

ANNUAL COMPREHENSIVE FINANCIAL REPORT

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

**Prepared by the
Finance Department**

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

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT**

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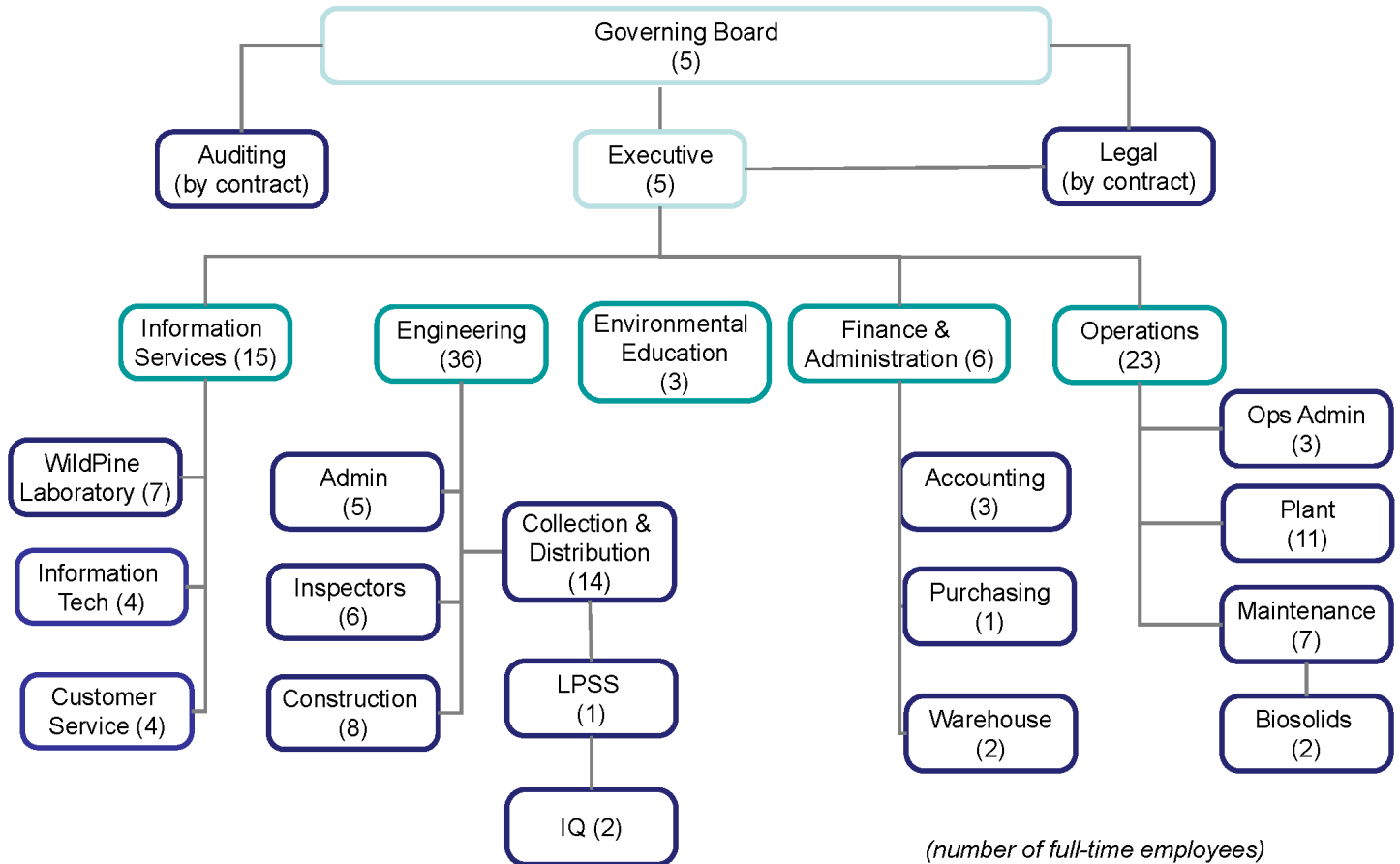
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INTRODUCTORY SECTION

LOXAHATCHEE RIVER ENVIRONMENTAL CONTROL DISTRICT

ORGANIZATIONAL CHART

FISCAL YEAR 2025



*(number of full-time employees)
Total full-time employees = 88*

2024-10-01

INDEPENDENT AUDITORS' REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 1 – NATURE OF ORGANIZATION

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 financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 GAAP, the 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 GASB, the District has determined that there are no legally separate entities to consider as potential component units.

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION AND ACCOUNTING

The District has adopted the provisions of GASB Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*” (“Statement 34”). 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:

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 or liabilities 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. There was no restricted net position at September 30, 2025.

Unrestricted net position – 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.

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION AND ACCOUNTING (CONTINUED)

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. The District recognizes charges for services (revenue) that are earned and measurable on the accrual basis of accounting. Operating expenses for the enterprise fund include the cost of the operation of the plant facilities, administrative expenses, and depreciation/amortization 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.

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 fiscal 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 or amortization 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.

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF 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.

CASH AND CASH EQUIVALENTS

For the purposes of the financial statements, the District considers all highly liquid investments including cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash and cash equivalents.

RESTRICTED ASSETS

As of September 30, 2025, the District had \$83,912 of cash and cash equivalents 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.

INVESTMENTS

The District's investments consist of U.S. Government and Agency securities, fixed income mutual funds, and investments with authorized Florida intergovernmental investment pools. Investments in the U.S. Government and Agency securities and fixed income mutual funds are valued at fair value. 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.

The Florida intergovernmental investment pools authorized by the District include the Florida PRIME Fund (Florida PRIME) and the Florida Fixed Income Trust ("FIT"). Participants in the investment pools are limited to governmental entities in the State of Florida. Florida PRIME is operated by the Florida State Board of Administration in a manner consistent with SEC Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC registered mutual funds to use amortized cost, rather than fair value, to report net position used to compute share prices if certain conditions are met. Those conditions include restrictions on

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS (CONTINUED)

the types of investments held, restrictions on the term-to-maturity of individual investments and the dollar-weighted average of the portfolio, requirements for portfolio diversification, and requirements for divestiture considerations in the event of security downgrades and defaults, and required actions if the fair value of the portfolio deviates from amortized cost by a specified amount. The fair value of the position in the pool is considered to be the same as the District's account balance (amortized cost) in the pool.

FIT is organized by Florida public agencies under Florida Statutes Section 163, the Florida Interlocal Cooperation Act, for the purpose of operating independent investment pools for local governments in Florida and are administered by a Board of Trustees elected by the participants in the pool. FIT is exempt from registration under the Securities Act of 1933, the Investment Company Act of 1940 and the Florida Securities and Investors Protection Act. FIT operates four fixed income funds with differing cash management and investment goals. The fair value of investments in FIT is the net asset value ("NAV") of each fund based on the fair value of the fund's underlying investment portfolio as determined by the fund administrator at the end of each month.

Investments in the Florida PRIME are stated at amortized cost, which approximates fair value. Investments in FIT are valued at net asset value, which approximates fair value.

Florida PRIME and FIT are reported as cash and cash equivalents.

Purchases and sales of investments are recorded on the trade date. Realized and unrealized gains and losses on investments are reflected in current operating results as investment earnings. Realized gains and losses on investments held at the end of the prior year and sold during the current year include the change in fair value from the beginning of the year to the date sold.

INVENTORIES

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

PREPAID ITEMS

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 2 – 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 tangible assets greater than \$5,000 and all intangible assets greater than \$50,000 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 and amortization have been provided over the useful lives using the straight-line method. Right-to-use assets (leases and SBITA's) are amortized over the shorter of the useful life of the asset or the lease term/contract term. The estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Lakes and retention ponds	50-100 years
Buildings	10-40 years
Improvements other than buildings	20-60 years
Equipment	3-10 years

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.

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. A portion of the balance is reclassified as a current special assessment receivable. The current portion of the special assessment receivable and accrued interest is billed and collected by the Palm Beach County and Martin County Tax Collectors.

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NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SPECIAL ASSESSMENTS (CONTINUED)

No allowance is recorded because liens are recorded against the assessed property, which provides the District the expectation that all amounts are fully collectible over time.

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 a 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.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The District has implemented GASB Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*” and has determined that the District is not required to provide any benefits that qualify as other postemployment benefits (“OPEB”) under the provisions of GASB Statement No. 75. District management has received a legal opinion from external counsel to support such conclusion.

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. Additionally, the balance of advanced rent paid under the lessor agreement is included in unearned revenues.

**LOXAHATCHEE RIVER
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NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave attributable to services already rendered. These compensated absences may be used for time off or paid or otherwise settled upon separation from service. A liability is recognized for compensated absences that are more likely than not to be used or paid in cash or settled through other means. The liability is measured using employees' pay rates in effect at the financial reporting date and includes salary-related payments directly and incrementally associated with the payment of leave.

IMPLEMENTATION OF NEW GASB STATEMENTS

The District implemented the following accounting standards during the fiscal year ended September 30, 2025:

GASB Statement No. 101, *Compensated Absences*, which requires a liability to be recognized for leave that has not been used if it is more likely than not to be used for time off or settled through cash or noncash means. As a result, the District now recognizes a liability for accumulated sick leave, which was previously only recognized upon termination.

GASB Statement No. 102, *Certain Risk Disclosures*, requires governments to provide more transparent notes in their financial statements about vulnerabilities from significant concentrations or constraints. If a government faces a substantial impact risk from these factors, and an event has occurred or is likely within a year, they must disclose details about the risk, the triggering events, and mitigation efforts, aiming to help users understand potential financial exposures.

The above adopted accounting standards did not have a significant impact on the District's financial statements.

COMPARATIVE FINANCIAL STATEMENTS

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPARATIVE FINANCIAL STATEMENTS (CONTINUED)

read in conjunction with the District’s financial statements for the fiscal year ended September 30, 2024, from which the summarized information was derived.

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments of the District at September 30, 2025, including unrestricted and restricted assets, are summarized as follows:

Deposits with financial institutions	\$ 4,920,574
Petty cash	10,925
Investments	<u>33,189,294</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 38,120,793</u>
 Reported in the Statement of Net Position	
Cash and cash equivalents - unrestricted	\$ 32,288,860
Cash and cash equivalents - restricted	83,912
Investments	<u>5,748,021</u>
Total Cash, Cash Equivalents and Investments	<u>\$ 38,120,793</u>

DEPOSITS

At September 30, 2025, the carrying amount of the District’s deposits were \$4,920,574 and the related bank balance was \$6,809,311. The District also had petty cash and cash on hand of \$10,925.

In addition to insurance provided by the Federal Depository Insurance Corporation (“FDIC”), 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.

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 3 – CASH, CASH EQUIVALENTS 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) Rated or unrated bonds, notes, or instrumentalities.
- g) 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.
- h) Repurchase agreements collateralized by obligations of the United States Government.
- i) Authorized deposits up to the amount guaranteed by the U.S. Government under 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.
- j) Other investments authorized by law or by resolution of the Governing Board.

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 3 – CASH, CASH EQUIVALENTS 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. The District does not have any investments categorized as Level 2.

Level 3: Inputs are unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable. The District does not have any investments categorized as Level 3.

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

Valuation Methodologies: The valuation methods and assumptions used by the District in estimating the fair value of financial instruments measured at fair value on a recurring basis under GASB Statement No. 72, were as follows:

U.S. Treasury Securities: Valued using quoted market prices in active markets.

Fixed income mutual funds: Valued at the closing price or net asset value reported on the active exchange on which the individual securities and mutual funds are actively traded.

Investments measured at net asset value (NAV): The Florida FIT is valued at the unadjusted NAV per share and calculated in a manner consistent with GAAP for external governmental investment pools based on the fair value of the underlying fund investments as determined by the fund manager.

The Florida PRIME is exempt from reporting under the fair value hierarchy. The fair value of the Florida PRIME is measured at amortized cost.

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

As of September 30, 2025, the District held the following investments:

<u>Investments by Level</u>	Weighted Average Maturity	Fair Value	<u>Fair Value Measurement</u>	
			Level 1	Level 2
U.S. Treasury Securities	46 days	\$ 5,748,021	<u>\$ 5,748,021</u>	<u>\$ --</u>
 <u>Investments reported at Net Asset Value</u>				
Florida FIT - Preferred Deposit Pool	1 day	8,172,454		
Florida FIT - Cash Pool	310 days	5,700,060		
 <u>Investments reported at Amortized Cost</u>				
Cash equivalent:				
Florida PRIME	47 days	<u>13,568,759</u>		
Total Investments		<u>\$ 33,189,294</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.

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 credit ratings for the District’s investments with certain investments not specifically rated by both Standards & Poor’s (S&P) and Moody’s.

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ENVIRONMENTAL CONTROL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

CREDIT RISK (CONTINUED)

As of September 30, 2025, the District held the following investments:

	S&P Rating	Fitch Rating	Fair Value
U.S. Treasury Securities	AA+	AA+	\$ 5,748,021
Florida FIT - Preferred Deposit Pool	NR	NR	8,172,454
Florida FIT - Cash Pool	S1	AAAf	5,700,060
Florida PRIME	AAAm	NR	<u>13,568,759</u>
Total Investments			<u><u>\$ 33,189,294</u></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. Investments held at year end are registered and held in the name of the District.

The District’s investment policy permits up to 100% of the portfolio to be invested in Qualified Public Depository Money Market/Saving Accounts, Certificate of Deposits, U.S. Treasury Notes, Bonds or Bills and 50% in U.S. Agency and Instrumentalities, Local Government Surplus Funds Trust Funds and Local Government Investment Pools.

As of September 30, 2025, the investments of the District include the following holdings that exceed 5% of total investments:

	Fair Value	Percentage of Portfolio
U.S. Treasury Securities	\$ 5,748,021	17%
Florida FIT - Preferred Deposit Pool	8,172,454	25%
Florida FIT - Cash Pool	5,700,060	17%
Florida PRIME	<u>13,568,759</u>	<u>41%</u>
Total	<u><u>\$ 33,189,294</u></u>	<u><u>100%</u></u>

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 4 – 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. In the third amendment dated 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. In addition, 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 the District’s portion of its capital cost to \$3,470,172.

The District’s purchase price of \$3,470,172 in the BPF has been recorded as an investment in joint venture in the statement of net position and is being amortized over the 20-year life of the agreement. Amortization expense was \$175,843 for the fiscal year ended September 30, 2025. Accumulated amortization totaled \$2,793,707 and the net investment in joint venture was \$676,465 as of fiscal year ended September 30, 2025.

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 for the disposal of biosolids. Prior to August 2009, bulk land application was the primary method of disposing of the biosolids.

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 4 – INVESTMENT IN JOINT VENTURE (CONTINUED)

BIOSOLIDS PROCESSING AND RECYCLING FACILITY (CONTINUED)

The Agreement is for a period of 20 years beginning on August 1, 2009 when operations commenced. 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 GAAP, the District is required to account for this arrangement as a joint venture. Therefore, an asset in the BPF 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 \$819,811 for the fiscal year ended September 30, 2025. The District's pro rata share of the construction costs is shown as an asset – investment in joint venture – on the accompanying statement 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.

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.

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Capital assets, not being depreciated and amortized				
Land and land rights	\$ 854,444	\$ --	\$ --	\$ 854,444
Construction in progress	<u>15,495,170</u>	<u>5,835,051</u>	<u>(9,773,950)</u>	<u>11,556,271</u>
Total capital assets, not being depreciated and amortized	<u>16,349,614</u>	<u>5,835,051</u>	<u>(9,773,950)</u>	<u>12,410,715</u>
Capital assets being depreciated and amortized				
Plant	66,883,030	454,395	(129,665)	67,207,760
Lakes	1,211,079	--	--	1,211,079
Lines	125,635,391	7,541,299	(5,500)	133,171,190
Lift stations	39,600,169	2,565,485	(341,248)	41,824,406
Equipment	11,060,797	2,676,847	(985,699)	12,751,945
Right-to-use lease	493,796	310,248	(27,909)	776,135
Right-to-use SBITA	<u>232,458</u>	<u>--</u>	<u>--</u>	<u>232,458</u>
Total capital assets being depreciated and amortized	<u>245,116,720</u>	<u>13,548,274</u>	<u>(1,490,021)</u>	<u>257,174,973</u>
Less accumulated depreciation and amortization:				
Plant	(42,049,103)	(1,949,053)	104,338	(43,893,818)
Lakes	(563,624)	(12,121)	--	(575,745)
Lines	(56,134,634)	(3,350,502)	3,500	(59,481,636)
Lift stations	(25,352,498)	(1,249,752)	328,075	(26,274,175)
Equipment	(7,398,499)	(663,725)	782,092	(7,280,132)
Right-to-use lease	(85,634)	(121,431)	27,909	(179,156)
Right-to-use SBITA	<u>(24,730)</u>	<u>(29,675)</u>	<u>--</u>	<u>(54,405)</u>
Total accumulated depreciation and amortization	<u>(131,608,722)</u>	<u>(7,376,259)</u>	<u>1,245,914</u>	<u>(137,739,067)</u>
Total capital assets being depreciated and amortized, net	<u>113,507,998</u>	<u>6,172,015</u>	<u>(244,107)</u>	<u>119,435,906</u>
Capital Assets, Net	<u>\$ 129,857,612</u>	<u>\$ 12,007,066</u>	<u>\$ (10,018,057)</u>	<u>\$ 131,846,621</u>

Depreciation was \$7,225,153 for the fiscal year ended September 30, 2025. Amortization expense was \$326,949 for the fiscal year ended September 30, 2025, which includes \$151,106 of amortization on right-to-use assets and \$175,843 of amortization related to the investment in joint venture for the Biosolids Processing Facility (see Note 4).

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 6 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended September 30, 2025 were as follows:

	Balance October 1, 2024	Additions	Reductions	Balance September 30, 2025	Due Within One Year
Compensated absences	\$ 1,305,693	\$ 353,127	\$ (55,573)	\$ 1,603,247	\$ 170,141
Lease liability	395,118	310,248	(142,028)	563,338	231,322
SBITA liability	<u>169,877</u>	<u>--</u>	<u>(22,020)</u>	<u>147,857</u>	<u>22,087</u>
Total	<u>\$ 1,870,688</u>	<u>\$ 663,375</u>	<u>\$ (219,621)</u>	<u>\$ 2,314,442</u>	<u>\$ 423,550</u>

RIGHT TO USE LEASE

In January 2019, the District entered into a right-to-use lease for certain biofilter and odor control scrubber equipment. The initial lease term expired in fiscal year 2024 and was renewed for an additional 43-month period. The lease is discounted at 3.66% using the District's estimated incremental borrowing rate. In fiscal year 2025, the District entered into an additional right-to-use lease for odor control scrubber equipment. The term of this lease coincides with the existing scrubber lease.

In fiscal year 2023, the District entered into right-to-use leases for copiers and a postage machine. The copier lease requires 60 monthly payments of \$106 through April 2027 and is discounted at 2.29%. The postage machine lease requires 12 quarterly payments of \$314 through March 2028 and is discounted at 2.45%.

In fiscal year 2024, the District entered into a right-to-use lease for a GPS tracking system. The lease requires 19 quarterly payments of \$5,040 through February 2029 and is discounted at 2.45% using the District's estimated incremental borrowing rate.

The principal and interest requirements to maturity for the District's leases as of September 30, 2025 are as follows:

Year Ending September 30,	Principal	Interest	Total
2026	\$ 231,322	\$ 13,958	\$ 245,280
2027	262,106	6,838	268,944
2028	61,546	448	61,994
2029	<u>8,364</u>	<u>36</u>	<u>8,400</u>
	<u>\$ 563,338</u>	<u>\$ 21,280</u>	<u>\$ 584,618</u>

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

RIGHT TO USE SUBSCRIPTION BASED IT ARRANGEMENTS (SBITA’S)

In December 2023, the District completed the installation of a Customer Service Billing Software. Under the terms of the agreement, the subscription is paid annually for an eight-year term with payments ranging from \$18,781 to \$27,336 that covers the annual software subscription as well as the annual hosting service. The discount rate was 3.65%.

The principal and interest requirements to maturity for the District’s SBITA as of September 30, 2025 are as follows:

Year Ending September 30,	Principal	Interest	Total
2026	\$ 22,087	\$ 450	\$ 22,537
2027	23,056	383	23,439
2028	24,063	313	24,376
2029	25,112	239	25,351
2030	26,202	163	26,365
2031	27,337	83	27,420
	\$ 147,857	\$ 1,631	\$ 149,488

NOTE 7 – LESSOR AGREEMENT

The District, as lessor, leases 400 square feet of land to Sprint Spectrum L.P. (tenant) for a communications service equipment. The land is used by the tenant for installing, maintaining and operating a communication service system facility and related antenna equipment and fixtures. The lease agreement initially commenced in April 2000 for a five (5) year term. The lease agreement provides for four additional renewal terms of five (5) years each term. The current and final renewal term pursuant to this lease agreement is for the period of April 18, 2022 to April 17, 2027. The agreement requires that the rent be prepaid in advance of the commencement of the lease term. The tenant prepaid the District rent of \$375,417 for the term April 18, 2022 through April 17, 2027.

The prepaid rent on the land lease with Sprint Spectrum, L.P. is also recorded and included in unearned revenues. The balance of advance rent paid under this lease agreement is \$116,170 and included in unearned revenues in the accompanying statement of net position at September 30, 2025.

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 8 – CONSTRUCTION CONTRACTS PAYABLE

Construction contracts of the District at September 30, 2025 are as follows:

	Total Project Authorization	Total Expended	Contracts Payable	Balance to Complete
Lift station rehabilitations	\$ 3,193,988	\$ 2,618,086	\$ 132,052	\$ 443,850
Septic to Sewer Conversions	69,713	3,712	3,712	62,289
Sewering line lining	6,006,487	5,886,994	112,025	7,468
Lift Station telemetry	4,108,457	3,366,968	337,025	404,464
Other construction contracts	<u>9,884,129</u>	<u>2,675,389</u>	<u>1,087,114</u>	<u>6,121,626</u>
Total	<u>\$23,262,774</u>	<u>\$ 14,551,149</u>	<u>\$ 1,671,928</u>	<u>\$ 7,039,697</u>

NOTE 9 – RESTRICTED ASSETS, LIABILITIES AND RESERVES

Restricted assets and liabilities consist of customer deposits. Assets restricted for these purposes represent cash and investments totaling \$83,912 for the fiscal year ended September 30, 2025.

The following is a summary of restricted assets, related liabilities, and restricted net position at September 30, 2025:

	Restricted Assets	Liabilities Payable from Restricted Assets	Restricted Net Position
Customer Deposits	<u>\$ 83,912</u>	<u>\$ 83,912</u>	<u>\$ --</u>

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 10 – 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 fiscal year ended September 30, 2025, employee contributions totaled \$292,450 and the District's recognized pension expense was \$1,226,450.

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. The District used forfeitures in the amount of \$10,606 during the fiscal year ended September 30, 2025.

The District has recognized a liability to the Plan at September 30, 2025 in the amount of \$52,783 for required employer contributions related to fiscal year 2025.

NOTE 11 – DEFERRED COMPENSATION PLAN

The District entered into the State of Florida Deferred Compensation Plan. The Deferred Compensation Plan is a supplemental retirement plan for Government employees in the State of Florida, established under Internal Revenue Code (IRC) Section 457b. Participants may contribute a portion of their income through payroll deduction each pay period. The Deferred Compensation Plan is completely voluntary for employees and the District does not make any contributions to the Plan.

**LOXAHATCHEE RIVER
ENVIRONMENTAL CONTROL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

NOTE 12 – COMMITMENTS

SERVICE AGREEMENT

The District entered into an agreement with Merrell Bros., Inc. for the hauling and disposal of wastewater sludge to the SWA Pelletization Facility for a 24-month period starting October 1, 2023. The contract provides 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 \$10.90 per mile. The contract also provides 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 \$7.36 per mile. Costs incurred related to the agreement accumulated to \$170,234 for the fiscal year ended September 30, 2025. In September 2025, the District Governing Board executed the first of three one-year options with Merrell Bros., Inc. The new rates will be \$11.19 per mile and \$7.56 per mile, respectively.

PURCHASE COMMITMENTS

The District had outstanding purchase orders totaling approximately \$521,383 as of the fiscal year ended September 30, 2025.

NOTE 13 – 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. There were no changes in insurance coverage for the fiscal year ended September 30, 2025. There were no settlements that exceeded insurance coverage in the last three years.

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.

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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	37
Schedule of Changes in Net Position	38
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 District provides and the activities it performs.</i>	
Schedule of Revenues by Source	39
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Debt Capacity	
<i>These schedules present information to help the reader assess the affordability of the District’s current levels of outstanding debt and the District’s ability to issue additional debt in the future.</i>	
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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>	
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Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the District provides and the activities it performs.

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

OTHER INFORMATION

REPORTING SECTION
