

POLK REGIONAL WATER COOPERATIVE
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

**POLK REGIONAL WATER COOPERATIVE
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SEPTEMBER 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Polk Regional Water Cooperative (the "Cooperative"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Polk Regional Water Cooperative as of September 30, 2018, and changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cooperative’s basic financial statements. The schedule of revenues and expenses – budget to actual – admin, the schedule of revenues and expenses – projects and the schedule of revenues and expenses – conservation grants (the “Other Supplementary Information”), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of management and were 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 Other 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 November 13, 2018, 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 November 13, 2018 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
November 13, 2018

**POLK REGIONAL WATER COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

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, 2018 and 2017. 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, 2018 and 2017:

- There were no capital expenditures during 2018 or 2017.
- Operating revenues were \$3,662,608 and \$190,000, respectively.
- Operating expenses were \$3,739,545 and \$134,609, respectively.
- Fund net position totaled a deficit of \$24,723 and a positive \$55,391, 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 Fund 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, 2018**

SUMMARY STATEMENT OF NET POSITION

	September 30,		Dollar Variance	Percent Variance
	2018	2017		
ASSETS				
Current Assets	\$ 1,559,232	\$ 140,990	\$ 1,418,242	1006%
Total Assets	<u>1,559,232</u>	<u>140,990</u>	<u>1,418,242</u>	1006%
LIABILITIES				
Current Liabilities	1,528,500	85,599	1,442,901	1686%
Noncurrent Liabilities	55,455	-	55,455	-
Total Liabilities	<u>1,583,955</u>	<u>85,599</u>	<u>1,498,356</u>	1750%
NET POSITION				
Unrestricted	(24,723)	55,391	(80,114)	-145%
Total Net Position	<u>(24,723)</u>	<u>55,391</u>	<u>(80,114)</u>	-145%
Total Liabilities and Net Position	<u>\$ 1,559,232</u>	<u>\$ 140,990</u>	<u>\$ 1,418,242</u>	1006%

Current assets is comprised of cash in the amount of \$717,509, due from members in the amount of \$148,333, grants receivable of \$10,546 and project receivables of \$682,844

Cash increased due to an increase in cash from operations of \$580,266. This is primarily due to receipts from members for project funding of \$1,640,350 and member funding for operations of \$195,000. District funding of \$984,605 also increased cash. This was offset by payments for goods and services of \$2,241,189.

Grants receivable and project receivables were zero last year. The increase in these accounts is due to grant funds and project funds owed to the Cooperative as of September 30, 2018.

Current liabilities are comprised of accounts payable and retainage payable. The increase of \$1,442,901 is due to increased activity in the projects during the year.

Noncurrent liabilities consists of a line of credit. The only draw on the line of credit during the year was for closing costs on the line of credit in the amount of \$55,455.

Net position in total decreased by \$80,114 due to project expenditures which have not yet been reimbursed by the state revolving fund loan.

**POLK REGIONAL WATER COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

SUMMARY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

	September 30,		Dollar	Percent
	2018	2017	Variance	Variance
OPERATING REVENUES				
Member Dues	\$ 195,000	\$ 190,000	\$ 5,000	3%
Project Revenues	3,191,911	-	3,191,911	-
Conservation Grant Revenues	24,695	-	24,695	-
Litigation Reimbursements	249,502	-	249,502	-
Miscellaneous	1,500	-	1,500	-
Total Operating Revenues	<u>3,662,608</u>	<u>190,000</u>	<u>3,472,608</u>	1828%
OPERATING EXPENSES				
Project Expenses	3,318,132	-	3,318,132	-
Grant Expenses	24,695	-	24,695	-
Litigation Expenses	249,502	-	249,502	-
Other Operating Expenses	147,216	134,609	12,607	-
Total Operating Expenses	<u>3,739,545</u>	<u>134,609</u>	<u>3,604,936</u>	2678%
OPERATING INCOME (LOSS)	(76,937)	55,391	(132,328)	-239%
NONOPERATING REVENUES (EXPENSES)				
Interest Revenue	1,608	-	1,608	-
Interest Expense	(4,785)	-	4,785	-
Total Nonoperating Revenues (Expenses)	<u>(3,177)</u>	<u>-</u>	<u>6,393</u>	-
CHANGE IN NET POSITION	(80,114)	55,391	(125,935)	-227%
Net Position - Beginning of Period	55,391	-	55,391	-
NET POSITION - END OF PERIOD	<u>\$ (24,723)</u>	<u>\$ 55,391</u>	<u>\$ (80,114)</u>	-145%

Operating expenses include \$3,318,132 of project expenses, \$39,844 in legal expense, primarily for assistance with state grants and funding for future projects with \$4,167 in expenses for executive director services, \$16,501 in expenses for accounting fees, \$10,000 in expenses for audit fees, \$55,455 in loan closing costs, and \$21,249 of other general expenses. Total expenses increased \$3,609,721 and total operating expenses increased \$3,604,936 over the prior year due primarily to the start of the Cooperative's water projects.

Litigation expenses are related to an ongoing litigation with SWFMD and Peace Creek Manasota Regional Water Supply Authority (PRMRWSA). The Cooperative has filed a petition challenging the water use permit applications submitted by PRMRWA which increases the amount of water the authority can withdraw over the next 50 years. While the litigation is ongoing, there is no risk of loss to the Cooperative besides legal fees which are funded by the member governments.

**POLK REGIONAL WATER COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

Economic Factors and Conditions

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.

Funding Agreements

The Cooperative and Southwest Florida Water Management District (SWFWMD) entered into funding agreements for the implementation phase of the Cooperative's combined water projects, estimated to cost approximately \$23,000,000. Approximately \$11,500,000 of the funding will be provided in the form of a grant from SWFWMD. The other \$11,500,000 of funding is to be provided through a Line of Credit, Membership Government Contributions, State Revolving Fund Loan, and State Appropriations. The implementation phase is expected to be completed by December 31, 2021.

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, 2018**

ASSETS

CURRENT ASSETS

Cash	\$ 717,509
Due from Members	148,333
Due from Other Governments	<u>693,390</u>
 Total Current Assets	 <u><u>\$ 1,559,232</u></u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$ 1,362,699
Retainage Payable	<u>165,801</u>
Total Current Liabilities	1,528,500

NONCURRENT LIABILITIES

Line of Credit	<u>55,455</u>
Total Noncurrent Liabilities	55,455
 Total Liabilities	 <u>1,583,955</u>

NET POSITION

Unrestricted	<u>(24,723)</u>
 Total Net Position	 <u>(24,723)</u>
 Total Liabilities and Net Position	 <u><u>\$ 1,559,232</u></u>

**POLK REGIONAL WATER COOPERATIVE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
YEAR ENDED SEPTEMBER 30, 2018**

OPERATING REVENUES

Member Funding Revenue	\$ 195,000
Member Project Contributions	1,538,611
Project Grant Revenue	1,653,300
Litigation Reimbursements	249,502
Florida Waterstar Rebates	4,200
Indoor Conservation	17,798
Outdoor BMP's	2,697
Miscellaneous Revenue	1,500
Total Operating Revenues	3,662,608

OPERATING EXPENSES

Accounting Fees	16,501
Audit	10,000
Legal Fees	39,844
Legal Fees - PRMRWSA Litigation	249,502
Loan Closing Costs	55,455
Outside Contract Services	4,167
Project Expenses	3,318,132
Conservation Grant Expenses	24,695
Other General Expenses	21,249
Total Operating Expenses	3,739,545

Operating Loss (76,937)

NONOPERATING REVENUES (EXPENSES)

Interest Revenue	1,608
Interest Expense	(4,785)
Total Nonoperating Revenues (Expenses)	(3,177)

CHANGE IN FUND NET POSITION (80,114)

Fund Net Position - Beginning of Period 55,391

FUND NET POSITION - END OF PERIOD \$ (24,723)

**POLK REGIONAL WATER COOPERATIVE
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Members	\$ 1,835,350
Receipts from Other Governments	984,605
Miscellaneous Receipts	1,500
Payments for Goods and Services	(2,241,189)
Net Cash Provided by Operating Activities	<u>580,266</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interest Paid	(4,785)
Net Cash Used In Financing Activities	<u>(4,785)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts of Interest	1,608
Net Cash Provided by Investing Activities	<u>1,608</u>
NET INCREASE IN CASH	577,089
Cash - Beginning of Period	<u>140,420</u>
CASH - END OF PERIOD	<u><u>\$ 717,509</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES	
Operating Loss	\$ (76,937)
Adjustments to Reconcile Operating Loss to Net Cash from Operating Activities:	
(Increase) Decrease in Assets:	
Due from Members	(147,763)
Due from Other Government	(693,390)
Increase (Decrease) in Liabilities:	
Accounts Payable	1,518,912
Line of Credit	55,455
Due to Member	(76,011)
Net Cash from Operating Activities	<u><u>\$ 580,266</u></u>
NONCASH FINANCING ACTIVITIES	
Line of Credit	<u><u>\$ 55,455</u></u>

**POLK REGIONAL WATER COOPERATIVE
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2018**

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 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
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2018**

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 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
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2018**

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 Section 218.415(17), Florida Statutes. Accordingly, the Cooperative is authorized to invest excess public funds in the following instruments: The Local Government Surplus Funds Trust Fund; Securities and Exchange Commission registered money market funds with the highest credit quality rating; savings accounts and certificates of deposit in qualified public depositories; and direct obligations of the U.S. Treasury.

At September 30, 2018 and during the year then ended, the Cooperative held no investments.

Due from Members

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

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 Dues

Member dues for the Cooperative are established with annual contributions by 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 the calendar year in the year preceding the creation of the Cooperative.

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.

**POLK REGIONAL WATER COOPERATIVE
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2018**

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's 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 Authority. Similar to FDIC, the state of Florida is guaranteeing the deposit.

At September 30, 2018, the carrying amount of the Cooperative's deposits was \$717,509 and the balance per the bank was \$733,652.

The Cooperative did not have any investments at September 30, 2018.

**POLK REGIONAL WATER COOPERATIVE
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2018**

NOTE 3 DUE FROM MEMBERS

Member receivables consist of the following at September 30, 2018:

Polk County	\$	50,522
City of Lakeland		32,173
City of Winter Haven		32,278
City of Lake Wales		6,113
City of Haines City		7,115
City of Auburndale		6,806
City of Bartow		4,486
City of Davenport		2,038
City of Lake Alfred		1,547
City of Frostproof		1,019
City of Polk City		1,018
City of Fort Meade		773
Town of Dundee		773
Town of Lake Hamilton		589
City of Mulberry		619
City of Eagle Lake		464
Total Due from Members, Net		<u>\$ 148,333</u>

All receivables are in relation to the Peace River Manasota Regional Water Supply Authority litigation. No allowance was recorded as all receivables were deemed collectible.

NOTE 4 LINE OF CREDIT

PRWC entered into a \$6,000,000 line of credit with Wells Fargo on November 16, 2017. This was approved by the Board through Resolution 17-3 on October 18, 2017. Interest is due monthly on the outstanding balance based upon 67% of the 1-Month LIBOR rate plus 55 basis points. An undrawn fee is due quarterly in the amount of 25 basis points (0.25%) per annum on the daily available amount during the preceding quarter.

A summary of the changes for the year ended September 30, 2018 are as follows:

Balance October 1, 2017	Additions	(Deletions)	Balance September 30, 2018	Due Within One Year
\$ -	\$ 55,455	\$ -	\$ 55,455	\$ -

**POLK REGIONAL WATER COOPERATIVE
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2018**

NOTE 5 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 not purchased any commercial insurance and currently retains the risk of any loss.

NOTE 6 COMMITMENTS

The Cooperative has entered into an agreement for combined projects administrator in the amount of \$12,245 per month beginning September 2018. There are \$18,744,522 in contract commitments at year-end related to the projects in process.

NOTE 7 FUNDING AGREEMENTS

The Cooperative and Southwest Florida Water Management District (SWFWMD) entered into funding agreements for the implementation phase of the Cooperative's water project, estimated to cost approximately \$23,000,000. Approximately \$11,500,000 of the funding will be provided in the form of a grant from SWFWMD. The other \$11,500,000 of funding is to be provided through a Line of Credit, Membership Government Contributions, State Revolving Fund Loan, and State Appropriations. The implementation phase is expected to be completed by December 31, 2021. As of September 30, 2018 there have been no draws on the State Revolving Fund Loan.

SUPPLEMENTARY INFORMATION

**POLK REGIONAL WATER COOPERATIVE
SCHEDULE OF REVENUES AND EXPENSES
BUDGET TO ACTUAL – ADMIN
YEAR ENDED SEPTEMBER 30, 2018**

	Actual	Budget	Amount Over (Under) Budget
REVENUES			
Member Funding Revenue	\$ 195,000	\$ 195,000	\$ -
Litigation Reimbursements	249,502	-	249,502
Interest	1,608	-	1,608
Miscellaneous Revenue	1,500	-	1,500
Total Revenues	<u>447,610</u>	<u>195,000</u>	<u>252,610</u>
EXPENSES			
Accounting Fees	16,501	15,000	1,501
Audit Fees	10,000	12,000	(2,000)
Legal Fees	39,844	33,000	6,844
Legal Fees - PRMRWSA Litigation	249,502	-	249,502
Outside Contract Services	4,167	95,000	(90,833)
Administrative Assistant	-	10,000	(10,000)
Engineer	-	15,000	(15,000)
Other General Expenses	2,405	15,000	(12,595)
Total Expenses	<u>322,419</u>	<u>195,000</u>	<u>127,419</u>
CHANGE IN NET POSITION	125,191	-	125,191
Net Position - Beginning of Period	<u>55,391</u>	<u>-</u>	<u>55,391</u>
NET POSITION - END OF PERIOD	<u>\$ 180,582</u>	<u>\$ -</u>	<u>\$ 180,582</u>

**POLK REGIONAL WATER COOPERATIVE
SCHEDULE OF REVENUES AND EXPENSES – PROJECTS
YEAR ENDED SEPTEMBER 30, 2018**

	<u>PCIWS</u>	<u>SEW</u>	<u>WPLFA</u>	<u>Project Admin</u>	<u>Total</u>
REVENUES					
Member Contributions	\$ 127,103	\$ 789,374	\$ 622,134	\$ -	\$ 1,538,611
Project Grant Revenue	98,506	946,710	608,084	-	1,653,300
Total Revenues	<u>225,609</u>	<u>1,736,084</u>	<u>1,230,218</u>	-	<u>3,191,911</u>
EXPENSES					
Project Expense	198,927	1,898,228	1,220,977	-	3,318,132
Loan Closing Costs	-	-	-	55,455	55,455
Interest Expense	-	-	-	4,785	4,785
Other General Expenses	-	-	-	18,844	18,844
Total Expenses	<u>198,927</u>	<u>1,898,228</u>	<u>1,220,977</u>	<u>79,084</u>	<u>3,397,216</u>
CHANGE TO NET POSITION	26,682	(162,144)	9,241	(79,084)	(205,305)
Net Position - Beginning of Period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION - END OF PERIOD	<u>\$ 26,682</u>	<u>\$ (162,144)</u>	<u>\$ 9,241</u>	<u>\$ (79,084)</u>	<u>\$ (205,305)</u>

**POLK REGIONAL WATER COOPERATIVE
SCHEDULE OF REVENUES AND EXPENSES – CONSERVATION GRANTS
YEAR ENDED SEPTEMBER 30, 2018**

REVENUES

Florida Waterstar Rebates	\$	4,200
Indoor Conservation		17,798
Outdoor BMP's		2,697
Total Revenues		24,695

EXPENSES

Conservation Grant Expense		24,695
Total Expenses		24,695

CHANGE IN NET POSITION

Net Position - Beginning of Period		-
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NET POSITION - END OF PERIOD	\$	-
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SUPPLEMENTARY REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *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, 2018, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated November 13, 2018.

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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Members of the Board of Directors
Polk Regional Water Cooperative

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
November 13, 2018

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, 2018. 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.

Our examination does not provide a legal determination on 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, 2018.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
November 13, 2018

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, 2018 and have issued our report thereon dated November 13, 2018.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and our 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 those reports, which are dated November 13, 2018, 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 were no findings or recommendations made in the 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.

Financial Condition and Management *(concluded)*

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the 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.

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
November 13, 2018