



**Audit of the Loxahatchee
Regional Mitigation Bank
As of June 30, 2026**

Project # 26-22

**Prepared by
Office of the Inspector General**

J. Timothy Beirnes, CPA, Inspector General





SOUTH FLORIDA WATER MANAGEMENT DISTRICT

October 8, 2026

Governing Board Members

Re: Audit of Loxahatchee Regional
Mitigation Bank (LMB) as of June 30, 2026
Project No. 26-22

This audit was performed pursuant to the Inspector General's authority set forth in Chapter 20.055, F.S. Our audit objective primarily focused on determining whether:

- the District received its portion of revenues from mitigation bank credit sales in accordance with Schedules A and B of the agreement, and subsequent amendments,
- costs to create, operate and maintain the LMB are reasonable and allowable,
- remaining credits that have not been sold or have not yet closed under pending contracts are unencumbered,
- the permanent maintenance trust fund has been funded in accordance with the agreement, and
- any potential outstanding obligations exist for which the District could become responsible when the District takes possession of the LMB.

This report is an update to previously issued draft report in order to reflect the financial status as of June 30, 2026.

Sincerely,

A handwritten signature in blue ink, reading "J. Timothy Beirnes".

J. Timothy Beirnes, CPA
Inspector General

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BACKGROUND

The Loxahatchee Mitigation Bank (LMB) was formed as a partnership between Tetra Tech and the South Florida Water Management District (District) in 1997. The District contributed land to the LMB and Tetra Tech was responsible for developing, managing, operating, maintaining, and marketing the credits for the LMB until the project's success criteria was met. This also includes fully funding the Long-Term Management Fund (LTM Fund). Tetra Tech met the success criteria on February 11, 2016.

The objective of the District's mitigation bank program is to provide a mechanism for the restoration of targeted lands and to satisfy mitigation requirements for public and private sponsored impacts to wetlands. Through a contract relationship, mitigation banking facilitates the restoration efforts and generates a revenue stream to the District to recover costs associated with land acquisition, management, and staff costs.

The LMB site consists of 1,398 acres located adjacent to the eastern boundary of the Loxahatchee National Wildlife Refuge and Water Conservation Area 1. The LMB is permitted by the Florida Department of Environmental Protection (FDEP). The District assigned management of the LMB to Tetra Tech (through an agreement with the predecessor banker, Foster Wheeler Environmental Corporation and the District), who assumed responsibility over the site through a contract assignment dated June 9, 2003. The original contract, dated May 27, 1997, authorized the banker to design, construct and implement a mitigation bank restoration plan on the designated bank site, obtain the required governmental permits, market, and sell mitigation bank credits, and manage, operate, and maintain the site until the plan is successfully implemented and the site is turned over to the District for long-term management. Tetra Tech pays a portion of the net mitigation bank credit sales, after operations costs, to the District on a quarterly basis.

OBJECTIVE, SCOPE AND METHODOLOGY

We conducted an audit of the LMB financial records since its inception to determine:

- Whether the District received its portion of revenues from mitigation bank credit sales in accordance with Schedules A and B of the agreement, and subsequent amendments.
- Whether costs to create, operate and maintain the LMB are reasonable and allowable.
- The remaining credits that have not been sold or have not yet closed under pending contracts are unencumbered.
- That the permanent maintenance trust fund has been funded in accordance with the agreement.
- Whether any potential outstanding obligations exist for which the District could become responsible when the District takes possession of the LMB.

To accomplish our objectives, we performed the following procedures:

- Reviewed the District's contract with Tetra Tech.
- Reviewed closed credit agreements.
- Compared the mitigation credits sold with Schedules from Florida Department of Environmental Protection (FDEP) and the US Army Corps of Engineers (USACE).
- Searched for potential liability exposures.
- Tested a sample of expenditures recorded in Tetra Tech's accounting system.
- Compared total credit sales per the accounting records to the Credit Sales Ledger.

All sampling was performed using the judgmental method. Judgmental sampling was considered the preferred methodology based on consideration of the audit population's size and characteristics, as well as audit efficiency and professional judgment. Although the sample cannot be statistically projected to the population, we believe the sample, along with the results of the audit tests, provide reasonable assurance for us to determine whether there are adequate controls in place.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

Executive Summary

Following is a brief summary of our audit results:

- **Mitigation Credit Sales:** FDEP and the USACE permits assigned a total of 520.40 freshwater herbaceous wetlands credits (He) and 121.20 freshwater forested wetland credits (Ha) to each agency. The LMB was determined to have met success criteria on February 11, 2016, and all of the permitted credits have been released for sale. Tetra Tech's Credit Sales Ledger, dated June 30, 2026, shows that 520.40 Freshwater Herbaceous Credits (He) and 121.20 Freshwater Forested Credits (Ha) were released. As of June 30, 2026, all of the FDEP 520.40 He credits and all of the 121.20 Ha credits have been sold. The ledger also shows that all of the USACE 520.40 He credits have been sold, and that 102.37 of the USACE 121.20 Ha credits have been sold, leaving a balance of 18.83 USACE Ha credit still available for sale. The sales value of these unsold credits as of June 30, 2026, is estimated to be approximately \$5,500,000 to \$ 6,000,000, of which the District's share is 80%. Total credit sales per the LMB Credit Sales Ledger, as of June 30, 2026, was \$73,818,364.
- **FDEP and USACE Permit Ledgers:** Audit procedures included comparing the mitigation credits per the LMB Credit Sales Ledger to the FDEP and USACE permit ledgers. We noted differences between the Credit Sales Ledger balances and the balance shown in both permit ledgers. These variances are due to timing differences resulting from the gap between the time when Tetra Tech enters a contract to sell credits and when the credits are withdrawn for the permits.
- **Project Expenditures:** Our audit procedures included selecting a sample of project expenditures and performing audit testing to ensure that expenses were incurred for LMB activities and supported by adequate documentation, and that appropriate indirect rates were applied. Overall, we found that mitigation bank expenditures were supported by adequate documentation and that Defense Contractors Audit Agency (DCAA) audited overhead rates were properly applied.

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- **Questioned Costs:** Net revenue from mitigation bank credit sales, after allowable project costs, are distributed to the District and Tetra Tech in accordance with contract provision. Net revenue payments to the District are due on a quarterly basis; however, we found that Tetra Tech applied an indirect cost rate of approximately 5% to nine payments submitted to the District for its share of profit distributions totaling \$14,197,671. This resulted in additional charges of \$674,940 to project expenses. It should be noted that if total project cost were reduced by \$674,940 it would result in increasing total distributable net revenue by the same amount, and this additional net revenue would be split 50/50 between the District and Tetra Tech; thus, the net effect would result in increasing the District's distributions by only half of the \$674,940 amount, or \$337,470 net. In Tetra Tech's opinion, the indirect rate is justified since the distributions are included in the total expenses that were included in the denominator used to calculate the indirect general & administration cost rates.
 - **Perpetual Maintenance Cost:** Special condition 9 of the original LMB permit dated February 18, 2000, required \$950,000 financial assurance to fund perpetual maintenance. Subsection 62-342.700(13) F.A.C. specifies that perpetual maintenance cost estimates should have been updated by a licensed certified professional every two years and any changes to the estimates should have resulted in increases or decreases to the funding requirements; however, biannual perpetual maintenance estimates were never performed as required. Nonetheless, in April 2024, District staff prepared an updated long-term maintenance analysis and projected the cost to be \$375,869 annually. Applying the regulatory 6% cap rate to this amount resulted in determining that the total fund principal need for long-term management and maintenance to be \$6,264,483. The permit contains an assumption that the perpetual maintenance trust fund earns 6% annually, which is based on state regulations. It is unlikely that the Long-Term Management (LTM) fund will be able to achieve such rates of return in the foreseeable future. In addition, the formula for calculating the funding amount does not consider the long-term impact of inflation; thus, the LTM fund will likely be depleted at some future point in time as the principal balance is eroded.

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- **Project's Perpetual Maintenance Phase:** The LMB was determined to have met final success on February 11, 2016, and entered the project's perpetual maintenance phase. Tetra Tech has performed, and paid for, the recurring maintenance activities since that time and includes such costs on the Quarterly Credit and Revenue Status Reports as a Reimbursable Expense. Long-Term maintenance expenses have averaged \$98,232 per quarter, which equates to an annualized cost of \$392,929. Total LTM expenses incurred through June 30, 2026, are \$4,027,525; thus, effectively \$4,027,525 of the \$6,264,483 LTM fund has already been used, or 64% of the total. This leaves a balance of \$2,236,958 for all future years. Tetra Tech is entitled to reimbursement for the LTM expenses in the amount of \$4,027,525.
 - **No Interest Allocated to Long-Term Maintenance Funds:** The LTM Fund's cash has been in the custody of Tetra Tech and resides in their corporate pooled cash account, where it earns interest income. Because the LTM cash was not separated into a separate account, no interest income has been allocated to the LTM Fund. Our audit procedures included preparing an analysis to estimate the approximate amount of interest income that Tetra Tech earned on the LTM funds assuming that interest earnings averaging the 3-Month Treasury Bills rate was earned on each respective quarters LTM Fund balance. This methodology resulted in determining Tetra Tech's estimated interest earning to be \$800,427 on the LTM Fund balances. The Reimbursable Project Costs should be reduced by the amount of LTM Fund interest income on the LTM funds.
 - **Distributions to District:** The LMB Agreement, and subsequent Amendments, provides a tiered formula for allocating the LMB's net revenues between the District and Tetra Tech, as well as the requirements for paying the District its share of net revenues. As of June 30, 2026, total credit sales were \$73,818,364 and total project costs were \$43,005,920 (including funding the LTM Funds \$6,264,483); thus, net revenues available for distributions were \$30,812,444. As of June 30, 2026, applying the agreement's tiered formula results in a District share of \$16,554,672, of which it has received payments of \$14,197,671, leaving a distributable balance of \$2,357,001; however, Tetra Tech is entitled to reimbursement of LTM expenses incurred through June 30, 2026, in the amount of \$4,027,525.

There are three options for reimbursing Tetra Tech for these expenses:

- Option 1 – Reimburse the LTM expenses from the LTM Fund, which would reduce the LTM Fund balance from \$6,264,483 to \$2,236,958; however, the District would be entitled to \$ \$2,357,001 in net revenue distributions.
- Option 2 – Reimburse the LTM expenses from the District's share of distributions, which would result in the District needing to repay Tetra Tech \$1,670,524 for overpayment of previous distributions.
- Option 3 – Use a hybrid method of Options 1 & 2 by reimbursing \$1,670,524 from the LTM Fund and the remaining \$2,357,001 from the District's share of distributions, which would result in reducing the LTM Fund balance to \$4,593,959; however, it would not require any repayment to Tetra Tech from the District.

It should be noted that the above amounts do not reflect the impact of any of our recommended audit adjustments to these numbers. The table on page 16 shows the proforma balances based on our recommended audit adjustments. Also, it should be noted that the LTM Fund was established to pay for the ongoing maintenance expenses and thus is the designated source from which to pay them; consequently, reimbursing the LTM expenses from the District's share of distributions is tantamount to the District making a voluntary contribution to the LTM Fund.

Mitigation Credit Sales Ledger

FDEP and the USACE permits assigned a total of 520.40 freshwater herbaceous wetlands credits (He) and 121.20 freshwater forested wetland credits (Ha) to each agency. Developers, local governments, and State agencies may be required to buy mitigation bank credits as determined by the District, FDEP and the USACE to offset wetland impacts, and as a condition for obtaining a project permit. It should be noted that the District, FDEP and USACE may have different mitigation bank credit requirements in its permit conditions. Mitigation bank credit activity, as recorded in the FDEP and USACE permit ledger from inception through June 30, 2026, as reported by LMB is shown in the following table:

Description	FDEP Permit	USACE Permit
Freshwater Herbaceous Credits (He)		
Permitted He Credits Assigned	520.40	520.40
He Credits Released	520.40	520.40
He Credits Sold or Reserved	<u>520.40</u>	<u>520.40</u>
He Credits Available for Sale at June 30, 2026	<u>0</u>	<u>0</u>
Freshwater Forested Credits (Ha)		
Permitted Ha Credits Assigned	121.20	121.20
Ha Credits Released	121.20	121.20
Ha Credits Sold or Reserved	<u>121.20</u>	<u>102.37</u>
Ha Credits Available for Sale at June 30, 2026	<u>0</u>	<u>18.83</u>

The LMB has met success criteria, and all of the permitted credits have been released for sale. Tetra Tech's Credit Sales Ledger, dated June 30, 2026, shows 520.40 Freshwater Herbaceous Credits (He) and 121.20 Freshwater Forested Credits (Ha) were released for sale. As of June 30, 2026, all of the FDEP 520.40 He credits and all of the 121.20 Ha credits have been sold. The ledger also shows that all of the USACE 520.40 He credits have been sold, and that 102.37 of the USACE 121.20 Ha credits have been sold, leaving a balance of 18.83 USACE Ha credit still available for sale. The sales value of these unsold credits as of June 30, 2026, is estimated to be approximately \$5,500,000 to \$ 6,000,000, of which the District's share is 80%.

Our audit sampling methodology resulted in examining most of the Contract for Sale and Purchase of Mitigation Credit Agreements and comparing the mitigation credit amount and purchase price to the amounts recorded in the LMB Credit Sales Ledger. This audit procedure did not identify any exceptions. Total credit sales per the LMB Credit Sales Ledger, as of June 30, 2026, are \$73,818,364. This amount agrees with the total cumulative Credit Sales Income shown on the Quarterly Credit and Revenue Status Report for the period ended June 30, 2026.

FDEP and USACE Permit Ledgers

Mitigation credits are released and added to the permit ledgers as sections of the mitigation project are completed. When mitigation credits are sold, the credits are attached to a specific FDEP and/or USACE permits. FDEP and USACE maintain permit ledgers to track these permit credits. Our designed audit procedures included comparing the mitigation credits per the LMB Credit Sales Ledger to the FDEP and USACE permit ledgers; however, the USACE Permit Ledger was unavailable to perform this audit procedure. Tetra Tech also maintained their own USACE Permit Ledger; thus, the Tetra Tech ledger was used to obtain the information in the table below.

	PERMIT LEDGERS			
	USACE (1)		FDEP	
	Herbaceous	Forested	Herbaceous	Forested
Credits Released	520.40	121.20	520.40	121.20
Credits Withdrawn	<u>(487.46)</u>	<u>(88.89)</u>	<u>514.15</u>	<u>115.92</u>
Balance	<u>32.94</u>	<u>32.31</u>	<u>6.25</u>	<u>5.28</u>

(1) Balances based on ledger maintained by Tetra Tech. The equivalent RIBITS ledger from the USACE was unavailable.

The differences between the number of credit sale recorded in Tetra Tech's Credit Sales Ledger and the LMB permit ledgers is due to timing differences. When Tetra Tech enters a contract to sell credits, they list them as sold on their Credit Sales Ledger. The sale is only reflected on their internal agency ledgers once all the required information is received from the buyer regarding their permit. Then the credit withdrawal is requested, followed by receipt of the credit release notification. There are instances where the withdrawal of credits is due to delays caused by the buyer. Tetra Tech has been able to exactly match their internal permit ledger with FDEP's Permit Ledger regarding

credit withdrawals requested and credits released; however, they must rely on their internal ledger on the federal side since they have been unable to access the Federal RIBITS system.

Project Expenses

Our audit procedures included selecting a sample of project expenditures and performing audit testing to ensure that expenses were incurred for LMB activities and supported by adequate documentation, and that appropriate indirect rates were applied. Overall, we found that mitigation bank expenditures were supported by adequate documentation and that Defense Contractors Audit Agency (DCAA) audited overhead rates were properly applied.

Questioned Costs

Net revenue from mitigation bank credit sales, after allowable project costs, are distributed to the District and Tetra Tech in accordance with contract provisions. Allowable project costs are defined as reasonable design, development, permitting and administrative start-up costs and all reasonable restoration costs. (Contract Amendment #7 also added interest costs as a allowable expense.) Net revenue payments to the District are due on a quarterly basis; however, we found that Tetra Tech applied an indirect cost rate of approximately 5% to nine payments submitted to the District for its share of profit distributions totaling \$14,197,671. This resulted in additional charges of \$674,940 to the project. In Tetra Tech's opinion, the indirect rate is justified since the distributions are included in the total expenses that were included in the denominator used to calculate the indirect general & administration cost rate. Considering that the mitigation bank is essentially a joint venture between Tetra Tech and the District, in our opinion, the District's share of the proceeds should be considered a profit distribution from a joint venture. We question whether the \$674,940 indirect charge on these distributions should be considered a valid project expense. It should be noted that if total project costs were reduced by \$674,940 it would result in increasing total distributable net revenue by the same amount, and this additional net revenue would be split 50/50 between the District and Tetra Tech; thus, the net effect would result in increasing the District's distributions by only half of the \$674,940 amount, or \$337,470 net.

Perpetual Maintenance Trust Fund

In accordance with Chapter 373.4135, F.S. and Subsection 62-342.700(12) F.A.C., mitigation bankers are required to provide financial assurance for perpetual maintenance of the mitigation bank. Financial assurance mechanisms include surety bonds, performance bonds, irrevocable letters of credit, insurance policies, escrow accounts, or trust funds. These requirements are included in the special conditions section of the mitigation bank permit. Special Condition 9 of the LMB permit requires a review of the cost estimates and adjustment to long term maintenance funding at least every two years; further, mitigation banks are required to establish a perpetual management fund that will fund maintenance in perpetuity after construction is complete and all credits have been sold. Prior to the sale of mitigation bank credits, the bankers are required to submit to the District a detailed cost estimate accompanied by supporting documentation that is prepared by a certified professional, licensed in the State of Florida to provide such estimates, as follows:

Subsection 62-342.700(13), F.A.C. requires that every two years, the mitigation bankers update its perpetual management cost estimates. The bankers are required to submit the estimate to the District in writing, certified by a person licensed in the State of Florida to provide such estimates, accompanied by supporting documentation. Construction, implementation activity costs, and perpetual management costs shall be listed separately. The Agency shall review the cost adjustment statement and supporting documentation to determine if they reflect all construction, implementation costs and perpetual management costs. If the cost adjustment statement and supporting documentation accurately reflect a good faith estimate of all construction, implementation costs and perpetual management costs, the Agency shall approve the cost adjustment statement. At each cost adjustment, the banker shall revise the construction, implementation, and perpetual management cost estimate for inflation and changes in the costs to complete or undertake the current phase of the Mitigation Bank or appropriate phase thereof in accordance with subsection 62-342.700(13), F.A.C.

Special Condition 9 of the original permit, dated February 18, 2000, required \$950,000 financial assurance to fund perpetual maintenance. Tetra Tech purchased a surety bond in the amount of \$950,000 to guarantee that its financial assurance obligation will be met. Special Condition 9 of the permit and Subsection 62-342.700(13)_F.A.C., requires the perpetual maintenance cost estimates to be updated by a licensed certified professional every two years, and the funding requirements be increases or decreases as a result of such biannual analysis; however, the biennial perpetual maintenance estimates were not performed at the required intervals. Nonetheless, in April 2024, District staff prepared an updated long-term maintenance analysis and projected the cost to be \$375,869 annually. Applying the regulatory 6% cap rate to this amount resulted in determining the total fund principal need for perpetual land management and maintenance to be \$6,264,483.

It should be noted that the permit contains an assumption that the perpetual maintenance trust fund earns 6% annually. The 6% rate is based on state regulations. It is unlikely that the Long-Term Management (LTM Fund) will be able to achieve such rates of return in the foreseeable future. For example, the average daily interest rate for the 3-Month Treasury Bill from February 11, 2016, to June 30, 2026, was approximately 2.25% (the period of time since long-term maintenance activities commenced). In addition, the formula for calculating the funding amount does not consider the long-term impact of inflation; thus, the LTM fund will likely be depleted at some future point in time as the principal balance is eroded.

The LMB was determined to have met final success on February 11, 2016, and entered the project's perpetual maintenance phase. Tetra Tech has performed, and paid for, the recurring maintenance activities since that time and includes such costs on the Quarterly Credit and Revenue Status Reports as a Reimbursable Expense. These expenses first appeared in the quarterly report for the period ended June 30, 2016 (2016 Q2). The following table shows the annual LTM expenses for 41 quarters from April 1, 2016 through June 30, 2026.

Year	Annual LTM Expenses
2015	-
2016	\$ 497,447
2017	376,063
2018	510,331
2019	676,297
2020	487,451
2021	518,998
2022	312,179
2023	277,995
2024	112,244
2025	150,973
2026	107,547
Year	\$ 4,027,525
Average - 41 Qtrs	\$ 98,232
Annualized Cost	\$ 392,929

As shown in the above table, LTM expenses have averaged \$98,232 per quarter since the February 11, 2016 final success determination, which equates to an annualized cost of \$392,929. The table also shows that total LTM expenses incurred through June 30, 2026, is \$4,027,525; thus, effectively \$4,027,525 of the \$6,264,483 LTM fund has already been used, or 64% of the total. This leaves a balance of \$2,236,958 for all future years. District staff proposes establishing the full \$6,264,483 at the present time; however, it should be noted that such action would effectively result in the District absorbing all the LTM expenses. through June 30, 2026, out of its share of the project's net proceeds. Management has the discretion to choose such action, but this is tantamount to the District making a voluntary contribution to the LTM fund. If such action is taken, the Reimbursable Expenses will need to be paid out of the District's share of distributions, which would result in the

District's share of prior distributions having been overpaid by \$1,670,524 (after reimbursement of the \$4,027,525 for LTM expenses). The District would need to reimburse Tetra Tech for such amount. If the Reimbursable Expenses were to be paid from the LTM Funds, the remaining LTM Fund balance would be \$2,236,958, as of June 30, 2026.

No Interested Allocated to Long-Term Maintenance Fund

It should also be noted that the LTM Fund's cash has been in the custody of Tetra Tech and resides in their corporate pooled cash account, where it earns interest income. Because the LTM cash was not separated into a separate account, no interest income has been allocated to the LTM Fund.

Our audit procedures included preparing an analysis to estimate the approximate amount of interest income that Tetra Tech earned on LTM Funds using the following methodology:

- Corporate cash balances are generally invested in low-risk short-term financial assets; thus, the assumed interest rate was the average 3-Month Treasury Bill for each quarter.
- The historical daily 3-Month Treasury Bill rates were downloaded from the United States Treasury website into an Excel Spreadsheet.
- The average interest rate was calculated for each quarter. (The 1st quarter of 2016 was prorated at 42 days, i.e. from February 11, 2016, date in which final success was determined. The 4th Quarter of 2025 was prorated at 78 days, i.e. through December 17, 2025, the day prior to the date the trust was funded – December 18, 2025.)
- Prepared a spreadsheet, starting with the initial LTM Fund balance of \$6,264,483, then deducted the actual LTM expenses for the quarter.
- Calculated interest income using the quarterly beginning balance times the average 3-Month Treasury Bill rate for the respective quarter.

Using the above methodology, we estimated that Tetra Tech should have allocated \$800,427 to the LTM Fund. This would result in an LTM Fund balance of \$7,064,910, as of June 30, 2026 (assuming the \$4,027,525 owed to Tetra Tech would be paid from other sources). The costs Tetra Tech incurs for LTM maintenance are shown on the Quarterly Credit and Status Reports as "Reimbursable Project Costs". These Reimbursable Project Costs should have been reduced by the amount of LTM Fund interest income on these quarterly reports.

Distributions to District

Schedule A of the LMB Agreement, and subsequent Amendment 7, specifies the formula for allocating the LMB's net revenues between the District and Tetra Tech and the requirements for paying the District its net revenues share. Net revenue distributions are calculated using a tiered formula, with a different split at each tier. As of June 30, 2026, total credit sales were \$73,818,364 and total project costs were \$43,005,920 (including funding the LTM Fund of \$6,264,483, but excluding the \$4,027,525 reimbursement due for LTM expenses); thus, net revenues available for distribution were \$30,812,444. As of June 30, 2026, applying the agreement's formula results in a District share of \$16,554,672, of which it has received payments of \$14,197,671, leaving a distributable balance of \$2,357,001; however, Tetra Tech is entitled to reimbursement for LTM expenses incurred through June 30, 2026, in the amount of \$4,027,525. The following table shows distributable balances, as of June 30, 2026, depending on the source of funds used to reimburse Tetra Tech.

Loxahatchee Mitigation Bank Sources of Funds to Reimburse Tetra Tech As of June 30, 2026				
Distributable Net Revenue				
	Total	SFWMD	Tetra Tech	LTM Fund
Credit Sales Revenue	\$ 73,818,364			
Expenses				
Total Project Expenses	\$ 40,768,962			
LTM Fund	\$ 6,264,483			
Less Reimbursable LTM Expenses	\$ (4,027,525)			
Net Project Expenses	\$ 43,005,920			
Distributable Net Revenue:	\$ 30,812,444	\$ 16,554,672	\$ 14,257,772	\$ 6,264,483
Reimbursement from LTM Fund				
Reimbursement - LTM Expenses		-	4,027,525	(4,027,525)
Balances After LTM Reimbursement		\$ 16,554,672	\$ 18,285,297	\$ 2,236,958
Distributions Previously Paid District		(14,197,671)		
Distributions Due to District		\$ 2,357,001		
Reimbursement from District Share				
Reimbursement - LTM Expenses	-	(4,027,525)	4,027,525	-
Balances After LTM Reimbursement	\$ 30,812,444	\$ 12,527,147	\$ 4,027,525	\$ 6,264,483
Distributions Previously Paid		(14,197,671)		
Repayment Due to Tetra Tech		\$ (1,670,524)		

In essence, there are three options for reimbursing Tetra Tech for the LTM expenses:

- Option 1 – Reimburse the LTM expenses from the \$6,264,483 in the LTM Fund. This option results in reducing the LTM fund balance to \$2,236,958 (\$6,264,483 - \$4,027,525); however, under this option, the District would also be entitled to \$2,357,001 in net revenue distributions.
- Option 2 – Currently, establish the LTM Fund at \$6,264,483 and reimburse all prior years LTM expenses from the District's share of distributions. This option would result in the District having been overpaid its share of distributions by \$1,670,524, which would need to be reimbursed to Tetra Tech. (\$2,357,001 - \$4,027,525).
- Option 3 – Use a hybrid method of Options 1 & 2. Reimburse \$1,670,524 from the LTM Fund and the remaining \$2,357,001 (\$1,670,524 + \$2,357,001) from the District's share of distributions. The hybrid option would result in reducing the LTM Fund balance to \$4,593,959; however, it would not require any repayment to Tetra Tech from the District.

It should be noted that the above amounts do not reflect the impact of any of our recommended audit adjustments to these numbers. Also, it should be noted that the LTM Fund was established to pay for the ongoing maintenance expenses, thus the LTM Fund is the source of funds designated for such expenses; consequently, reimbursing the LTM expenses from any of the District's share of distributions is tantamount to making a voluntary contribution to the LTM Fund. The table on the following page shows the proforma balances for each of the above options based on our recommended audit adjustments.

**Loxahatchee Mitigation Bank
Calculations Per Audit Recommendations
As of June 30, 2026**

Option 1 - Tetra Tech Reimbursed from LTM Fund

Option 1		<u>Total</u>	<u>SFWMD</u>	<u>Tetra Tech</u>	<u>LTM Fund</u>
	Distributable Net Revenue:				
	Amounts Prior to Audit	\$ 30,812,444	\$ 16,554,672	\$ 14,257,772	\$ 6,264,483
	Disallow G&A on Distributions		337,420	337,420	
	Interest on LTM Fund			(800,427)	800,427
	Reimbursement - LTM Expenses	-	-	4,027,525	(4,027,525)
	Balance Per Audit Recommendations	\$ 30,812,444	\$ 16,892,092	\$ 17,822,290	\$ 3,037,385
	Distributions Previously Paid		(14,197,671)		
	Distribution Due to District		\$ 2,694,421		

Option 2 - Tetra Tech Reimbursed from District's Share of Distributions

Option 2		<u>Total</u>	<u>SFWMD</u>	<u>Tetra Tech</u>	<u>LTM Fund</u>
	Distributable Net Revenue:				
	Amounts Prior to Audit	\$ 30,812,444	\$ 16,554,672	\$ 14,257,772	\$ 6,264,483
	Disallow G&A on Distributions		337,420	337,420	
	Interest on LTM Fund			(800,427)	800,427
	Reimbursement - LTM Expenses	-	(4,027,525)	4,027,525	-
	Balance Per Audit Recommendations	\$ 30,812,444	\$ 12,864,567	\$ 17,822,290	\$ 7,064,910
	Distributions Previously Paid		(14,197,671)		
	Repayment Due to Tetra Tech		\$ (1,333,104)		

Option 3 - Hybrid of Options 1 & 2

Option 3		<u>Total</u>	<u>SFWMD</u>	<u>Tetra Tech</u>	<u>LTM Fund</u>
	Distributable Net Revenue:				
	Amounts Prior to Audit	\$ 30,812,444	\$ 16,554,672	\$ 14,257,772	\$ 6,264,483
	Disallow G&A on Distributions		337,420	337,420	
	Interest on LTM Fund			(800,427)	800,427
	Reimbursement - LTM Expenses	-	(2,694,421)	4,027,525	(1,333,103)
	Balance Per Audit Recommendations	\$ 30,812,444	\$ 14,197,671	\$ 17,822,290	\$ 5,731,807
	Distributions Previously Paid		(14,197,671)		
	Repayment Due to Tetra Tech		\$ -		

RECOMMENDATIONS

1. **Address the appropriateness of the General and Administrative overhead indirect cost charge on distributions for the District's share of the LMB net revenue.**

Management Response: Management agrees with the recommendation and will coordinate review sessions with Tetra Tech to address and determine appropriate application of overhead indirect cost charges on revenue distributions.

Responsible Division: Field Operations and Administrative Services Divisions

Estimated Completion: December 31, 2027

2. **Require Tetra Tech to contribute the interest earned on the LTM funds cash balances into the LTM Fund.**

Management Response: Management agrees with the recommendation and will coordinate with Tetra Tech to determine an appropriate amount of interest earned by Tetra Tech prior to funding the LTM for contribution to the LTM

Responsible Division: Field Operations and Administrative Services Divisions

Estimated Completion: December 31, 2027

3. **Determine whether the prior long-term maintenance costs should be reimbursed from the LTM Fund, from the District's share of net revenue, or from a combination thereof.**

Management Response: Management agrees with the recommendation and will coordinate discussions with Tetra Tech to determine eligibility and funding source of the prior long-term maintenance costs.

Responsible Division: Field Operations and Administrative Services Divisions

Estimated Completion: December 31, 2027