

POLK REGIONAL WATER COOPERATIVE
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

**POLK REGIONAL WATER COOPERATIVE
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SEPTEMBER 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors
Polk Regional Water Cooperative

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Polk Regional Water Cooperative (the "Cooperative"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cooperative as of September 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Cooperative 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 opinion.

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 Cooperative'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 opinion. 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 Cooperative'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 Cooperative'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 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Cooperative's basic financial statements. The *schedule of revenues and expenses – budget to actual – admin* and the *schedule of expenditures of federal awards and state financial assistance*, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.550, Rules of the Auditor General and Section 215.97, *Florida Statutes* (collectively the "Supplementary Information"), are presented for purposes of additional analysis and is not a required part of the basic financial statements.

This Supplementary Information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2024 on our consideration of the Cooperative'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.

Other Reporting Required by Chapter 10.550, Rules of the Auditor General

In accordance with *Chapter 10.550, Rules of the Auditor General*, we have also issued our report dated January 31, 2024 on our examination of compliance with requirements of Section 218.415, *Florida Statutes*. The purpose of that report is to describe the scope of our examination and the issuance of an opinion on Cooperative's compliance with requirements of Section 218.415, *Florida Statutes*.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
January 31, 2024

**POLK REGIONAL WATER COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

Polk Regional Water Cooperative's (Cooperative) Management's Discussion and Analysis presents an overview of the Cooperative's financial activities for the years ended September 30, 2023 and 2022. Please read it in conjunction with the Cooperative's financial statements which follow.

FINANCIAL HIGHLIGHTS

The following is a summary of significant financial highlights related to the Cooperative's year ended September 30, 2023 and 2022:

- Operating revenues were \$1,171,867 and \$2,790,442, respectively.
- Operating expenses were \$1,193,416 and \$1,394,050, respectively.
- Net position totaled \$9,564,740 and of \$53,393, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements included in this annual report are designed to appear corporate-like in that all their activities are business-type activities. The following statements are included:

Statement of Net Position – reports the Cooperative's assets and liabilities, with the difference between the two reported as net position, at the end of the fiscal year. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Cooperative is improving or deteriorating.

Statement of Revenues, Expenses and Changes in Net Position – reports the results of activity over the course of the fiscal year. It details the costs associated with operating the Cooperative and how those costs were funded.

Statement of Cash Flows – reports the Cooperative's cash flows in and out from operating activities, capital and related financing activities, non-capital financing activities and investing activities. It details the sources of the Cooperative's cash, what it was used for and the change in cash over the course of the period.

The following analysis of net position, revenue and expenses provides a comprehensive portrayal of financial conditions. Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenue and expenses when earned regardless of when cash is received or paid.

**POLK REGIONAL WATER COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

SUMMARY STATEMENT OF NET POSITION

	September 30,		Dollar	Percent
	2023	2022	Variance	Variance
ASSETS				
Capital Assets	\$ 29,472,332	\$ 1,977,725	\$ 27,494,607	
Other Assets	170,668,320	9,690,536	160,977,784	
Total Assets	<u>200,140,652</u>	<u>11,668,261</u>	<u>188,472,391</u>	1615%
LIABILITIES				
Current Liabilities	5,247,809	2,354,517	2,893,292	
Noncurrent Liabilities	185,328,103	9,260,351	176,067,752	
Total Liabilities	<u>190,575,912</u>	<u>11,614,868</u>	<u>178,961,044</u>	1541%
NET POSITION				
Net Investment in Capital Assets	(5,603,149)	35,000	(5,638,149)	
Unrestricted	15,167,889	18,393	15,149,496	
Total Net Position	<u>9,564,740</u>	<u>53,393</u>	<u>9,511,347</u>	17814%
Total Liabilities and Net Position	<u>\$ 200,140,652</u>	<u>\$ 11,668,261</u>	<u>\$ 188,472,391</u>	1615%

Capital assets are comprised of land of \$5,738,717 and construction in progress of \$23,733,615. The significant increase is due to the start of construction on the Southeast and West Polk wellfields.

Other assets are comprised of restricted and unrestricted cash of \$153,202,055 as well as receivables of \$9,451,450. The significant increase is due to the closing of the bond in 2023.

Current liabilities are comprised of accounts and construction payable. The increase of \$3,514,954 is due to timing of accounts payable projects during the year.

Noncurrent liabilities consist of a line of credit, bonds payable and state revolving funds. The increase of \$175,446,090 is due primarily to the closing of revenue notes during the year.

Net position in total increased by \$9,511,347 due primarily to construction in progress.

**POLK REGIONAL WATER COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

SUMMARY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	September 30,		Dollar Variance	Percent Variance
	2023	2022		
OPERATING REVENUES				
Member Revenue	\$ 444,002	\$ 2,155,572	\$ (1,711,570)	
Project Revenues	657,506	577,470	80,036	
Conservation Grant Revenues	68,829	57,400	11,429	
Miscellaneous	1,530	-	1,530	
Total Operating Revenues	<u>1,171,867</u>	<u>2,790,442</u>	<u>(1,618,575)</u>	-58%
OPERATING EXPENSES				
Project Expenses	693,639	873,303	(179,664)	
Grant Expenses	13,114	55,454	(42,340)	
Other Operating Expenses	486,663	465,293	21,370	
Total Operating Expenses	<u>1,193,416</u>	<u>1,394,050</u>	<u>(200,634)</u>	-14%
OPERATING INCOME (LOSS)	(21,549)	1,396,392	(1,417,941)	102%
NONOPERATING REVENUES (EXPENSES)				
Interest Revenue	2,147,787	201	2,147,586	
Interest Expense	(3,550,390)	(171,399)	(3,378,991)	
Total Nonoperating Revenues (Expenses)	<u>(1,402,603)</u>	<u>(171,198)</u>	<u>(1,231,405)</u>	719%
CAPITAL CONTRIBUTIONS	10,935,499	49,306	10,886,193	22079%
CHANGE IN NET POSITION	9,511,347	1,274,500	8,236,847	646%
Net Position - Beginning of Period	53,393	(1,221,107)	1,274,500	-104%
NET POSITION - END OF PERIOD	<u>\$ 9,564,740</u>	<u>\$ 53,393</u>	<u>\$ 9,511,347</u>	17814%

Operating revenue declined 58% due to the increase of capital activity with the Southeast and West Polk wellfield projects.

Operating expenses include \$693,639 of project expenses, \$161,961 in legal expense, primarily for assistance with state grants and funding for future projects, with \$237,944 in expenses for contract services, \$53,162 in expenses for accounting fees, \$22,900 in expenses for audit fees, \$13,114 in grant expenses, and \$10,696 in other general expenses. Total operating expenses decreased \$200,634 over the prior year due to an increase of capitalized costs.

Interest revenue increased significantly due to the proceeds from the bonds that are now earning income. Interest expenses increased significantly due to an increase on the line of credit as well as two new SRF loans and a bond.

Capital contributions increase significantly as the funding obtained was used for the purchase of capital assets under both the Southeast and West Polk projects.

**POLK REGIONAL WATER COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

Economic Factors and Conditions

PRWC is still in the early stages of testing and designing its capital asset program. Capital assets to date consist of land, as well as components to its two alternative water supply programs such as monitor and production wells. To date, PRWC has secured FDEP SRF and EPA WIFIA loans to support the design and construct the regional water supply facilities, which is expected to begin in late 2024. Final bidding, and therefore final costs, are not yet known. There is currently no known debt limitation that may affect the financing of planned facilities and there have been no changes to PRWC's initial credit rating.

The Central Florida economy is anchored by the tourism industry. The key regional economic indicators, such as personal income growth, total employment, unemployment rate, population growth and housing starts are expected to show varying degrees of strengths and weaknesses in future business cycles, however, the overall economic trend is expected to continue steady movement in a favorable direction. Population growth is expected to be approximately 2% while unemployment is expected to trend below 5%. Overall, the Central Florida economy is expected to perform slightly better than state and national averages.

Request for Information

This financial report is designed to provide a general overview of the Cooperative's finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the Cooperative's Executive Director, 330 W. Church Street, P.O. Box 9005, Drawer CA01, Bartow, FL 33831-9005.

**POLK REGIONAL WATER COOPERATIVE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

ASSETS

CURRENT ASSETS

Cash	\$	5,013,917
Due from Members		2,219
Accrued Interest		438,833
Other Assets		5,000
Due from Other Governments		8,014,815
Total Current Assets		13,474,784

NONCURRENT ASSETS

Restricted Cash		148,188,138
Due from Members		9,005,398
Capital Assets Not Being Depreciated		
Land		5,738,717
Construction in Progress		23,733,615
Total Capital Assets		29,472,332
Total Noncurrent Assets		186,665,868
Total Assets	\$	200,140,652

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$	11,315
Construction Payable		4,103,847
State Revolving Fund		1,132,647
Total Current Liabilities		5,247,809

NONCURRENT LIABILITIES

Line of Credit		11,154,595
Bonds Payable		154,338,308
State Revolving Fund		19,835,200
Total Noncurrent Liabilities		185,328,103
Total Liabilities		190,575,912

NET POSITION

Net Investment in Capital Assets		(5,603,149)
Unrestricted		15,167,889
Total Net Position		9,564,740
Total Liabilities and Net Position	\$	200,140,652

**POLK REGIONAL WATER COOPERATIVE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2023**

OPERATING REVENUES	
Member Project Contributions	\$ 209,002
Project Grant Revenue	657,506
Member Funding Revenue	235,000
Miscellaneous Revenue	1,530
Conservation Grant Revenue	68,829
Total Operating Revenues	1,171,867
 OPERATING EXPENSES	
Project Expenses	693,639
Legal Fees	161,961
Outside Contract Services	237,944
Conservation Grant Expenses	13,114
Accounting Fees	53,162
Other General Expenses	10,696
Audit	22,900
Total Operating Expenses	1,193,416
OPERATING INCOME (LOSS)	(21,549)
 NONOPERATING REVENUES (EXPENSES)	
Interest Revenue	2,147,787
Interest Expense and Fiscal Charges	(3,550,390)
Total Nonoperating Revenues (Expenses)	(1,402,603)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(1,424,152)
 CAPITAL CONTRIBUTIONS	
Capital Grants	10,935,499
Total Capital Contributions	10,935,499
CHANGE IN NET POSITION	9,511,347
Net Position - Beginning of Period	53,393
NET POSITION - END OF PERIOD	\$ 9,564,740

**POLK REGIONAL WATER COOPERATIVE
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Members	\$ 292,135
Receipts from Other Governments	727,865
Payments for Goods and Services	<u>(1,249,144)</u>
Net Cash Provided by (Used for) Operating Activities	(229,144)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Gross Borrowings from Line of Credit	10,690,640
Gross Borrowings from SRF	<u>49,768</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	10,740,408

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and Construction of Capital Assets	(25,231,183)
Loan Proceeds	166,233,602
Capital Grants Received	2,747,150
Interest Paid on Borrowings	<u>(3,324,001)</u>
Net Cash Provided by (Used by) Financing Activities	140,425,568

CASH FLOWS FROM INVESTING ACTIVITIES

Receipts of Interest	<u>1,708,954</u>
Net Cash Provided by (Used for) Investing Activities	1,708,954

NET INCREASE IN CASH

152,645,786

Cash - Beginning of Period

556,269

CASH - END OF PERIOD

\$ 153,202,055

As shown in the Accompanying Financial Statements

Equity in cash and investments	\$ 5,013,917
Restricted equity in cash and investments	<u>148,188,138</u>

Total Cash and Cash Equivalents

\$ 153,202,055

SCHEDULE OF NONCASH CAPITAL & FINANCING ACTIVITIES

Capitalized Interest	<u><u>\$ 226,389</u></u>
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**RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH FROM OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (21,549)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:	
(Increase) Decrease in Assets:	
Due from Members	(151,867)
Other Assets	(5,000)
Increase (Decrease) in Liabilities:	
Due to Other Government	(18,357)
Accounts Payable	<u>(32,371)</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ (229,144)</u></u>

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Cooperative conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting principles and policies used in the preparation of these financial statements.

Organization

The Polk Regional Water Cooperative (Cooperative) was created on April 1, 2016 by an interlocal agreement between the City of Auburndale, City of Bartow, City of Davenport, City of Eagle Lake, City of Fort Meade, City of Frostproof, City of Haines City, City of Lake Alfred, City of Lakeland, City of Lake Wales, City of Mulberry, Polk City, City of Winter Haven, Town of Dundee, Town of Lake Hamilton and Polk County in accordance with Chapters 163 and 373 of the Florida Statutes.

Each local government which bound in execution of the interlocal agreement is considered a Member Government.

The Cooperative is devoted to encourage the development of fully integrated, robust public water supply systems comprised of diverse sources managed in a manner that take full advantage of Florida's intense climatic cycles to ensure reliable, sustainable and drought resistant systems which maximize the use of alternative water supplies to the greatest extent practicable. The Cooperative will evaluate, plan and implement water projects and coordinate partnerships with other water users (agriculture, mining, industry and commercial).

The Cooperative's governing body is comprised of one Director appointed by each Member Government, who is a sitting member of a Member Government. Reappointments shall be made when necessary to ensure continuous representation of the Member Governments. Appointment to the Board of Directors shall be effective only for so long as the appointing government is a Member Government. These financial statements present the financial statements of the Cooperative and are not meant to represent any of the Member Organizations as a whole.

Component Unit

Criteria for determining if other entities are potential component units of the Cooperative that should be reported with the Cooperative's basic financial statements are identified and described in GASB Cod. Sec. 2100. The application of these criteria provides for identification of any entities for which the Cooperative is financially accountable and other organizations for which the nature and significance of their relationship with the Cooperative are such that exclusion would cause the Cooperative's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Cooperative.

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation, Measurement Focus and Basis of Accounting

The accounts of the Cooperative are organized and reported as a proprietary fund type – Enterprise fund. Enterprise funds are used to report an activity for which a fee is charged to external users for goods or services.

The financial statements are reported using the economic measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Proprietary funds distinguish between operating revenues and expenses from non-operating items. The operating revenues of the Cooperative consist of member dues and funds received from grantor organizations. Operating expenses include the costs to support the operations and noncapital costs of the combined water projects of the Cooperative. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Net Position

Net position is classified into three components:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets but is included in the same net position component as the unspent proceeds.

Restricted – This component consists of net position whose use is subject to external constraints (such as through debt covenants) by creditors, 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 consists of net position elements that do not meet the definition of restricted or net investment in capital assets.

When the Cooperative incurs any expense where it can use both restricted and unrestricted funds the cooperative will first use restricted funds.

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Requirements

Budgets are prepared in accordance with Section 189.06, Florida Statutes on an annual basis and used as a management tool throughout the accounting cycle. Budgets are not, however, legally adopted nor legally required for financial statement presentation.

Cash and Cash Equivalents

The Cooperative considers all highly-liquid short term investment instruments with an original maturity of three months or less to be cash equivalents.

Investments

The Cooperative is allowed to invest excess public funds pursuant to the guidelines established in their investment policy. Accordingly, the Cooperative is authorized to invest excess public funds in the following instruments: U.S. government securities, U.S. government agencies, federal instrumentalities, mortgage-backed securities, non-negotiable certificates of deposit, repurchase agreements, commercial paper, corporate notes, bankers' acceptances, state and/or local government debt, supranationals, money market mutual funds, and local government investment pools.

At September 30, 2023 and during the year then ended, the Cooperative held no investments.

Capital Assets

Capital assets are defined by the Cooperative as tangible assets of significant value of more than \$5,000 and a useful life that extends beyond one year. Such assets are recorded at historical cost if purchased or constructed and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Due from Members

Accounts receivable are shown at their net realizable value and reduced by an allowance for uncollectible accounts, if any.

Unearned Revenue

Unearned revenues arise when resources are received by the Cooperative before it has a legal claim to them as when dues are received prior to incurring qualified expenses.

Member Funding Revenue

Member dues for the Cooperative are established by annual contributions from each Member Government which is in proportion to its annual average water use in comparison to the annual average water used by the Member Governments during 2021.

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Member Project Contribution

These funds are being drawn down through SRF DW532000 and the members will then repay the liability through the allocated portion identified in the interlocal agreements. As the funds are drawn down, a revenue and receivable is recorded from the members.

Operating Revenue and Expense

Operating revenues and expenses generally result from providing and producing and delivering goods and services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues consists of Member Project Contributions, Project Grant Revenue, Member Funding Revenue and Conservation Grant Revenue. Operating expenses for PRWC include noncapital project costs, legal and administrative fees. All other revenues are considered non-operating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as applicable to government entities, requires management to make use of estimates that affect the reported amounts in the financial statements. Actual results could differ from estimates.

NOTE 2 CASH AND DEPOSITS

Custodial credit risk is defined as the risk that, in the event of failure of the counterparty, the Cooperative would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Cooperative does not have a formal policy for custodial credit risk.

All cash deposits are carried at cost and are in financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) and collateralized. Florida Statutes Chapter 280 sets forth the qualifications and requirements that a financial institution must meet in order to become a qualified public depository. The Statute also defines the amount and type of collateral that must be pledged in order to remain qualified.

Section 280.17, Florida Statutes requires deposits of governmental entities be made only with Qualified Public Depositories (QPD's). Public funds on deposit in QPD's are protected against loss due to insolvency by: (1) federal deposit insurance; (2) the pledge of securities as collateral; and (3) a contingent liability agreement that allows the Chief Financial Officer of the state of Florida to assess QPD's if the securities pledged by an insolvent QPD are insufficient. The agreement for collateralization of public funds is with the state of Florida and not with the Cooperative. Similar to FDIC, the state of Florida is guaranteeing the deposit.

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 2 CASH AND DEPOSITS (CONTINUED)

At September 30, 2023, the carrying amount of the Cooperative's unrestricted cash deposits was \$5,013,917 and the balance per the bank was \$5,095,443.

Restricted cash of \$148,188,138 is for the financing of the costs of the Southeast Wellfield Project and the West Polk Wellfield (collectively the "2023 Project"). These funds are held in an FDIC-insured interest-bearing collateralized deposit account. The funds are insured up to FDIC limits and the collateral is comprised of U.S. bonds or obligations, and/or bonds or obligations guaranteed as to principal and interest by the United States.

The Cooperative did not have any investments at September 30, 2023.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

	Balance October 1, 2022	Additions	(Deletions)	Balance September 30, 2023
Capital assets not being depreciated				
Land	\$ 35,000	\$ 5,703,717	\$ -	\$ 5,738,717
Construction in Progress	1,942,725	21,790,890	-	23,733,615
Total capital assets not being depreciated	<u>\$ 1,977,725</u>	<u>\$ 27,494,607</u>	<u>\$ -</u>	<u>\$ 29,472,332</u>

NOTE 4 DUE FROM MEMBERS

Member receivables consist of the following at September 30, 2023:

Polk County	\$ 3,186,437
City of Lakeland	2,445,570
City of Winter Haven	931,723
City of Auburndale	692,037
City of Bartow	676,702
City of Haines City	502,549
City of Lake Wales	311,237
Town of Dundee	218,851
City of Fort Meade	42,511
Total Due from Members, Net	<u>\$ 9,007,617</u>

No allowance was recorded as all receivables were deemed collectible.

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 5 LINE OF CREDIT

PRWC had a \$5,000,000 line of credit with Wells Fargo which matured on May 16, 2023. On February 17, 2023, PRWC entered into a \$15,000,000 direct borrowing Revolving Revenue Note Series 2023A (Tax-Exempt Note) & Series 2023B (Federally Taxable) with Wells Fargo as a continuation of the line.

Interest is payable monthly in arrears on the first business day of each month. The interest rate is the Tax-Exempt Adjusted Daily Simple SOFR Rate which is the sum of (i) 80% times the secured overnight financing rate of the Federal Reserve Bank of New York (SOFR) and (ii) the tax-exempt applicable spread. The Tax-Exempt Applicable Spread is 46 basis points (0.46%). Final maturity is February 17, 2025. As of September 30, 2023 the full balance was held in Series 2023A.

In the event of default the lender may stop advances, charge the default interest rate of the greater of Prime+4% or FFR+5% or 10%, declare the outstanding amounts immediately due and payable, and other remedies as allowed by law.

A summary of the changes for the year ended September 30, 2023 are as follows:

Balance October 1, 2022	Additions	(Deletions)	Balance September 30, 2023	Due Within One Year
\$ 463,955	\$ 10,690,640	\$ -	\$ 11,154,595	\$ -

The annual requirements to amortize the debt outstanding as of September 30, 2023 are as follows:

Line of Credit		
Year	Principal	Interest
2024	\$ -	\$ 524,266
2025	11,154,595	218,444
Total	<u>\$ 11,154,595</u>	<u>\$ 742,710</u>

As of September 30, 2023, \$3,845,405 is undrawn.

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 6 STATE REVOLVING FUND

As of September 30, 2023, PRWC had three direct borrowing State Revolving Fund loans of which \$20,967,847 had been drawn on.

There are a number of limitations and restrictions contained in the various loan indentures. As of September 30, 2023, all funds are being maintained in accordance with such requirements.

In the event of default, remedies may include termination of further disbursements, assignment of a receiver, acceleration of the repayment schedule, or increasing the interest rate to as much as 1.667 times the loan interest rate

A summary of the changes for the year ended September 30, 2023 are as follows:

Balance October 1, 2022	Additions	(Deletions)	Balance September 30, 2023	Due Within One Year
\$ 8,796,396	\$12,171,451	\$ -	\$ 20,967,847	\$ 1,132,647

The annual debt service requirements as of September 30, 2023 are as follows:

<u>State Revolving Fund</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,132,647	\$ 97,396
2025	3,855,112	331,969
2026	3,795,004	265,570
2027	3,861,431	199,143
2028	3,929,027	131,547
2029-2033	4,394,626	84,612
Total	<u>\$ 20,967,847</u>	<u>\$ 1,110,237</u>

As of September 30, 2023, a total of \$29,564,400 was remaining to be drawn at a later date.

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 7 BONDS PAYABLE

On May 9, 2023, the District issued a direct placement Water Revenue Bond, Series 2023C in the amount of \$154,338,308, at a fixed interest rate of 4.250%, with Truist Commercial Equity, Inc., which matures on October 1, 2048. Debt service payments are made semiannually with payments being interest only until October 1, 2029. The Series 2023C bond is for the purpose of funding the Southeast Wellfield and the West Polk Wellfield (collectively, the 2023 Project). In an event of default, a trustee may be appointed by the owners of the bond obligation, who may sue for, enforce payment of and receive any and all amounts then or during any default becoming, at any time remaining, due from the issuer for principal, interest, and any costs and expenses of collections and of all proceedings.

A summary of the changes for the year ended September 30, 2023 are as follows:

Balance October 1, 2022	Additions	(Deletions)	Balance September 30, 2023	Due Within One Year
\$ -	\$ 154,338,308	\$ -	\$ 154,338,308	\$ -

The annual debt service requirements as of September 30, 2023 are as follows:

Series 2023C Bond		
Year	Principal	Interest
2024	\$ -	\$ 2,739,505
2025	-	5,479,010
2026	-	6,019,194
2027	-	6,559,378
2028	-	6,559,378
2029-2033	21,524,300	31,014,895
2034-2038	32,468,580	24,887,973
2039-2043	39,980,076	17,216,858
2044-2048	49,229,331	7,771,056
2048-2049	11,136,021	236,640
Total	<u>\$ 154,338,308</u>	<u>\$ 108,483,887</u>

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 8 WIFIA LOAN

On May 31, 2023, PRWC closed on two direct borrowing WIFIA loans. One for the Southeast wellfield for an amount up to \$222,802,928 and one for the West Polk wellfield for an amount up to \$82,996,513. The interest rate is equal to the sum of 4.02% per annum plus 200 basis points. Debt service payments are made semiannually with payments being interest only until September 30, 2032. In an event of default, the WIFIA lender may suspend or terminate all its obligations with respect to any undisbursed amounts, may cease permitting interest, may suspend, or debar PRWC from further participation in any government program administered by the WIFIA lender and the WIFIA lender shall be entitled and empowered to institute any actions or proceedings at law for any sums due and unpaid. As of September 30, 2023, there have been no draws on either WIFIA loan.

NOTE 9 PLEDGED FUTURE REVENUES

All debts of the PRWC as of September 30, 2023, are secured by pledged revenues as defined in the master bond resolution as rates, fees, charges, and earnings derived from the operation of the Southeast Wellfield and West Polk Wellfield. No pledged revenues were received during the year ended September 30, 2023. Maturity dates for each debt are as disclosed in notes 5, 6, 7 and 8.

NOTE 10 RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to torts, theft of assets, errors and omissions, and natural disasters. The Cooperative has purchased commercial insurance to insure itself against these risks.

NOTE 11 COMMITMENTS

The Cooperative has entered into various construction commitments. At September 30, 2023, the Cooperative had the following outstanding major commitments in process:

Project	Authorization	Expended	Commitment
Combined Implementation	\$ 17,296,477	\$ 16,405,081	\$ 891,396
SE Wellfield Test	4,157,098	3,063,550	1,093,548
SE Water Production Facility	30,159,750	9,699,033	20,460,717
SE Wellfield Transmission	22,371,036	10,065,985	12,305,051
West Polk Wellfield & Production Facility	10,027,057	239,359	9,787,698
	<u>\$ 84,011,418</u>	<u>\$ 39,473,008</u>	<u>\$ 44,538,410</u>

SUPPLEMENTARY INFORMATION

**POLK REGIONAL WATER COOPERATIVE
SCHEDULE OF REVENUES AND EXPENSES
BUDGET TO ACTUAL – ADMIN
YEAR ENDED SEPTEMBER 30, 2023**

	Actual	Budget	Amount Over (Under) Budget
REVENUES			
Member Funding Revenue	\$ 235,000	\$ 235,000	\$ -
Miscellaneous Revenue	53	-	53
Interest	4,534	-	4,534
Total Revenues	<u>239,587</u>	<u>235,000</u>	<u>4,587</u>
EXPENSES			
Accounting Fees	53,162	28,000	25,162
Audit Fees	22,900	20,000	2,900
Legal Fees	60,961	45,000	15,961
Outside Contract Services	117,396	115,000	2,396
Administrative Assistant	-	5,000	(5,000)
Engineer	-	19,000	(19,000)
Other General Expenses	10,696	3,000	7,696
Total Expenses	<u>265,115</u>	<u>235,000</u>	<u>30,115</u>
CHANGE IN NET POSITION	(25,528)	-	(25,528)
Net Position - Beginning of Period	<u>67,237</u>	<u>-</u>	<u>67,237</u>
NET POSITION - END OF PERIOD	<u><u>\$ 41,709</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 41,709</u></u>

**POLK REGIONAL WATER COOPERATIVE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2023**

<u>Agency/Program</u>	<u>ALN/CSFA Number</u>	<u>Grant Identification</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
FEDERAL AWARDS				
<u>Department of the Treasury</u>				
Passed through Florida Department of Environmental Protection				
Coronavirus State and Local Fiscal Recovery Funds	21.027	WSA12	\$ 1,238,675	\$ -
Total Department of Treasury			\$ 1,238,675	\$ -
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,238,675	\$ -
STATE FINANCIAL ASSISTANCE				
<u>Florida Department of Environmental Protection</u>				
Drinking Water Facility Construction	37.076	DW532000	\$ 209,002	\$ -
Drinking Water Facility Construction	37.076	DW532001	\$ 11,837,062	\$ -
Drinking Water Facility Construction	37.076	DW532002	\$ 125,387	\$ -
Statewide Surface Restoration and Wastewater Projects	37.039	LPA0212	\$ 6,206,275	\$ 636,806
Florida Springs Grant Program	37.052	17CF0000475	\$ 68,829	\$ 13,114
Total Florida Department of Environmental Protection			\$ 16,921,619	\$ 705,635
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			\$ 16,921,619	\$ 705,635

**POLK REGIONAL WATER COOPERATIVE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (Schedule) includes the federal award and state financial assistance activity of Polk Regional Water Cooperative (Cooperative) under programs of the federal government and projects of the state of Florida for the year ended September 30, 2023.

The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and Chapter 69I-5, Rules of the Florida Department of Financial Services. Because the Schedule presents only a selected portion of the operation of the Cooperative, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Cooperative.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting for financial assistance received in the enterprise fund, which are described in Note 1 to the Cooperative’s basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and Chapter 69I-5, Rules of the Florida Department of Financial Services, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

The Cooperative had not elected to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

NOTE 3 LOANS OUTSTANDING

PRWC had the following loan balances outstanding at September 30, 2023.

State Grantor/Pass through Grantor/ Program or Cluster Title	Ending Balance
Department of Environmental Protection Drinking Water Facility Construction	\$ 20,967,847

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*

To the Members of the Board of Directors
Polk Regional Water Cooperative

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 Polk Regional Water Cooperative (the "Cooperative") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated January 31, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cooperative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative'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 Cooperative'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-02 that we consider to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Polk Regional Water Cooperative Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Polk Regional Water Cooperative's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Polk Regional Water Cooperative's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Cooperative'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 Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
January 31, 2024

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

To the Members of the Board of Directors
Polk Regional Water Cooperative

We have examined the Polk Regional Water Cooperative's (the "Cooperative") compliance with Section 218.415, Florida Statutes for year ended September 30, 2023. Management is responsible for the Cooperative's compliance with those specified requirements. Our responsibility is to express an opinion on the Cooperative's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Cooperative complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Cooperative complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, 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 basis for our opinion.

We are required to be independent of the Cooperative and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our examination.

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

In our opinion, the Cooperative complied, in all material respects, with the aforementioned requirements of Section 218.415, Florida Statutes for the year ended September 30, 2023.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
January 31, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, *RULES OF THE AUDITOR GENERAL*

Members of the Board of Directors
Polk Regional Water Cooperative

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited Polk Regional Water Cooperative's (the "Cooperative") compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget ("OMB") *Compliance Supplement* and Department of Financial Services *State Compliance Supplement* that could have a direct and material effect on each of the Cooperative's major federal programs and major state projects for the year ended September 30, 2023. The Cooperative's major federal programs and major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Cooperative complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and major state projects for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*. Our responsibilities under those standards, the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Cooperative and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program and major state projects. Our audit does not provide a legal determination of the Cooperative's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Cooperative's federal programs and state projects.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Cooperative's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance; and Chapter 10.550, *Rules of the Auditor General* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Cooperative's compliance with the requirements of each major federal program and state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550, *Rules of the Auditor General*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Cooperative's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Cooperative's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Chapter 10.550, *Rules of the Auditor General* and which are described in the accompanying schedule of findings and questioned costs as item 2023-01. Our opinion on each major federal program and state project is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Cooperative's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Cooperative's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
January 31, 2024

POLK REGIONAL WATER COOPERATIVE
 Schedule of Findings and Questioned Costs
 For the year ended September 30, 2023

Section I – Summary of Independent Auditor’s Results

Financial Statements

Type of Auditor’s Report Issued:

Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes No

Significant deficiency(ies) identified?

 Yes X None reported

Noncompliance material to the financial statements reported?

 Yes X No

Federal Awards and State Financial Assistance

Type of Auditor’s Report Issued on Compliance:

Unmodified Opinion

Internal control over major federal programs and major state projects:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified?

 Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance or Chapter 10.557, *Rules of the Auditor General*?

 X Yes No

Major Federal Program(s):

21.027 – Coronavirus State and Local Fiscal Recovery Funds

Major State Project(s):

37.076 – State of Florida Department of Environmental Protection – Drinking Water Facility Construction

37.039 – State of Florida Department of Environmental Protection – Statewide Surface Water Restoration and Waste Water Projects

Dollar threshold used to distinguish between Type A and Type B State projects:

Federal:

 \$750,000

State:

 \$5,533,967

Auditee qualified as low-risk auditee?

 Yes X No

Section II – Summary Schedule of Prior Audit Findings Related to Federal Awards or State Financial Assistance

None reported

Section III – Federal Award and State Financial Assistance Findings and Questioned Costs Section Reported in Accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General

Findings and questioned costs – Major Federal Programs - None

POLK REGIONAL WATER COOPERATIVE
Schedule of Findings and Questioned Costs
For the year ended September 30, 2023

Findings and questioned costs – Major State Projects

Finding Number: 2023-01 – CSFA 37.039 – Florida Department of Environmental Protection

Criteria: The grant agreement No. LPA0212 between the Polk Regional Water Cooperative (the “Cooperative”) and the State of Florida Department of Environmental Protection requires certain language to be included on the deed of any property purchased under the agreement or by recording of a separate declaration of restrictive covenant that shall run with the title to the property.

Condition: The Cooperative purchased land funded by grant agreement No. LPA0212 and the deeds did not contain the required language nor was a separate declaration of restrictive covenant recorded.

Cause: Cooperative management was not aware of this particular requirement.

Effect: Noncompliance

Recommendation: We recommend management consult with their legal advisors and take whatever actions are deemed necessary to remedy this noncompliance.

Views of responsible officials and planned corrective actions: See accompanying letter of management’s response.

Section IV – Findings Related to the Financial Statement Audit, as Required to be Reported in Accordance with Government Auditing Standards

Finding Number: 2023-02

Criteria: The Cooperative’s management is responsible for establishing and maintaining internal controls to ensure that transactions are properly reported in the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition: As part of our audit, we proposed several material adjustments to correct amounts due from other governments, due from members, capital assets, long-term debt, revenue, and expenses.

Cause: Year-end cutoff procedures did not detect certain material receivables while others were overstated, and debt issuance costs were capitalized rather than expensed.

Effect: Before the corrections, amounts due from other governments was understated by \$1,737,381, amounts due from members was overstated by \$11,962,449 and capital assets were overstated by \$840,407.

Recommendation: The Cooperative should implement additional review procedures to ensure that transactions are reported in the current period (cutoff), reported in the correct amounts and that capitalization of costs is appropriate.

Views of responsible officials and planned corrective actions: See accompanying letter of management’s response.

MANAGEMENT LETTER

To the Members of the Board of Directors
Polk Regional Water Cooperative

Report on the Financial Statements

We have audited the financial statements of the Polk Regional Water Cooperative (the "Cooperative") as of and for the year ended September 30, 2023 and have issued our report thereon dated January 31, 2024.

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 the following reports and schedule in connection with our audit:

- 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*.
- Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance.
- Schedule of Findings and Questioned Costs.
- Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes 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 these reports and schedule, which are dated January 31, 2024, should be considered in conjunction with this management letter.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The specific legal authority that established the Cooperative is disclosed in Note 1 of the financial statements.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There was one finding in the preceding annual financial audit report (2022-01) and that finding has not been corrected and is reported as finding 2023-02 in the accompanying schedule of findings and questioned costs. This finding was not reported in the second preceding financial audit report.

Financial Condition and Management

Section 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 Cooperative has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit of the financial statements, we determined that the Cooperative did not meet any of the specified conditions described in Section 218.503(1), Florida Statutes.

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 Cooperative. It is management's responsibility to monitor the Cooperative's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

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

Specific Information

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Cooperative reported the following (we do not express an opinion or provide any assurance on the following information):

- The total number of district employees compensated in the last pay period of the district's fiscal year being reported – *None*.
- The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year being reported – 5.
- All compensation earned or awarded to employees, whether paid or accrued, regardless of contingency – *Zero*.
- All compensation earned or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency - \$966,708.
- Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project.

<u>Project</u>	<u>Estimated total cost</u>
West Polk Test Production Well #2	\$3,697,690
Southeast Injection Well #1	\$18,000,000
Southeast Wellfield Transmission	\$135,000,000
Southeast Wellfield Water Production Facility	\$170,000,000
West Polk Injection Well #1	\$18,000,000
West Polk Water Production Facility and Transmission	\$124,000,000

- A budget variance based on the budget adopted under Section 189.016[4], Florida Statutes, before the beginning of the fiscal year being reported if the district amended a final adopted budget under section 189.016(6), Florida Statutes, as: *The original budget was not amended.*

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, members of the Board of Directors, Member Governments and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
January 31, 2024



Providing clean, safe water for Polk County now and for future generations.

330 W. Church Street
PO Box 9005
Drawer CA01
Bartow, FL 33831

January 31, 2024

Polk Regional Water Cooperative
Board of Directors
330 West Church Street
Bartow, Florida 33831

SUBJECT

Management Response to the Independent Auditors Report for Fiscal Year 2023

Members of the PRWC Board;

The Polk Regional Water Cooperative recently received an Unmodified (“Clean”) Opinion of its financial statements. The financial statements were free of material errors and were presented in accordance with Generally Accepted Accounting Principles (GAAP). The Auditors were able to determine that the actions taken by the Board were represented fairly by the financial transactions and that there were no material weaknesses in the PRWC’s internal controls. In addition to the audit of the financial statements, the auditors are required to perform compliance testing and in connection with those audit procedures two findings (Finding 2023-01 and 2023-2) were identified associated with the financial statements:

Finding 2023-01

Criteria: The grant agreement No. LPA0212 between the Polk Regional Water Cooperative (the “Cooperative”) and the State of Florida Department of Environmental Protection requires certain language to be included on the deed of any property purchased under the agreement or by recording of a separate declaration of restrictive covenant that shall run with the title to the property.

Condition: The Cooperative purchased land funded by grant agreement No. LPA0212 and the deeds did not contain the required language nor was a separate declaration of restrictive covenant recorded.

Cause: Cooperative Management was not aware of this particular requirement.

Effect: Noncompliance

Recommendation: We recommend management consult with their legal advisors and take whatever actions are deemed necessary to remedy the noncompliance.

Management Response: Management has consulted with Mr. de la Parte to develop a plan to remedy the noncompliance which will be presented to the Cooperative’s Board of Directors at the March 20, 2024 meeting for approval.

Finding 2023-02

Criteria: The Cooperative's management is responsible for establishing and maintaining internal controls to ensure that transactions are properly reported in the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition: As part of our audit, we proposed several material adjustments to correct amounts due from other governments, due from members, capital assets, long-term debt, revenue, and expenses.

Cause: Year-end cutoff procedures did not detect certain material receivables while others were overstated, and debt insurance costs were capitalized rather than expensed.

Effect: Before the corrections, amounts due from other governments was understated by \$1,737,381, amounts due from members was overstated by \$11,962,449 and capital assets were understated by \$840,407.

Recommendation: The Cooperative should implement additional review procedures to ensure that transactions are reported in the current period (cutoff), reported in the correct amounts and that capitalization of is appropriate.

Management Response: The PRWC is currently taking the necessary steps to address the audit finding following the recommendation set forth by the auditor. Additional review procedures will be implemented to ensure transactions are reported in the correct period and that capital costs are segregated from operating expenses.

Sincerely,



Eric DeHaven
PRWC Executive Director