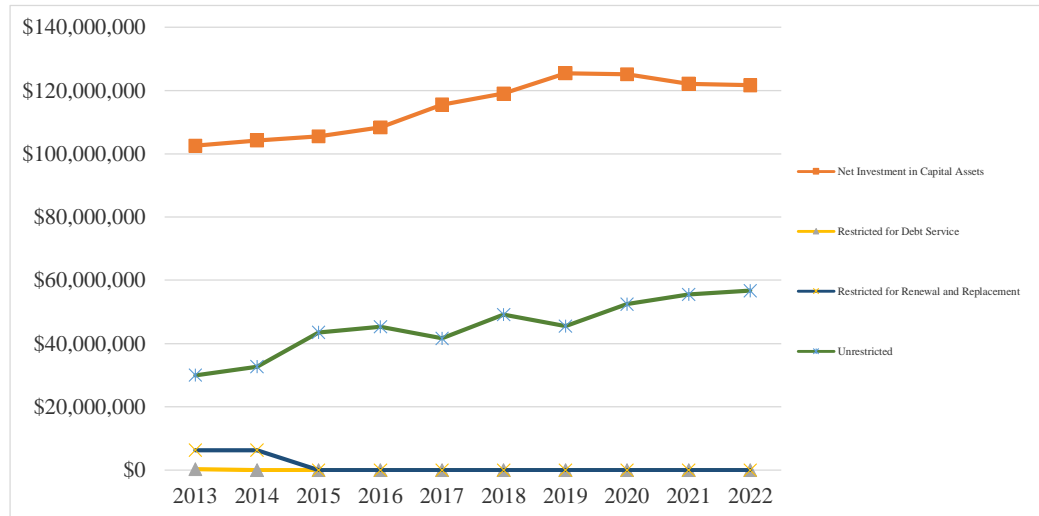
This part of the District's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	
<i>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</i>	
Schedule of Net Position by Component	36
Schedule of Changes in Net Position	37
Revenue Capacity	
<i>These schedules contain service and infrastructure data to help the reader understand how information in the government's financial report relates to the services the government provides and the activities it performs.</i>	
Schedule of Revenue by Source	38
Total Sewer Units by Category	39
Total Sewer Revenue by Category	40
Schedule of Sewer Rates	41
Wastewater Treated	42
Debt Capacity	
<i>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt, as well as the District ability to issue debt in the future.</i>	
Ratio of Outstanding Debt	43
Schedule of Pledged Revenue Coverage	44
Demographic and Economic Information	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</i>	
Demographic and Economic Statistics	45
Principal Employers	46
Operating Information	
<i>These schedules contain service and infrastructure data to help the reader understand how information in the government's financial report relates to the services the government provides and the activities it performs.</i>	
Full-time Equivalent Employees by Function	47
Schedule of Wastewater Treatment Capacity	48
Capital and Infrastructure Statistics	49

Sources: Unless otherwise noted, the information in these schedules were obtained from the District's records.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
SCHEDULE OF NET POSITION BY COMPONENT
For the Last Ten Fiscal Years

Fiscal Year Ended September 30,	Net Investment in Capital Assets	Restricted for Debt Service	Restricted for Renewal and Replacement	Unrestricted	Total Net Position	Change from Prior Year
2013	\$ 102,544,712	\$ 278,024	\$ 6,300,000	\$ 29,974,212	\$ 139,096,948	2.09%
2014	104,210,176		6,300,000	32,666,737	143,176,913	2.93%
2015	105,523,262			43,503,660	149,026,922	4.09%
2016	108,348,576			45,289,111	153,637,687	3.09%
2017	115,529,222			41,618,783	157,148,005	2.28%
2018	119,058,082			49,135,460	168,193,542	7.03%
2019	125,449,146			45,506,795	170,955,941	1.64%
2020	125,138,836			52,423,337	177,562,173	3.86%
2021	122,143,333			55,501,767	177,645,100	0.05%
2022	121,680,199			56,719,160	178,399,359	0.42%



Source: Loxahatchee River Environmental Control District

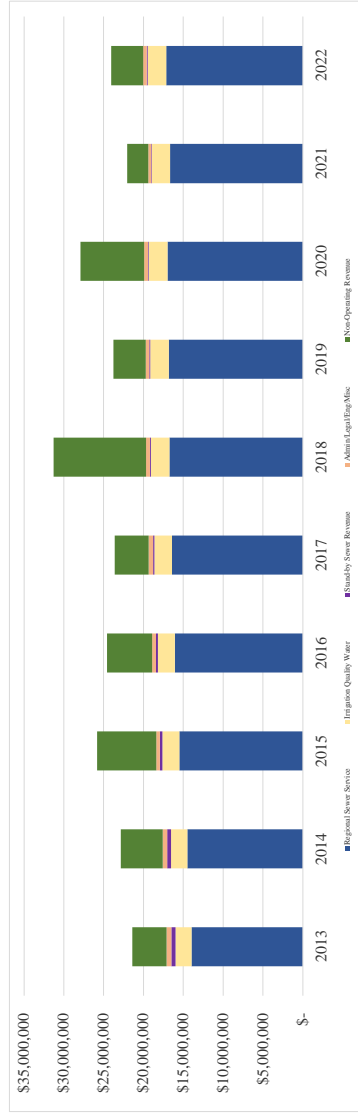
LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
SCHEDULE OF CHANGES IN NET POSITION
For the Last Ten Fiscal Years

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
OPERATING REVENUES:										
Charges for services	\$ 16,558,320	\$ 17,068,443	\$ 17,955,155	\$ 18,439,733	\$ 18,929,914	\$ 19,269,413	\$ 19,387,399	\$ 19,531,720	\$ 19,077,644	\$ 19,673,952
Miscellaneous	534,846	500,866	420,734	472,844	436,024	416,191	314,265	386,857	329,299	378,377
Total operating revenues	17,093,166	17,569,309	18,375,889	18,912,577	19,365,938	19,685,604	19,701,664	19,918,577	19,406,943	20,052,329
OPERATING EXPENSES:										
Personal services	6,079,828	6,322,100	6,933,959	7,183,021	7,382,421	7,486,707	7,652,362	7,994,898	8,193,390	9,207,293
Operational	2,615,615	2,688,221	2,700,888	2,751,449	2,895,600	3,182,510	3,037,405	2,928,535	3,055,824	3,428,115
Supplies and chemicals	1,287,386	1,404,409	1,350,463	1,538,706	1,454,776	1,285,931	1,199,984	1,034,064	975,258	1,161,338
Repairs and maintenance	1,959,972	2,030,502	2,051,192	1,731,117	1,719,023	1,479,091	1,723,423	1,685,351	1,427,301	1,621,574
Contractual services	275,639	353,989	228,673	209,288	294,311	392,387	421,393	401,169	783,509	522,724
Depreciation and amortization	5,867,335	5,885,015	6,067,532	6,221,487	6,348,091	6,365,385	6,532,952	7,262,858	7,528,150	7,154,369
Total operating expenses	18,085,775	18,684,236	19,332,707	19,635,068	20,094,222	20,192,011	20,567,519	21,306,875	21,963,432	23,095,413
OPERATING INCOME (DEFICIT)	(992,609)	(1,114,927)	(956,818)	(722,491)	(728,284)	(506,407)	(865,855)	(1,388,298)	(2,556,489)	(3,043,084)
NONOPERATING REVENUES (EXPENSES)										
Grants	11,336	10,000	62,060	33,329	13,550	190,980			270,000	351,500
Interest income	757,045	784,574	871,896	936,584	988,965	1,079,754	1,381,134	969,565	722,220	754,712
Net gain (loss) on fair value of investments	13,594	(7,386)								(152,397)
Loss on extinguishment of debt			(419,797)							(28,603)
Gain (loss) on disposal of capital assets	(339,020)	(83,934)	(198,364)	(318,769)	33,630	(33,294)	(456,428)	63,860	(14,652)	(6,086)
Interest expense	(137,397)	(5,834)								
Total nonoperating revenue (expenses)	305,558	697,420	315,795	651,144	1,036,145	1,237,440	924,706	1,033,425	977,568	919,126
INCOME (DEFICIT) BEFORE CAPITAL CONTRIBUTIONS	(687,051)	(417,507)	(641,023)	(71,347)	307,861	731,033	58,851	(354,873)	(1,578,921)	(2,123,958)
CAPITAL CONTRIBUTIONS										
	3,532,332	4,497,472	6,491,032	4,682,112	3,202,457	10,314,504	2,703,548	6,961,105	1,661,848	2,878,217
INCREASE (DECREASE) IN NET POSITION	2,845,281	4,079,965	5,850,009	4,610,765	3,510,318	11,045,537	2,762,399	6,606,232	82,927	754,259
NET POSITION, BEGINNING OF PERIOD	136,251,667	139,096,948	143,176,913	149,026,922	153,637,687	157,148,005	168,193,542	170,955,941	177,562,173	177,645,100
NET POSITION, END OF PERIOD	\$ 139,096,948	\$ 143,176,913	\$ 149,026,922	\$ 153,637,687	\$ 157,148,005	\$ 168,193,542	\$ 170,955,941	\$ 177,562,173	\$ 177,645,100	\$ 178,399,359

Source: Loxahatchee River Environmental Control District

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
SCHEDULE OF REVENUE BY SOURCE
For the Last Ten Fiscal Years

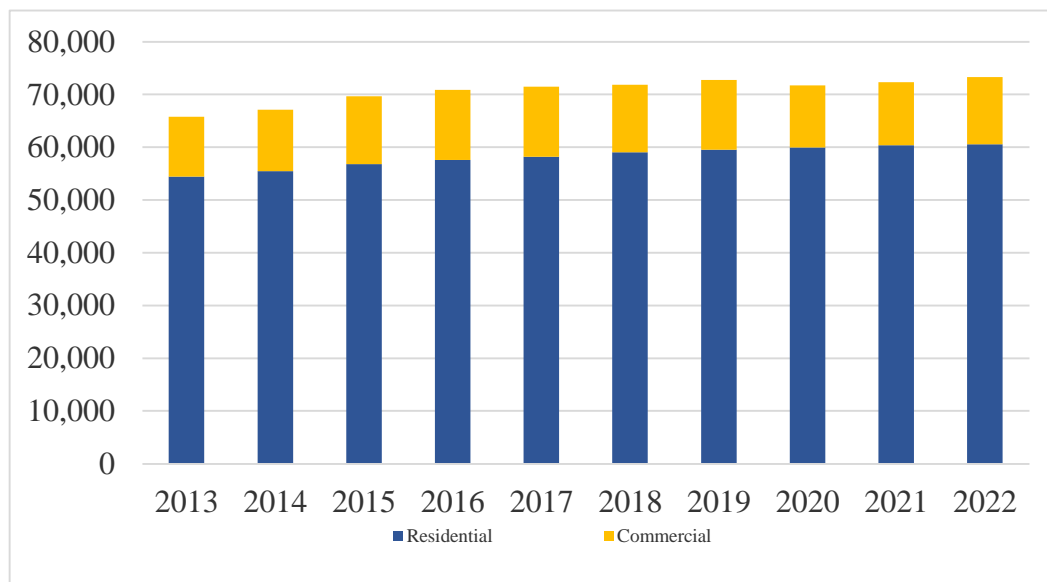
Fiscal Year Ended September 30,	Operating Revenues					Non-Operating Revenues							
	Regional Sewer Service	Irrigation Quality Water	Stand-by Sewer Revenue	Admin/Legal Engineering Fees and Miscellaneous	Total Operating Revenues	Assessment Revenue	Connection Charges	Line Charges	Investment Income	Grants/ Contributed Capital	Other	Total Non-Operating Revenues	Total Revenues
2013	\$ 13,971,883	\$ 2,001,583	\$ 526,409	\$ 593,291	\$ 17,093,166	\$ 277,518	\$ 1,345,534	\$ 863,959	\$ 757,045	\$ 1,056,657	\$ 13,594	\$ 4,314,307	\$ 21,407,473
2014	14,478,093	2,059,339	496,829	535,048	17,569,309	327,432	2,569,441	670,857	784,574	939,742		5,292,046	22,861,355
2015	15,502,465	2,131,578	305,107	436,739	18,375,889	2,571,005	2,455,424	279,076	871,896	1,247,587		7,424,988	25,800,877
2016	16,051,221	2,154,339	221,965	485,052	18,912,577	2,035,390	1,073,180	369,122	936,584	1,237,749		5,652,025	24,564,602
2017	16,408,048	2,221,586	175,916	560,388	19,365,938	388,857	854,526	286,500	988,965	1,686,124	33,630.00	4,238,602	23,604,540
2018	16,751,205	2,307,946	120,034	506,419	19,685,604	6,508,665	1,409,475	547,129	1,079,754	1,849,235	190,980.00	11,585,238	31,270,842
2019	16,806,144	2,361,783	99,294	434,443	19,701,664	733,072	573,255	241,047	1,381,134	1,156,174		4,084,682	23,786,346
2020	16,971,526	2,379,798	93,741	473,512	19,918,577	5,118,705	675,485	412,140	969,565	754,775	63,860	7,994,530	27,913,107
2021	16,683,096	2,267,555	98,167	358,125	19,406,943	454,670	658,413	303,397	722,220	515,368		2,654,068	22,061,011
2022	17,157,795	2,307,624	113,801	473,109	20,052,329	287,035	571,288	181,071	754,712	2,190,323		3,984,429	24,036,758



Source: Loxahatchee River Environmental Control District

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
TOTAL SEWER UNITS BY CATEGORY
For the Last Ten Fiscal Years

Fiscal Year	Residential		Commercial		Total
	Equivalent Connections	% of Annual Total	Equivalent Connections	% of Annual Total	
2013	54,414	83%	11,335	17%	65,749
2014	55,417	83%	11,675	17%	67,092
2015	56,794	82%	12,836	18%	69,630
2016	57,579	81%	13,276	19%	70,855
2017	58,196	81%	13,269	19%	71,465
2018	59,002	82%	12,784	18%	71,786
2019	59,478	82%	13,276	18%	72,754
2020	59,923	84%	11,784	16%	71,707
2021	60,333	83%	11,958	17%	72,291
2022	60,542	83%	12,728	17%	73,270

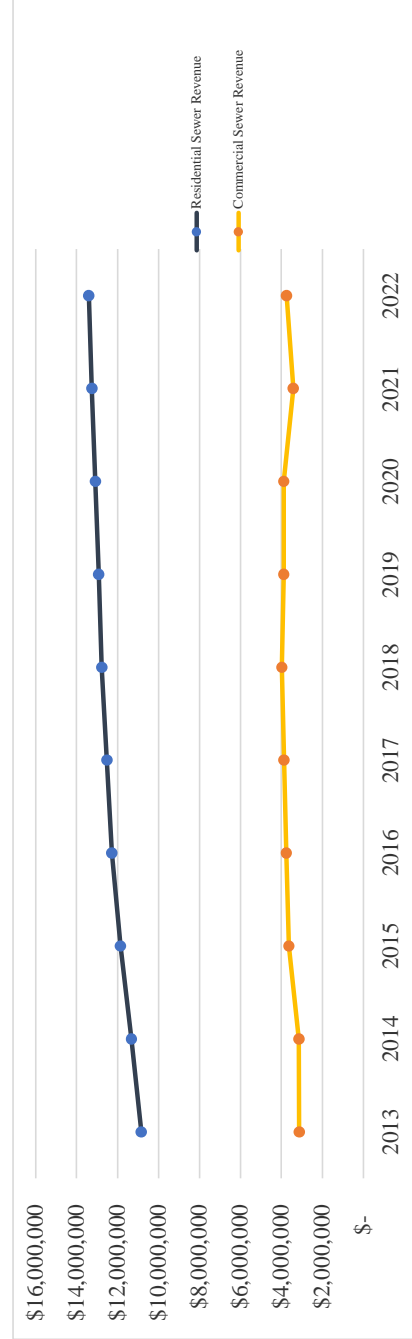


Source: Loxahatchee River Environmental Control District

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
TOTAL SEWER REVENUE BY CATEGORY
For the Last Ten Fiscal Years

Fiscal Year	Residential					Commercial				
	Regional Sewer Service Revenue	% of Annual Total	Number of Equivalent Connections	Rate per Equivalent Connection	Regional Sewer Service Revenue	% of Annual Total	Number of Equivalent Connections	Rate per Equivalent Connection	Total	
2013	\$ 10,843,903	78%	54,208	\$ 200.04	\$ 3,127,980	22%	11,431	\$ 273.64	\$ 13,971,883	
2014	11,325,317	78%	54,864	206.43	3,152,776	22%	11,156	282.61	14,478,093	
2015	11,864,990	77%	55,931	212.14	3,637,475	23%	12,450	292.17	15,502,465	
2016	12,284,659	77%	57,199	214.77	3,766,562	23%	12,850	293.12	16,051,221	
2017	12,527,978	76%	57,853	216.55	3,880,070	24%	13,180	294.39	16,408,048	
2018	12,776,079	76%	58,533	218.27	3,975,126	24%	13,319	298.46	16,751,205	
2019	12,919,575	77%	59,201	218.23	3,886,569	23%	13,015	298.62	16,806,144	
2020	13,079,358	77%	59,625	219.36	3,892,168	23%	12,956	300.41	16,971,526	
2021	13,256,092	79%	60,128	220.46	3,427,004	21%	11,348	301.99	16,683,096	
2022	13,408,178	78%	60,408	221.96	3,749,617	22%	12,292	305.05	17,157,795	

Note: The Schedule of Principal Payors is not presented. The District bills residential customers by Equivalent Connection, therefore all residential customers pay approximately the same amount.



Source: Loxahatchee River Environmental Control District

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
SCHEDULE OF SEWER RATES
As of September 30, 2022

Quarterly Service Charge

Residential		Non-Residential
Equivalent Connection	Rate	
1.00	\$ 56.25	\$6.42 / 1,000 gallons or minimum of \$76.98/quarter
1.25	70.31	
1.50	84.38	
1.75	98.44	
2.00	112.50	
2.25	126.56	
2.50	140.63	
2.75	154.69	

Quarterly Stand-by Sewer Revenue Charge

Residential	\$ 38.25 \per Equivalent Connection
Non-Residential	52.35 \per Equivalent Connection

Connection Charges

Equivalent Connection	Rate
1.00	\$ 3,136.00
1.25	3,920.00
1.50	4,704.00
1.75	5,488.00
0.25	784.00

Rates effective April 1, 2022

Source: Loxahatchee River Environmental Control District

**LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
WASTEWATER TREATED
For the Last Ten Fiscal Years**

Fiscal Year Ended September 30,	Annual Influent Treated (MGD)	Regional Sewer Service Revenue	Total Direct Sewer Rates (1)
2013	2,498	\$ 13,971,883	\$ 5.59
2014	2,479	14,478,093	5.84
2015	2,474	15,502,465	6.27
2016	2,453	16,051,221	6.54
2017	2,386	16,408,048	6.88
2018	2,493	16,751,205	6.72
2019	2,476	16,806,144	6.79
2020	2,611	16,971,526	6.50
2021	2,617	16,683,096	6.56
2022	2,508	17,157,795	6.84

(1) per thousand gallons influent treated.

MGD = Millions of gallons per day.

Source: Loxahatchee River Environmental Control District

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
RATIO OF OUTSTANDING DEBT
For the Last Ten Fiscal Years

Fiscal Year Ended September 30,	1997B Revenue Bonds	1997C Revenue Bonds	2003 Revenue Bonds	2009 Revenue Bonds	2010 Revenue Bonds	Total Debt Outstanding	Debt Per Equivalent Connection
2013	\$ 611,772	\$ 652,035	\$	\$ 2,855,025	\$ 191,518	\$ 4,310,350	\$ 64.25
2014				2,648,163		2,648,163	38.03
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							

Note: Bonds were paid off during fiscal year 2015.

Source: Loxahatchee River Environmental Control District

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
SCHEDULE OF PLEDGED REVENUE COVERAGE
For the Last Ten Fiscal Years

Fiscal Year Ended September 30,	Total Debt Service Requirement	Gross Revenues	Operating Expenses		Net Revenue Available (1)	Debt Service Coverage (2)	Capital Charges	Net Revenue Available	Debt Service Coverage (3)
			Before Depreciation	Depreciation					
2013	\$ 1,876,057	\$ 17,536,121	\$ 12,218,440	\$	\$ 5,317,681	2.83	\$ 3,532,332	\$ 8,850,013	4.72
2014	915,791	18,272,563	12,799,221		5,473,342	5.98	4,497,472	9,970,814	10.89
2015	331,540	18,691,684	13,265,175		5,426,509	16.37	6,491,032	11,917,541	35.95
2016									
2017									
2018									
2019									
2020									
2021									
2022									

(1) Net revenue available before capital charges

(2) In accordance with the Bond Resolutions, required debt service coverage is 1.10 times

(3) In accordance with the Bond Resolutions, required debt service coverage is 1.25 times

Note: Bonds were paid off during fiscal year 2015.

Source: Loxahatchee River Environmental Control District

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
For the Last Ten Fiscal Years

Fiscal Year	Population (1)			Town of		Personal Income (2)		Per Capita		Unemployment Rate (3)	
	Town of Jupiter	Village of Tequesta	Town of Juno Beach	Jupiter Inlet Colony	Palm Beach County	Martin County	Palm Beach County	Personal Income (2)	Martin County	Palm Beach County	Martin County
2013	56,577	5,652	3,191	401	\$83,679,890	\$ 9,371,873	\$ 60,704	\$	61,975	7.1%	7.2%
2014	57,263	5,629	3,194	396	92,842,100	10,666,979	66,218		69,607	5.9%	6.1%
2015	59,108	5,665	3,240	396	100,579,513	11,397,001	70,415		73,189	5.3%	5.3%
2016	60,615	5,699	3,351	411	104,108,093	12,078,164	71,613		76,211	5.0%	5.0%
2017	61,388	5,731	3,400	407	109,973,732	12,650,502	74,754		79,104	4.1%	4.0%
2018	62,100	5,857	3,427	409	118,519,249	13,496,101	79,760		83,873	3.1%	3.0%
2019	62,497	5,850	3,442	406	124,632,614	13,748,480	83,268		85,394	3.2%	2.9%
2020	63,188	5,874	3,463	414	131,881,463	14,455,817	87,478		89,185	6.6%	4.6%
2021	61,121	6,152	3,862	403	150,737,459	16,357,821	100,627		102,273	4.1%	3.4%
2022	61,341	6,152	3,869	406	N/A	N/A	N/A		N/A	3.5%	2.9%

Data Sources:

- (1) University of Florida, Bureau of Economic and Business Research.
- (2) U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System.
- (3) U.S. Department of Labor Statistics - based on not seasonally adjusted September rates.

N/A - Data not available

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Employer	2022			2013		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Palm Beach County						
Palm Beach County School District	22,426	1	2.98%	20,810	1	3.25%
Palm Beach County - BOCC	5,753	2	0.76%	11,000	2	1.72%
Tenet Coastal Division of Palm Beach County	5,734	3	0.76%	6,100	3	0.95%
NextEra Energy/Florida Power & Light	5,330	4	0.71%	3,804	4	0.59%
Florida Atlantic University	5,059	5	0.67%	2,980	6	0.46%
Boca Raton Regional Hospital	3,135	6	0.42%	2,250	10	0.35%
Veterans Health Administration	2,600	7	0.35%	2,700	8	0.42%
Hospital Corporation of America - HCA	2,419	8	0.32%	2,714	7	0.42%
The Breakers	2,300	9	0.31%			
Baptist Health of South Florida	2,282	10	0.30%	2,643	9	0.41%
G4S (Wackenhut Corp)				3,000	5	0.47%
Totals	<u>57,038</u>		<u>7.57%</u>	<u>58,001</u>		<u>9.05%</u>
Martin County						
Martin Memorial Health Systems	3,619	1	4.81%	2,783	1	4.27%
Martin County School District	2,780	2	3.69%	2,571	2	3.95%
Martin County Government	1,650	3	2.19%	1,575	3	2.42%
Publix	1,491	4	1.98%			
Martin Memorial Physicians Corp	619	5	0.82%			
Walmart	382	6	0.51%			
Home Depot	373	7	0.50%			
Visiting Nurse Services of Treasure Coast	360	8	0.48%			
Visiting Nurse Association of Florida	337	9	0.45%			
Liberator Medical Holding, Ins.	334	10	0.44%			
State of Florida				510	4	0.78%
Triumph Group - Vought Aircraft Division				408	5	0.63%
Paradigm Precision				396	6	0.61%
Liberator Medical Holding, Ins.				340	7	0.52%
Seacoast National Bank				294	8	0.45%
Louis Dreyfus Commodities				250	9	0.38%
Armellini Industries				223	10	0.34%
Totals	<u>11,945</u>		<u>15.87%</u>	<u>9,350</u>		<u>14.35%</u>

Source: Palm Beach County data from Business Development Board of Palm Beach County. Data is for Palm Beach County. Martin County data is from Martin County.

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
For the Last Ten Fiscal Years

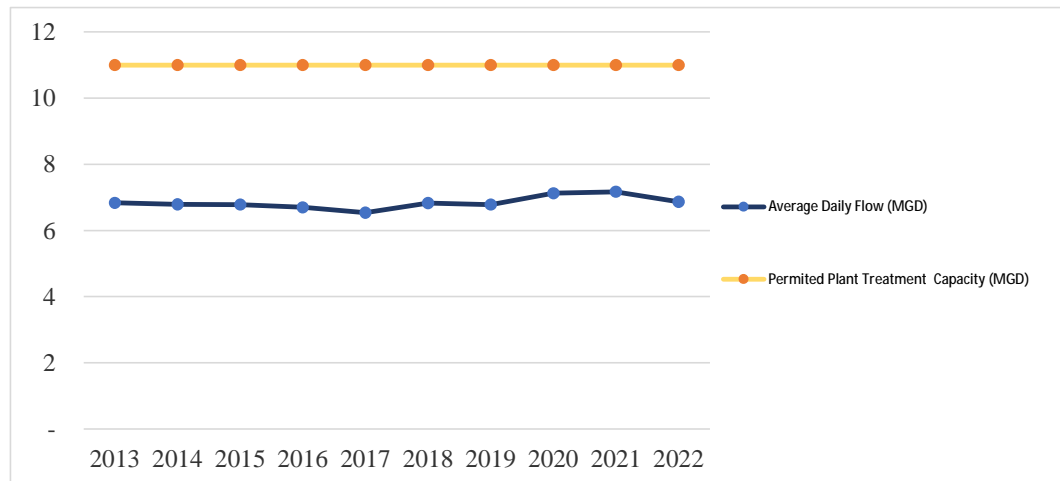
Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Executive	3	3	3	4	4	4	4	5	5	5
Finance	8	8	8	7	7	7	6	6	6	6
Public Education	2	3	3	3	3	3	3	3	3	3
WildPine Lab	7	7	7	7	7	7	7	7	7	7
Customer Service			4	4	4	4	4	4	4	4
Information Technology			4	4	4	4	4	5	4	4
Engineering and Inspection	9	9	8	8	9	9	10	10	10	10
Construction	6	6	7	7	6	6	6	6	7	7
Operations Administration	9	9	3	4	4	3	3	2	3	3
Collection and Transmission	12	13	13	11	11	11	11	11	13	13
Treatment and Disposal	16	16	16	17	18	19	19	19	18	18
Reuse	2	2	2	2	2	2	2	2	2	2
Bio-Solid	2	2	2	2	2	2	2	2	2	2
Total	76	78	80	80	81	81	81	82	84	84

Source: Loxahatchee River Environmental Control District

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
SCHEDULE OF WASTEWATER TREATMENT CAPACITY
For the Last Ten Fiscal Years

Fiscal Year Ended September 30,	Permitted Plant Treatment Capacity (MGD)	Average Daily Flow (MGD)	Max Daily Flow (MGD)	Annual Influent Treated (MGD)	Percent Capacity
2013	11	6.84	10.21	2,497.59	62%
2014	11	6.79	8.55	2,479.42	62%
2015	11	6.78	8.76	2,473.96	62%
2016	11	6.70	9.89	2,453.35	61%
2017	11	6.54	8.30	2,386.16	59%
2018	11	6.83	9.35	2,492.55	62%
2019	11	6.78	8.70	2,475.53	62%
2020	11	7.13	11.74	2,610.69	65%
2021	11	7.17	9.98	2,617.27	65%
2022	11	6.87	8.32	2,507.52	65%

MGD = Millions of gallons per day.



Note: Improvements in water use efficiency and decreasing infiltration and intrusion (due to rehabilitation of gravity sewer systems) have contributed to stable average daily flows in the face of increasing number of equivalent connections served.

Source: Loxahatchee River Environmental Control District

**LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
CAPITAL AND INFRASTRUCTURE STATISTICS
For the Last Ten Fiscal Years**

Fiscal Year Ended September 30,	Low Pressure Main (miles)	Low Pressure Services	Force Main (miles)	Gravity Sewer (miles)	Gravity Sewer Services	Irrigation Quality (miles)	Number of Lift Stations	Number of Manholes
2013								
2014								
2015								
2016								
2017								
2018	27.03	N/A	103.95	294.12	N/A	26.70	224	7,944
2019	27.03	1,390	103.95	294.12	15,666	34.66	224	7,944
2020	29.56	1,420	104.77	296.84	15,689	34.81	226	8,032
2021	29.91	1,453	105.24	299.98	15,248	34.85	227	8,068
2022	30.28	1,526	105.12	299.07	15,341	35.16	233	8,414

Infrastructure information is provided by the District's Geographical Information System.

* Information is not available for year prior to 2018.

N/A - Data not available.

OTHER INFORMATION SECTION

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
Other Information - Information Required by Section 218.39(3)(c), Florida Statutes
For the Fiscal Year Ended September 30, 2022
Unaudited

As required by Section 218.39(3)(c), Florida Statutes, the District reported:

Required Information		Reported
The total number of district employees compensated in the last pay period of the District's fiscal year 2022:		92
The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year 2022:		Not Applicable
All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency for fiscal year 2022:		\$ 6,375,948
All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency for fiscal year 2022:		Not Applicable
Each construction project with a total cost of at least \$65,000 approved by the District that was scheduled to begin on or after October 1 of the fiscal year 2022, together with the total expenditures for such project:		
Project	Budget	Expenditures
2500 Jupiter Park Drive Site Planning	\$ 250,000	\$ 88,162
LS160 Emergency Generator	150,000	54,514
LS296 Emergency Generator	150,000	1,778
Jupiter Park Drive/Central Blvd Intersection Improvements	75,000	192
Lift Station Collection System Rehabilitation	1,000,000	674,109
Grit Classifier and Hydrocyclone Replacement	100,000	61,650
RAS Pit No. 3 Influent Piping Improvements	100,000	14,148
Clarifier No. 3 Rehabilitation	150,000	40,066
A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year 2021 being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes:		See Page 51
The rate or rates of non-ad valorem special assessments imposed by the District for fiscal year 2022:		5.25%
The total amount of special assessments collected by or on behalf of the District for fiscal year 2022:		\$ 1,285,840
The total amount of outstanding bonds issued by the District and the terms of such bonds:		Not Applicable

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT
Other Information - Budget Variance Report
For the Fiscal Year Ended September 30, 2022
Unaudited

	Original (Final) Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues			
Operating revenues			
Regional sewer service	\$ 17,100,000	\$ 17,157,795	\$ 57,795
IQ water charges	2,326,000	2,307,624	(18,376)
Standby sewer service	73,000	113,801	40,801
Administration and engineering fees	38,000	33,929	(4,071)
Other revenue	424,490	469,142	44,652
Total operating revenues	<u>19,961,490</u>	<u>20,082,291</u>	<u>120,801</u>
Capital revenues			
Line charges	287,000	181,071	(105,929)
Assessments	1,188,997	287,035	(901,962)
Plant charges	898,000	571,288	(326,712)
Capital contributions	800,000	1,838,823	1,038,823
Total capital revenues	<u>3,173,997</u>	<u>2,878,217</u>	<u>(295,780)</u>
Other revenues			
Interest income	613,000	754,712	141,712
Net increase (decrease) in fair value of investments		(152,397)	(152,397)
Grant revenue		351,500	351,500
Gain (loss) on disposal of capital assets		(28,603)	(28,603)
Total other revenues	<u>613,000</u>	<u>925,212</u>	<u>312,212</u>
Total revenues	<u>\$ 23,748,487</u>	<u>\$ 23,885,720</u>	<u>\$ 137,233</u>
Expenses			
Operating expenses			
Salaries and wages	\$ 6,522,000	\$ 6,375,948	\$ 146,052
Payroll taxes	470,200	465,620	4,580
Retirement contributions	946,800	890,106	56,694
Employee health insurance	1,558,400	1,418,818	139,582
Workers' compensation insurance	73,700	56,801	16,899
General insurance	374,995	389,675	(14,680)
Supplies and expenses	1,036,285	1,041,792	(5,507)
Utilities	1,407,908	1,524,930	(117,022)
Chemicals	503,000	436,822	66,178
Repairs and maintenance	1,858,362	1,621,574	236,788
Outside services	2,040,930	1,748,920	292,010
Contingency	225,000		225,000
Depreciation and amortization		7,154,369	(7,154,369)
Total operating expenses	<u>17,017,580</u>	<u>23,125,375</u>	<u>(6,107,795)</u>
Other expenses			
Interest expense		6,086	(6,086)
Capital	<u>10,537,513</u>	<u>5,914,299</u>	<u>4,623,214</u>
Total expenses	<u>\$ 27,555,093</u>	<u>\$ 29,045,760</u>	<u>\$ (1,490,667)</u>

COMPLIANCE SECTION



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCOPA.COM

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, RETIRED
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, RETIRED, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CVA, ABV, CFF, CPA
ALEXIA G. VARGA, CFE, CPA
EDWARD T. HOLT, JR., PFS, CPA
BRIAN J. BRESCIA, CFP®, CPA

MARK J. BYMASTER, CFE, CPA
RYAN M. SHORE, CFP®, CPA
WEI PAN, CPA
WILLIAM C. KISKER, CPA
RICHARD E. BOTTS, CPA

INDEPENDENT AUDITOR'S 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*

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

To the Governing Board
Loxahatchee River Environmental Control District
Jupiter, 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 the Loxahatchee River Environmental Control District, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Loxahatchee River Environmental Control District's basic financial statements, and have issued our report thereon dated February 9, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Loxahatchee River Environmental Control District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Loxahatchee River Environmental Control District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Loxahatchee River Environmental Control District'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Loxahatchee River Environmental Control District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
February 9, 2023



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCPA.COM

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, RETIRED
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, RETIRED, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CVA, ABV, CFF, CPA
ALEXIA G. VARGA, CFE, CPA
EDWARD T. HOLT, JR., PFS, CPA
BRIAN J. BRESCIA, CFP®, CPA

MARK J. BYMASTER, CFE, CPA
RYAN M. SHORE, CFP®, CPA
WEI PAN, CPA
WILLIAM C. KISKER, CPA
RICHARD E. BOTTS, CPA

INDEPENDENT AUDITOR'S MANAGEMENT LETTER REQUIRED BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA, OFFICE OF THE AUDITOR GENERAL

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

To the Governing Board
Loxahatchee River Environmental Control District
Jupiter, Florida

Report on the Financial Statements

We have audited the financial statements of the Loxahatchee River Environmental Control District (the "District"), as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated February 9, 2023.

Auditor's 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 Auditor's Report on Internal Control Over Financial Reporting and on 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 February 9, 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 financial audit report. There were no findings or recommendations in the prior year that required corrective actions.

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. This information is disclosed in Note 1 to the financial statements.

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 District 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 District did not meet any of the conditions described in Section 218.503(1), Florida Statutes, as of and for the year ended September 30, 2022.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District'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. Our assessment was done as of the fiscal year end. The results of our procedures did not disclose any matters that are required to be reported.

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.

Special District Component Units

Section 10.554(1)(i)5.c, Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional 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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the District reported the required information in the Other Information Section on pages 50 and 51.

Single Audits

The District expended less than \$750,000 of federal awards and less than \$750,000 of state financial assistance for the year ended September 30, 2022 and was not required to have a federal single audit or a state single audit.

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, the Governing Board, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Mimes, P.A.

West Palm Beach, Florida
February 9, 2023



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCPA.COM

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, RETIRED
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, RETIRED, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CVA, ABV, CFF, CPA
ALEXIA G. VARGA, CFE, CPA
EDWARD T. HOLT, JR., PFS, CPA
BRIAN J. BRESCIA, CFP®, CPA

MARK J. BYMASTER, CFE, CPA
RYAN M. SHORE, CFP®, CPA
WEI PAN, CPA
WILLIAM C. KISKER, CPA
RICHARD E. BOTTS, CPA

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

To the Governing Board
Loxahatchee River Environmental Control District
Jupiter, Florida

We have examined the Loxahatchee River Environmental Control District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2022. Management of the Loxahatchee River Environmental Control District is responsible for the Loxahatchee River Environmental Control District's compliance with the specified requirements. Our responsibility is to express an opinion on the Loxahatchee River Environmental Control District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Loxahatchee River Environmental Control District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Loxahatchee River Environmental Control District 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Our examination does not provide a legal determination on the Loxahatchee River Environmental Control District's compliance with the specified requirements.

In our opinion, the Loxahatchee River Environmental Control District complied, in all material respects, with Section 218.415, Florida Statutes for the year ended September 30, 2022.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, applicable management, and the Governing Board, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
February 9, 2023