

POLK REGIONAL WATER COOPERATIVE
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

**POLK REGIONAL WATER COOPERATIVE
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SEPTEMBER 30, 2022**

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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, 2022, 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, 2022, 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 opinions 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 state financial assistance* (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 June 27, 2023 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 June 27, 2023, 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
June 27, 2023

**POLK REGIONAL WATER COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

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, 2022 and 2021. 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, 2022 and 2021:

- Operating revenues were \$2,790,442 and \$3,637,142, respectively.
- Operating expenses were \$1,394,050 and \$4,568,629, respectively.
- Net position totaled an \$53,393 and a deficit of \$1,221,107, 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, 2022**

SUMMARY STATEMENT OF NET POSITION

	September 30,		Dollar Variance	Percent Variance
	2022	2021		
ASSETS				
Current Assets	\$ 894,141	\$ 1,218,082	\$ (323,941)	
Noncurrent Assets	10,774,120	7,190,729	3,583,391	
Total Assets	<u>11,668,261</u>	<u>8,408,811</u>	<u>3,259,450</u>	39%
LIABILITIES				
Current Liabilities	2,354,517	868,734	1,485,783	
Noncurrent Liabilities	9,260,351	8,761,184	499,167	
Total Liabilities	<u>11,614,868</u>	<u>9,629,918</u>	<u>1,984,950</u>	21%
NET POSITION				
Investment in Capital Assets	35,000	35,000	-	
Unrestricted	18,393	(1,256,107)	1,274,500	
Total Net Position	<u>53,393</u>	<u>(1,221,107)</u>	<u>1,274,500</u>	-104%
Total Liabilities and Net Position	<u>\$ 11,668,261</u>	<u>\$ 8,408,811</u>	<u>\$ 3,259,450</u>	39%

Current assets are comprised of cash in the amount of \$556,269 and grants and project receivables of \$337,872. The decrease of \$323,941 is due to cash used for financing activities to purchase capital assets.

Noncurrent assets are comprised of land purchased during 2019, construction in progress of \$1,942,725 and \$8,796,395 of member receivables. The increase of \$3,583,391 is due to construction in progress starting in 2022 as well as draws on the state revolving fund which will be repaid by participant members.

Current liabilities are comprised of accounts payable, unearned revenues, and due to member. The increase of \$1,485,783 is due to timing of accounts payable projects during the year.

Noncurrent liabilities consist of a line of credit and the state revolving fund. The decrease of \$1,141,500 in the line of credit was due to a payment made during the year and the increase of \$1,640,667 was drawn on the state revolving fund.

Net position in total increased by \$1,274,500 due primarily to construction in progress.

**POLK REGIONAL WATER COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

SUMMARY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	September 30,		Dollar	Percent
	2022	2021	Variance	Variance
OPERATING REVENUES				
Member Funding Revenue	\$ 1,957,572	\$ 1,294,915	\$ 662,657	
Project Revenues	\$ 577,470	\$ 2,123,081	(1,545,611)	
Conservation Grant Revenues	\$ 198,000	\$ 198,000	-	
Miscellaneous	\$ 57,400	\$ 21,146	36,254	
Total Operating Revenues	<u>2,790,442</u>	<u>3,637,142</u>	<u>(846,700)</u>	-23%
OPERATING EXPENSES				
Project Expenses	\$ 873,303	\$ 4,032,093	(3,158,790)	
Grant Expenses	\$ 55,454	\$ 21,146	34,308	
Other Operating Expenses	\$ 465,293	\$ 515,390	(50,097)	
Total Operating Expenses	<u>1,394,050</u>	<u>4,568,629</u>	<u>(3,174,579)</u>	-69%
OPERATING INCOME (LOSS)	1,396,392	(931,487)	2,327,879	250%
NONOPERATING REVENUES (EXPENSES)				
Capital Funding	\$ 49,306	\$ -	49,306	
Interest Revenue	\$ 201	\$ 128	73	
Interest Expense	\$ (171,399)	\$ (145,443)	(25,956)	
Total Nonoperating Revenues (Expenses)	<u>(121,892)</u>	<u>(145,315)</u>	<u>23,423</u>	-16%
CHANGE IN NET POSITION	1,274,500	(1,076,802)	2,351,302	-218%
Net Position - Beginning of Period	\$ (1,221,107)	\$ (144,305)	(1,076,802)	746%
NET POSITION - END OF PERIOD	<u>\$ 53,393</u>	<u>\$ (1,221,107)</u>	<u>\$ 1,274,500</u>	-104%

Operating expenses include \$873,303 of project expenses, \$170,499 in legal expense, primarily for assistance with state grants and funding for future projects, with \$159,194 in expenses for contract services, \$27,216 in expenses for accounting fees, \$21,150 in expenses for audit fees, \$55,454 in grant expenses, and \$87,232 in other general expenses. Total operating expenses decreased \$3,174,579 over the prior year due to lower activity in the Cooperative's water projects as phase 1 nears completion and construction begins to take place.

**POLK REGIONAL WATER COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022**

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.

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, 2022**

ASSETS

CURRENT ASSETS

Cash	\$	556,269
Accounts Receivable		59,354
Due from Other Governments		278,518
Total Current Assets		894,141

NONCURRENT ASSETS

Capital Assets - Land		35,000
Due from Members		8,796,395
Construction in Progress		1,942,725
Total Noncurrent Assets		10,774,120

Total Assets	\$	11,668,261
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$	1,884,108
Unearned Revenue		452,052
Due to Member		18,357
Total Current Liabilities		2,354,517

NONCURRENT LIABILITIES

Line of Credit		463,955
State Revolving Fund		8,796,396
Total Noncurrent Liabilities		9,260,351

Total Liabilities		11,614,868
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NET POSITION

Net Investment in Capital Assets		35,000
Unrestricted		18,393

Total Net Position		53,393
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Total Liabilities and Net Position	\$	11,668,261
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**POLK REGIONAL WATER COOPERATIVE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2022**

OPERATING REVENUES

Member Project Contributions	\$ 1,957,572
Project Grant Revenue	577,470
Member Funding Revenue	198,000
Conservation Grant Revenue	57,400
Total Operating Revenues	2,790,442

OPERATING EXPENSES

Project Expenses	873,303
Legal Fees	170,499
Outside Contract Services	159,194
Conservation Grant Expenses	55,454
Accounting Fees	27,216
Other General Expenses	87,234
Audit	21,150
Total Operating Expenses	1,394,050

Operating Income (Loss)	1,396,392
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NONOPERATING REVENUES (EXPENSES)

Capital Grant	49,306
Interest Revenue	201
Interest Expense	(171,399)
Total Nonoperating Revenues (Expenses)	(121,892)

CHANGE IN NET POSITION

1,274,500

Net Position - Beginning of Period

(1,221,107)

NET POSITION - END OF PERIOD

\$ 53,393

**POLK REGIONAL WATER COOPERATIVE
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Members	\$ 483,596
Receipts from Other Governments	545,165
Payments for Goods and Services	<u>91,733</u>
Net Cash Provided by (Used for) Operating Activities	1,120,494
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Gross Borrowings from Line of Credit	(1,141,500)
Gross Borrowings from SRF	1,490,273
Interest Paid	<u>(21,005)</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	327,768
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts of Interest	<u>201</u>
Net Cash Provided by (Used for) Investing Activities	201
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Funding	49,306
Purchase of Capital Assets	<u>(1,942,725)</u>
Net Cash Provided by (Used by) Financing Activities	(1,893,419)
NET DECREASE IN CASH	(444,956)
Cash - Beginning of Period	<u>1,001,225</u>
CASH - END OF PERIOD	<u><u>\$ 556,269</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES	
Operating Income	\$ 1,396,392
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
(Increase) Decrease in Assets:	
Due from Members	(1,671,976)
Due from Other Government	(89,705)
Increase (Decrease) in Liabilities:	
Accounts Payable	<u>1,485,783</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ 1,120,494</u></u>
SCHEDULE OF NONCASH CAPITAL & RELATED FINANCING ACTIVITIES	
Capitalized Interest	<u><u>\$ 150,394</u></u>

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

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, 2022**

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, 2022**

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, 2022 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, 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 2018.

Member Project Contribution

These funds are being drawn down through SRF 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.

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

At September 30, 2022, the carrying amount of the Cooperative's deposits was \$556,269 and the balance per the bank was \$556,826.

The Cooperative did not have any investments at September 30, 2022.

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022, was as follows:

	Balance October 1, 2021	Additions	(Deletions)	Balance September 30, 2022
Capital assets not being depreciated				
Land	\$ 35,000	\$ -	\$ -	\$ 35,000
Construction in Progress	-	1,942,725	-	1,942,725
Total capital assets not being depreciated	<u>\$ 35,000</u>	<u>\$ 1,942,725</u>	<u>\$ -</u>	<u>\$ 1,977,725</u>

NOTE 4 DUE FROM MEMBERS

Member receivables consist of the following at September 30, 2022:

Polk County	\$ 3,324,985
City of Lakeland	2,552,447
City of Winter Haven	989,453
City of Auburndale	725,677
City of Haines City	528,027
City of Lake Wales	414,800
Town of Dundee	228,746
City of Fort Meade	57,063
City of Eagle Lake	31,005
Town of Lake Hamilton	1,778
City of Davenport	626
City of Mulberry	578
City of Polk City	565
Total Due from Members, Net	<u>\$ 8,855,749</u>

No allowance was recorded as all receivables were deemed collectible.

NOTE 5 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. The line of credit was then amended through Resolution 21-1 on January 20, 2021 to reduce the maximum commitment amount to \$2,500,000. On May 11, 2022 Resolution 22-03 was passed to extend the maturity date to May 16, 2023 and increase the maximum commitment amount to \$5,000,000. Interest is due monthly on the outstanding balance. The variable interest rate is 80% of Daily Simple SOFR plus a spread of 0.88%. An undrawn fee is due quarterly in the amount of 35 basis points (0.35%) per annum of the original loan.

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

NOTE 5 LINE OF CREDIT (CONTINUED)

In the event of default, Line of Credit shall be secured forthwith equally and ratably by an irrevocable lien on the Pledged Revenues as noted in Resolution 21-1.

A summary of the changes for the year ended September 30, 2022 are as follows:

Balance October 1, 2021	Additions	(Deletions)	Balance September 30, 2022	Due Within One Year
\$ 1,605,455	\$ 58,500	\$ (1,200,000)	\$ 463,955	\$ 463,955

The annual requirements to amortize the debt outstanding as of September 30, 2022 are as follows:

Year	Principal	Interest
2023	463,955	9,141
Total	\$ 463,955	\$ 9,141

NOTE 6 STATE REVOLVING FUND

PRWC has a State Revolving Fund loan in the amount of \$10,434,190 with a rate of 1.89% repayable over 10 years beginning December 15, 2024. As of September 30, 2022, \$8,796,396 had been drawn on this loan.

There are a number of limitations and restrictions contained in the various bond indentures. As of September 30, 2022, all funds are being maintained in accordance with such requirements.

In the event of default, all obligations of the State Revolving Fund Department to make any further disbursements shall terminate. The Department may, at its option, exercise any of its remedies set forth in the agreement dated August 3, 2018.

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

NOTE 6 STATE REVOLVING FUND (CONTINUED)

A summary of the changes for the year ended September 30, 2022 are as follows:

Balance October 1, 2021	Additions	(Deletions)	Balance September 30, 2022	Due Within One Year
\$ 7,155,729	\$ 1,640,666	\$ -	\$ 8,796,395	\$ -

The annual requirements to amortize the debt outstanding as of September 30, 2022 are as follows:

Notes from Direct Borrowings		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ -	\$ -
2024	-	-
2025	806,786	163,099
2026	822,167	147,718
2027-2031	4,352,011	497,413
2032-2036	2,815,431	94,222
Total	<u>\$ 8,796,395</u>	<u>\$ 902,452</u>

NOTE 7 PLEDGED FUTURE REVENUES

Pledged revenues are specific revenues pledged as security for repayment of the SRF Loan. Pledged revenues represent the PRWC Gross Revenues when the loan enters repayment. The amount of pledged revenues should represent 1.15x the sum of the semiannual loan payments due in such fiscal year. As of September 30, 2022, the repayment period had not begun. In addition, each participating member government has entered into a loan guarantee agreement to pay their proportionate share of the debt service on this loan as it becomes due.

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022**

NOTE 8 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 9 FUNDING AGREEMENTS

The Cooperative and Southwest Florida Water Management District (SWFWMD) entered into funding agreements for the implementation of the following project elements:

- Southeast Wellfield Test Production Well #3 – Total SWFWMD funding for this project, which is currently underway, is expected to be \$2,000,000. The remaining expenditures will be covered by the State Revolving Fund Loan.
- Southeast Wellfield Water Production Facility and Southeast Injection Well #1 – Total anticipated SWFWMD funding for this phase of the program is currently estimated at \$96,000,000. The remaining expenditures will be covered by the State Revolving Fund Loan, WIFIA Loan and state appropriations.
- Southeast Wellfield Transmission SYSTEM – Total SWFWMD funding for this program is currently estimated at \$81,000,000. The remaining project expenditures will be covered by the WIFIA loan and state appropriations.
- West Polk Water Production Facility and Transmission Facility – Total SWFWMD funding for this phase of the program is \$59,000,000. The remaining expenditures will be covered by the WIFIA loan and state appropriations.

NOTE 10 SUBSEQUENT EVENTS

Subsequent to year-end the Cooperative has closed on the following long-term debt:

- Truist Loan - \$154,338,308
- Water Infrastructure Finance and Innovation Act (WIFIA) Loan for Southeast Wellfield – Up to \$222,802,928
- Water Infrastructure Finance and Innovation Act (WIFIA) Loan for West Polk Wellfield – Up to \$82,996,513

The Truist Loan was closed on 5/17/2023 and is currently being used for land cost, legal costs associated with land acquisition, and financing costs. This loan will later be used for professional services that exceed the SRF loan, will be used for portions of construction, and will continue to be used for legal services associated with land acquisition. District grants noted above will be used to partially fund construction. The WIFIA Loan was closed on 5/31/2022 and will be used to pay down the Truist Loan in November of 2025.

SUPPLEMENTARY INFORMATION

**POLK REGIONAL WATER COOPERATIVE
SCHEDULE OF REVENUES AND EXPENSES
BUDGET TO ACTUAL – ADMIN
YEAR ENDED SEPTEMBER 30, 2022**

	Actual	Budget	Amount Over (Under) Budget
REVENUES			
Member Funding Revenue	\$ 198,000	\$ 198,000	\$ -
Interest	201	-	201
Total Revenues	<u>198,201</u>	<u>198,000</u>	<u>201</u>
EXPENSES			
Accounting Fees	27,216	26,712	504
Audit Fees	21,150	19,000	2,150
Legal Fees	60,962	45,000	15,962
Outside Contract Services	99,194	80,000	19,194
Administrative Assistant	-	5,000	(5,000)
Engineer	16,194	19,288	(3,094)
Other General Expenses	7,508	3,000	4,508
Total Expenses	<u>232,224</u>	<u>198,000</u>	<u>34,224</u>
CHANGE IN NET POSITION	(34,023)	-	(34,023)
Net Position - Beginning of Period	<u>101,260</u>	<u>-</u>	<u>101,260</u>
NET POSITION - END OF PERIOD	<u><u>\$ 67,237</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 67,237</u></u>

**POLK REGIONAL WATER COOPERATIVE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2022**

<u>Agency/Program</u>	<u>CSFA Number</u>	<u>Grant Identification</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<u>STATE FINANCIAL ASSISTANCE</u>				
<u>Department of Enviromental Protection</u>				
Direct programs				
Drinking Water Facility Construction	37.076	DW532000	\$ 1,640,666	
Florida Springs Grant Program	37.052	17CF0000475	<u>55,454</u>	<u>55,454</u>
Total Department of Environmental Protection			<u>\$ 1,696,120</u>	<u>\$ 55,454</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u><u>\$ 1,696,120</u></u>	<u><u>\$ 55,454</u></u>

**POLK REGIONAL WATER COOPERATIVE
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2022**

NOTE 1 GENERAL

The accompanying Schedule of State Financial Assistance (the Schedule) presents the activity of all state financial assistance programs of Polk Regional Water Cooperative (PRWC). PRWC reporting entity is defined in Note 1 to PRWC's basic financial statements for the year ended September 30, 2022. The Schedule presents only a selected portion of the operations of PRWC and is not intended to and does not present the financial position, changes in net position, or cash flows of PRWC.

The information in the Schedule is presented in accordance with the requirements of Section 215.97, *Florida Statutes*. Therefore, some amounts presented in the Schedule may differ from amounts presented or used in the preparation of the basic financial statements for the fiscal year ended September 30, 2022.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedule is presented in compliance with generally accepted accounting principles, which is described in Note 1 to PRWC's basic financial statements for the year ended September 30, 2022.

NOTE 3 LOANS OUTSTANDING

PRWC had the following loan balances outstanding at September 30, 2022.

State Grantor/Pass through Grantor/ Program or Cluster Title	Ending Balance
Department of Environmental Protection Drinking Water Facility Construction	\$ 8,796,395

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, 2022, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated June 27, 2023.

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 2022-01 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 subjected 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
June 27, 2023

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, 2022. 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, 2022.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
June 27, 2023

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

Members of the Board of Directors
Polk Regional Water Cooperative

Report on Compliance for Each Major State Project

We have audited the Polk Regional Water Cooperative's (the "Cooperative") compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have direct and material effect on each of the Cooperative's major state projects for the year ended September 30, 2022. The Cooperative's major state projects are identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs related to state financial assistance.

Management's Responsibility

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its State financial assistance applicable to its State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Cooperative's major state projects based on our audit of the types of compliance requirements referred to above. 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; and Chapter 10.550, *Rules of the Auditor General of the State of Florida*. Those standards and Chapter 10.550, *Rules of the Auditors General of the State of Florida*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the Cooperative's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state project. However, our audit does not provide a legal determination of the Cooperative's compliance.

Opinion on Each Major State Project

In our opinion, Polk Regional Water 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 state projects for the year ended September 30, 2022.

Report on Internal Control over Compliance

Management of the Cooperative is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Cooperative's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.550, *Rules of the Auditor General of the State of Florida*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's 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 state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 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 combination of deficiencies in internal control over compliance with the type of compliance requirement of a 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Chapter 10.550, *Rules of the Auditor General of the State of Florida*. Accordingly, this report is not suitable for any other purpose.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
June 27, 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

State Financial Assistance

Type of Auditor’s Report Issued on Compliance:

Unmodified Opinion

Internal control over major State projects:

Material weakness(es) identified?

Yes X No

Significant deficiency(ies) identified?

Yes X None reported

Noncompliance material to major State projects reported?

Yes X No

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.557, *Rules of the Auditor General*

X Yes No

Major State Project(s):

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

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

\$508,836

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

Finding Number: 2021-01

Condition as it originally appeared - During 2021, the Polk Regional Water Cooperative (the Cooperative) requested and received a grant reimbursement of \$452,052 pursuant to grant agreement LPA0132 for costs related to the Southeast Wellfield Lower Floridan Aquifer Project, but those costs were funded by other sources and therefore were not eligible to be reimbursed by the LPA0132 grant agreement.

Recommendation as it originally appeared: We recommend that the Cooperative request that the State of Florida Department of Environmental Protection extend grant agreement LPA0132 to allow the Cooperative to apply the grant funding to project costs incurred after October 31, 2021, that have not been funded by other sources.

Current Status: The recommendation has been implemented and while these funds have not been applied to project costs during September 30, 2022, they will be applied towards project costs during the fiscal year ended September 30, 2023.

Section III – Findings and Questioned Costs – Major State Projects

None

Section III – Financial Statement Findings

Finding Number: 2022-01

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 accounts payable, amounts due from other governments, capital assets and project expenses.

Cause: Year-end cutoff procedures did not detect material receivables and payables and capital costs were reported as project expenses rather than as additions to capital assets.

Effect: Before the corrections, amounts due from other governments was understated by \$96,111, accounts payable was understated by \$87,580 and capital assets were understated by \$1,942,725.

Recommendation: The Cooperative should implement additional review procedures to ensure that transactions are reported in the current period (cutoff) and that capital costs are appropriately segregated from operating expenses.

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, 2022 and have issued our report thereon dated June 27, 2023.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued 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 with Requirements for Each Major State Project and Report on Internal Control Over Compliance Required by Chapter 10.550, Rules of the Auditor General.
- Schedule of Findings and Questioned Costs Related to State Financial Assistance.
- 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 June 27, 2023, 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. Corrective actions have been taken to address the findings and recommendations made in the preceding annual 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 – *4*.
- 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 - *\$302,657*.
- 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
June 27, 2023



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

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

June 28, 2023

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 2021

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 one finding (Finding 2022-01) was identified associated with the financial statements:

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 accounts payable, amounts due from other governments, capital assets and project expenses.

Cause: Year-end cutoff procedures did not detect material receivables and payables and capital costs were reported as project expenses rather than as additions to capital assets.

Effect: Before the corrections, amounts due from other governments was understated by \$96,111, accounts payable was understated by \$87,580 and capital assets were understated by \$1,942,725.

Recommendation: The Cooperative should implement additional review procedures to ensure that transactions are reported in the current period (cutoff) and that capital costs are appropriately segregated from operating expenses.

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