



FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2025

**POLK REGIONAL WATER COOPERATIVE
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SEPTEMBER 30, 2025**

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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, 2025, 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, 2025, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cooperative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2026 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 March 9, 2026 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
March 9, 2026

**POLK REGIONAL WATER COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

The Polk Regional Water Cooperative (Cooperative) Management's Discussion and Analysis presents an overview of the Cooperative's financial activities for the fiscal year ended September 30, 2025. This discussion is separated into five sections which should be considered in conjunction with the financial statements presented in this report.

- Financial Highlights
- Overview of the Financial Statements
- Financial Summaries and Analysis
- Capital Asset and Debt Activity
- Economic Factors and Subsequent Budget Impacts

FINANCIAL HIGHLIGHTS

Highlights of financial activity for year ended September 30, 2025 are presented in comparison to the prior year.

- Operating revenues increased \$1,915,255, or 32%
- Operating expenses decreased \$656,213, or 36%
- Capital assets increased by \$92,357,462, or 154%
- Net position increased by \$67,900,717, or 291%

OVERVIEW OF THE FINANCIAL STATEMENTS

The Cooperative is a unit of special purpose government of the State of Florida with focus being on regional water projects for Polk County. With the Cooperative being a limited purpose government, financial reports consist of only one Fund which is proprietary due to its business-like nature. Basic financial statements consist of financial reports, notes to the financial statements and supplementary information to provide a comprehensive overview of the financial activities of the Cooperative.

The two financial statements that present the financial position and results of operations of the Cooperative for the fiscal year are: the *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position*. These statements are prepared on the full-accrual basis of accounting which recognizes revenue when earned and expenses when incurred, regardless of cash receipt or outlay.

The *Statement of Net Position* presents financial information at the end of the fiscal year on all of the Cooperative's assets, liabilities and deferred inflows or outflows of resources with the difference reported as net position. Over time, positive or negative changes in net position can serve as a valuable indicator of the financial position of the Cooperative.

The *Statement of Revenues, Expenses and Changes in Net Position* reports on how the Cooperative's net position changed during the fiscal year presented. Changes in net assets are reported as soon as the underlying event causing the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported that will impact future cash flows.

Notes to the financial statements provide additional information that are essential for a more complete understanding of the data provided in the financial reports. The notes are found following the financial statements.

**POLK REGIONAL WATER COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

Following the basic financial statements and accompanying notes, supplementary information is included for a budget to actual comparison and on federal and state assistance.

FINANCIAL SUMMARIES and ANALYSIS

The Cooperative financial statements provide long-term and short-term information about its overall financial condition which is the subject of the following analysis.

Net position. Over time, net position can serve as a useful indicator of the Cooperative's financial position. In total, assets exceeded liabilities by \$91,262,543 at September 30, 2025, representing an increase of \$67,900,717 over prior year primarily due to the increase in capitalized assets.

Capital assets total \$152,137,076 comprised of land and construction in progress, representing an increase of \$92,357,462 during the year.

Other assets total \$140,758,115, comprised of restricted and unrestricted cash of \$85,728,998, receivables of \$55,012,856 and prepayments for insurance and legal of \$16,261. Other assets decreased in total by \$21,522,174 during the year primarily due to use of restricted cash for capital needs.

Current liabilities total \$16,252,517, consisting of accounts and construction payable and for current portion of long-term debt. The increase in total of \$6,138,794 is primarily for construction commitments due at end of year and for current debt service.

Noncurrent liabilities total \$185,380,131, consisting of a line of credit, bonds payable and state revolving funds. The decrease in total of \$3,204,223 is primarily due to the paydown of the line of credit and initial debt service payment on a state revolving fund issuance.

A significant portion of the Cooperative's net position, \$39,220,637 or 43%, is the net investment in capital assets (e.g., land and construction in progress) which is reported net of related debt. Since capital assets are primarily used to facilitate services for members, these are not available for future spending. Although investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided by other resources since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted accounts for .2% of net position arising from external restrictions on indebtedness. The remainder of net position, or approximately 57%, is available for unrestricted purposes.

**POLK REGIONAL WATER COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

A summary of the Cooperative's Statement of Net Position as of September 30, 2025 and September 30, 2024 is presented in the following.

SUMMARY STATEMENT OF NET POSITION

	September 30,		Dollar	Percent
	2025	2024	Variance	Variance
ASSETS				
Capital assets	\$ 152,137,076	\$ 59,779,614	\$ 92,357,462	
Other assets	140,758,115	162,280,289	(21,522,174)	
Total assets	<u>292,895,191</u>	<u>222,059,903</u>	<u>70,835,288</u>	32%
LIABILITIES				
Current liabilities	16,252,517	10,113,723	6,138,794	
Noncurrent liabilities	185,380,131	188,584,354	(3,204,223)	
Total liabilities	<u>201,632,648</u>	<u>198,698,077</u>	<u>2,934,571</u>	1%
NET POSITION				
Net investment in capital assets	39,220,637	1,249,447	37,971,190	
Restricted	192,077	-	192,077	
Unrestricted	51,849,829	22,112,379	29,737,450	
Total net position	<u>91,262,543</u>	<u>23,361,826</u>	<u>67,900,717</u>	291%
Total liabilities and net position	<u>\$ 292,895,191</u>	<u>\$ 222,059,903</u>	<u>\$ 70,835,288</u>	32%

Changes in net position. Net position increased by \$67,900,717 during the fiscal year presented resulting in an ending balance of \$91,262,543 at September 30, 2025. Highlights of changes in net position are provided in the following.

Operating revenues increased in total by \$1,915,255, or 32%, primarily due to the increase in member funding from water charges.

Total operating expenses decreased by \$656,213, or 36%, primarily due to a decrease in non-capitalizable project expenses incurred.

Nonoperating revenues (expenses) decreased \$1,269,341, or 78%, primarily due to decline in interest earned on the lower restricted cash balance.

Capital contributions increased \$52,801,504, or 470%, due to the increase in capital funding attributable to the increase in capital project activity.

**POLK REGIONAL WATER COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

A summary of the Cooperative's Statement of Revenues, Expenses and Changes in Net Position as of September 30, 2025 and September 30, 2024 is presented in the following.

SUMMARY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	September 30,		Dollar	Percent
	2025	2024	Variance	Variance
OPERATING REVENUES				
Member funding revenue	\$ 7,031,590	\$ 3,742,809	\$ 3,288,781	
Member project contributions	205,283	1,407,291	(1,202,008)	
Project grant revenue	672,431	751,686	(79,255)	
Miscellaneous revenue	7,429	24,692	(17,263)	
Conservation grant revenue	-	75,000	(75,000)	
Total operating revenues	7,916,733	6,001,478	1,915,255	32%
OPERATING EXPENSES				
Project expenses	705,210	1,548,200	(842,990)	
Legal	45,748	17,733	28,015	
Outside contract services	183,142	125,407	57,735	
Conservation grant expense	-	14,525	(14,525)	
Accounting	53,837	53,546	291	
Auditing	41,613	35,000	6,613	
Other operating expenses	112,361	3,713	108,648	
Total operating expenses	1,141,911	1,798,124	(656,213)	-36%
OPERATING INCOME (LOSS)	6,774,822	4,203,354	2,571,468	61%
NONOPERATING REVENUES (EXPENSES)				
Interest expense and other fiscal charges	(6,897,659)	(6,729,467)	(168,192)	
Interest income	3,992,101	5,093,250	(1,101,149)	
Total nonoperating revenues (expenses)	(2,905,558)	(1,636,217)	(1,269,341)	78%
CAPITAL CONTRIBUTIONS	64,031,453	11,229,949	52,801,504	470%
CHANGE IN NET POSITION	67,900,717	13,797,086	54,103,631	392%
NET POSITION BEGINNING	23,361,826	9,564,740	13,797,086	
NET POSITION ENDING	\$ 91,262,543	\$ 23,361,826	\$ 67,900,717	

CAPITAL ASSETS and DEBT ACTIVITY

Capital Assets. The Cooperative's capital assets as of September 30, 2025 total \$152,137,076. Capitalized assets increased by \$92,357,462 for the fiscal year due to increase in land acquisitions and construction activities for the Southeast and West Polk projects.

While the Cooperative is in early stages of construction and in its extensive capital asset program, assets have not been put in operation and therefore, no depreciation has been recorded as of the end of the fiscal year. Non-depreciating capital assets are comprised of land of \$21,757,318 and construction in progress of \$130,379,758.

**POLK REGIONAL WATER COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

The Cooperative has secured FDEP SRF and EPA WIFIA loans, as well as state grants and other co-funding to support and fund the design and construction of regional water supply facilities under the Central Florida Water Initiative plan. There is currently no known debt limitation that may affect the financing of planned facilities and no changes to the Cooperative's initial credit rating.

A summary of capital asset by fiscal year can be found in Note 3 of this report.

Long-term debt. Due to being a relatively new entity, the Cooperative does not have a history of long-established ratings. The last rating received was from S&P Global Ratings a BBB+, which is considered stable.

At the end of the fiscal year, the Cooperative had total debt outstanding of \$188,731,425, consisting of a line of credit, three state revolving funds and a water revenue bond issuance.

Debt in total decreased \$1,290,579 due to paydown of the line of credit offset from loan proceeds received from the state revolving fund issuances.

Additional information regarding the Cooperative's long-term debt can be found in Note 6 of this report.

ECONOMIC FACTORS and SUBSEQUENT BUDGET IMPACTS

Polk County, which is served by the Cooperative, is in a fast growth area of Florida with anticipated annual population growth of 3% annually. Growth experienced in Polk County is expected to continue and outperform state and national averages. In addition to population growth, Polk County is experiencing infrastructure and business expansion. Polk County is strategically located between Tampa and Orlando with access to major interstates making it a logistics and distribution hub. The proximity to the Orlando tourism industry positively impacts the Central Florida economy, including Polk County.

Polk County's growth and public water demands have led to restricted groundwater water supply from the Upper Florida Aquifer. The Cooperative was created to plan, design and develop alternative water supply projects for future sustainable water supply needs under the Central Florida Water Initiative.

The Cooperative maintains five separate budgets: Administration, Conservation, Combined Projects, Southeast and West Polk for a total of \$203,491,370 for fiscal year 2026. During the preparation of the fiscal year 2026 budgets, expenditures for Administration and Conservation were based on projected needs. The budgets for Combined Projects, Southeast and West Polk were forecasted based on anticipated construction costs. Grants, co-funding and member payments are the primary sources of funding for these budgets.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Cooperative finances for all those with an interest in its financial operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Cooperative's Finance Manager, 330 W. Church Street, P.O. Box 9005, Drawer CA01, Bartow, FL 33831-9005.

POLK REGIONAL WATER COOPERATIVE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

ASSETS

Current assets:

Cash and cash equivalents	\$ 8,957,205
Accrued interest	238,572
Prepaid expenses	16,261
Due from other governments	44,156,312
Total current assets	<u>53,368,350</u>

Noncurrent assets:

Restricted assets:

Cash and cash equivalents	76,771,793
Due from members	10,617,972

Capital assets:

Non-depreciable	152,137,076
Total noncurrent assets	<u>239,526,841</u>

TOTAL ASSETS

292,895,191

LIABILITIES

Current liabilities:

Accounts payable	752,053
Construction payable	12,134,435
Accrued interest payable	14,735
Bonds and notes payable, current	3,351,294
Total current liabilities	<u>16,252,517</u>

Noncurrent liabilities:

Bonds and notes payable, noncurrent portion	185,380,131
Total noncurrent liabilities	<u>185,380,131</u>

TOTAL LIABILITIES

201,632,648

NET POSITION

Net investment in capital assets	39,220,637
Restricted for:	
Debt service	192,077
Unrestricted	<u>51,849,829</u>

TOTAL NET POSITION

\$ 91,262,543

**POLK REGIONAL WATER COOPERATIVE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2025**

OPERATING REVENUES:

Member funding revenue	7,031,590
Member project contributions	205,283
Project grant revenue	672,431
Miscellaneous revenue	7,429
Total operating revenues	<u>7,916,733</u>

OPERATING EXPENSES:

Project expenses	705,210
Legal	45,748
Outside contract services	183,142
Accounting	53,837
Auditing	41,613
Other operating expenses	112,361
Total operating expenses	<u>1,141,911</u>

OPERATING INCOME

6,774,822

NONOPERATING REVENUE (EXPENSE)

Interest expense and other fiscal charges	(6,897,659)
Interest income	3,992,101
Total nonoperating revenues (expense)	<u>(2,905,558)</u>

INCOME (LOSS) BEFORE CAPITAL

CONTRIBUTIONS

3,869,264

CAPITAL CONTRIBUTIONS

Project grant revenue	64,031,453
Total capital contributions	<u>64,031,453</u>

CHANGE IN NET POSITION

67,900,717

NET POSITION, beginning of year

23,361,826

NET POSITION, end of year

\$ 91,262,543

**POLK REGIONAL WATER COOPERATIVE
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2025**

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from members	\$ 7,031,590
Receipts from other governments	672,431
Other cash receipts	7,429
Payments for goods and services	(1,174,833)
Net cash flows from operating activities	<u>6,536,617</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Loan proceeds	205,283
Net cash flows from noncapital financing activities	<u>205,283</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and construction of capital assets, net of related payables	(88,116,420)
Loan proceeds	5,274,888
Principal paid on long-term debt	(6,770,750)
Interest paid on borrowings	(6,882,924)
Capital grants received, net of change in related receivable	26,717,092
Net cash flows from capital and related financing activities	<u>(69,778,114)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on deposits	<u>4,153,769</u>
Net cash flows from investing activities	<u>4,153,769</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (58,882,445)

CASH AND CASH EQUIVALENTS, beginning of year 144,611,443

CASH AND CASH EQUIVALENTS, end of year \$ 85,728,998

As shown in the Accompanying Financial Statements

Cash and cash equivalents	\$ 8,957,205
Restricted cash and cash equivalents	76,771,793
Total cash and cash equivalents	<u><u>\$ 85,728,998</u></u>

Noncash financing and investing activities:

Capital acquisitions on account	<u><u>\$ 4,241,042</u></u>
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Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	\$ 6,774,822
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
(Increase) decrease in amounts due from members	(205,283)
(Increase) decrease in prepaid expenses	(2,295)
Increase (decrease) in accounts payable	(30,627)
Net cash flows from operating activities	<u><u>\$ 6,536,617</u></u>

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2025**

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, 2025**

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.

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.

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Investments

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

On September 30, 2025 and during the year then ended, the Cooperative held no investments.

Capital Assets

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

Due from Members

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

Due from Other Governments

Amounts due from other governments consist primarily of reimbursement-based grant funding and amounts due from member governments. The Cooperative recognizes grant reimbursement receivables when eligible expenditures have been incurred and all applicable eligibility requirements have been met in accordance with the underlying grant agreements. Amounts recorded as grant reimbursements receivable represent costs incurred through year-end that are pending submission and/or approval under the reimbursement process. Management believes these amounts are supported by eligible costs and are expected to be collected during the subsequent fiscal year as reimbursement requests are processed.

Member Funding Revenue

Member funding revenue amounts and related allocations are set through the annual budget approved by the Board of Directors. These budgets provide for administrative operating costs, conservation grants and initiatives, member water charges, and other periodic expenses not covered by other funding sources.

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Member Funding Revenue (continued)

Member Water Charges: The Cooperative implemented member water charges to fund operational and debt service costs of the Cooperative. The member water charge consists of a *base rate charge* to pay all fixed costs, and a *water use rate* to pay the Cooperative's variable operation and maintenance costs. The costs are estimated and allocated to participating members and billed at the beginning of each year. The Cooperative will perform a retrospective review by comparing the original estimated member water charges to the actual costs incurred during each year and any differences between the initial estimate and the actual costs will be applied to the member charges for the upcoming fiscal year. The Cooperative considers these nonexchange revenues because the value received is not equivalent to water charge and is recognized as revenue when all eligibility requirements are met, which is at the beginning of each fiscal year.

Member Project Contribution

These funds are being drawn down through SRF DW532000 and the members will then repay the liability through the allocated portion identified in the interlocal agreements. As the funds are drawn down, a revenue and receivable are recorded from the members and reported as a noncurrent asset on the statement of net position.

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 consist of Member Funding Revenue, Member Project Contributions, Noncapital Project Grant Revenue, and Conservation Grant Revenue. Operating expenses for the Cooperative include noncapital project costs, legal and administrative fees.

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.

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2025**

NOTE 2 CASH AND DEPOSITS (CONCLUDED)

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.

On September 30, 2025, the carrying amount of the Cooperative's unrestricted cash deposits was \$8,957,205 and the balance per the bank was \$10,177,383.

Restricted cash of \$76,771,793 is for the financing of the costs of the Southeast Wellfield Project and the West Polk Wellfield (collectively the "2023 Project") and for the payment of debt service. These funds are held in an FDIC-insured interest-bearing collateralized deposit account. The funds are insured up to FDIC limits and the collateral is comprised of U.S. bonds or obligations, and/or bonds or obligations guaranteed as to principal and interest by the United States.

The Cooperative did not have any investments on September 30, 2025.

NOTE 3 CAPITAL ASSETS

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

	Balance October 1, 2024	Increases	Decreases	Balance September 30, 2025
Capital assets, not being depreciated:				
Land	\$ 10,028,216	\$ 11,729,102	\$ -	\$ 21,757,318
Construction-in-progress	49,751,398	80,628,360	-	130,379,758
Total capital assets, not being depreciated	<u>\$ 59,779,614</u>	<u>\$ 92,357,462</u>	<u>\$ -</u>	<u>\$ 152,137,076</u>

As of September 30, 2025, the Cooperative's capital assets consist primarily of land and construction in progress; accordingly, depreciation expense was \$0 for the year ended September 30, 2025.

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2025**

NOTE 4 DUE FROM MEMBERS

Member receivables consist of the following on September 30, 2025:

Polk County	\$ 3,757,024
City of Lakeland	2,883,492
City of Winter Haven	1,098,564
City of Auburndale	815,958
City of Bartow	797,878
City of Haines City	592,539
City of Lake Wales	364,354
Town of Dundee	258,040
City of Fort Meade	50,123
Total	<u>\$ 10,617,972</u>

No allowance was recorded as all receivables were deemed collectible.

NOTE 5 DUE FROM OTHER GOVERNMENTS

The Cooperative's due from other governments on September 30, 2025 is summarized as follows:

- Grant reimbursements receivable (reimbursement-based grants in process) of approximately \$43,650,000.
- Amounts due from member governments for funding revenues of approximately \$506,000.

Management has evaluated the collectability of amounts due from other governments and believes the balances are fully collectible; accordingly, no allowance for uncollectible amounts has been recorded as of September 30, 2025.

NOTE 6 LONG TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2025:

	Balance October 1, 2024	Increases	Decreases	Balance September 30, 2025	Amounts Due within One Year
Long-term liabilities:					
Bonds and notes payable:					
Line of credit	\$ 6,154,595	\$ 1,217,522	\$ (6,154,595)	\$ 1,217,522	\$ 1,217,522
State Revolving Fund DW532000	10,412,689	205,283	-	10,617,972	-
State Revolving Fund DW532001	18,754,110	3,611,549	(616,155)	21,749,504	2,133,772
State Revolving Fund DW532002	362,302	445,817	-	808,119	-
Water Revenue Bond, Series 2023C	154,338,308	-	-	154,338,308	-
Total bonds and notes payable:	<u>190,022,004</u>	<u>5,480,171</u>	<u>(6,770,750)</u>	<u>188,731,425</u>	<u>3,351,294</u>
Total long-term liabilities	<u>\$ 190,022,004</u>	<u>\$ 5,480,171</u>	<u>\$ (6,770,750)</u>	<u>188,731,425</u>	<u>\$ 3,351,294</u>
Less amounts due in one year				<u>(3,351,294)</u>	
Net long-term liabilities in excess of one year				<u>\$ 185,380,131</u>	

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2025**

NOTE 6 LONG TERM DEBT (CONTINUED)

Notes to the Long-Term Obligations Table:

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

Interest was payable monthly in arrears on the first business day of each month. The interest rate is the Tax-Exempt Adjusted Daily Simple SOFR Rate which is the sum of (i) 80% times the secured overnight financing rate of the Federal Reserve Bank of New York (SOFR) and (ii) the tax-exempt applicable spread. The Tax-Exempt Applicable Spread is 46 basis points (0.46%).

The line of credit was fully paid off in connection with the issuance of the Revolving Line of Credit, Series 2025A and 2025B.

- *State Revolving Fund* - As of September 30, 2025, the Cooperative had three State Revolving Fund direct-borrowing loans. Of the total authorized amount, \$33,175,595 had been drawn, with \$16,706,200 remaining available to be drawn in the future.

There are a number of limitations and restrictions contained in the various loan indentures. As of September 30, 2025, all funds are being maintained in accordance with such requirements. In the event of default, remedies may include termination of further disbursements, assignment of a receiver, acceleration of the repayment schedule, or increasing the interest rate to as much as 1.667 times the loan interest rate

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

- *Truist Revolving Revenue Notes, Series 2025A and 2025B (Line of Credit)* – During fiscal year 2025, the Cooperative closed its prior senior lien line of credit with Wells Fargo and refinanced that facility with a new senior lien revolving line of credit with Truist. On March 25, 2025, The Cooperative entered into a Revolving Credit Agreement and issued its Revolving Revenue Note, Series 2025A (Tax-Exempt) and Revolving Revenue Note, Series 2025B (Federally Taxable), in an aggregate not-to-exceed principal amount outstanding of \$10,000,000, with final maturity on March 24, 2026. Interest is payable monthly in arrears; the Series 2025A rate is variable at the SIFMA Index Rate plus 0.20%, and the Series 2025B rate is variable at 1-month Term SOFR (each subject to the related agreement's provisions, including benchmark/taxability adjustments). Principal is due at maturity.

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2025**

NOTE 6 LONG TERM DEBT (CONCLUDED)

Truist Revolving Revenue Notes, Series 2025A and 2025B (Line of Credit) – (continued)

The Cooperative also pays an unused commitment fee equal to 0.25% per annum on the average unused portion of the commitment, payable quarterly in arrears. The line of credit notes are limited obligations payable solely from pledged revenues and are secured by a parity lien on such pledged revenues (on parity with other outstanding bonds). As of September 30, 2025, the Cooperative had drawn \$1,217,522 under the Truist line of credit Series 2025A.

- *WIFIA Loan* - On May 31, 2023, the Cooperative closed on two direct borrowing WIFIA loans. One for the Southeast wellfield for an amount up to \$222,802,928 and one for the West Polk wellfield for an amount up to \$82,996,513. The interest rate is equal to the sum of 4.02% per annum plus 200 basis points. Debt service payments are made semiannually with payments being interest only until September 30, 2032. In an event of default, the WIFIA lender may suspend or terminate all its obligations with respect to any undisbursed amounts, may cease permitting interest, may suspend, or debar the Cooperative from further participation in any government program administered by the WIFIA lender and the WIFIA lender shall be entitled and empowered to institute any actions or proceedings at law for any sums due and unpaid. As of September 30, 2025, there have been no draws on either WIFIA loan.

Maturities: Annual requirements to repay all long-term bonds and notes payable at September 30, 2025, are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 3,351,294	\$ 3,648,445
2027	3,468,782	7,189,429
2028	3,627,283	7,021,137
2029	3,678,622	6,957,936
2030	8,792,748	6,786,422
2031-2035	45,181,602	29,462,918
2036-2040	35,287,056	22,009,604
2041-2045	43,450,596	13,672,589
2046-2050	41,893,442	3,653,530
Total	<u>\$ 188,731,425</u>	<u>\$ 100,402,010</u>

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2025**

NOTE 7 PLEDGED FUTURE REVENUES

As of September 30, 2025, all Cooperative debt is secured by pledged revenues as defined in the master bond resolution. These pledged revenues include rates, fees, charges, and earnings from the operation of the Southeast Wellfield and West Polk Wellfield, along with investment income. In addition to the revenue pledge, the Cooperative has also pledged the assets on deposit in the construction fund. Both the revenue and asset pledges are presented in the table below. Maturity dates for each debt are disclosed in Note 6, and the table below summarizes the pledged revenues supporting the Cooperative's outstanding debt issues.

Total Principal and Interest Outstanding	Current Year Principal and Interest Paid	Pledged Revenues and Other Pledged Amounts			% of Pledged amounts to Principal and Interest Paid
		Current Year Pledged Revenue	Additional Pledged Amounts	Total Pledged Amounts	
\$ 289,133,435	\$ 13,164,335	\$ 11,236,403	\$ 76,564,981	\$ 87,801,384	666.96%

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. Cooperative has purchased commercial insurance to insure itself against these risks. The commercial insurance policies of the Cooperative generally include a self-insured retention amount of \$1,500,000.

NOTE 9 COMMITMENTS

Construction Commitments - The Cooperative has entered various construction agreements/contracts. On September 30, 2025, the Cooperative had the following outstanding major commitments in process:

Project	Authorization	Expended	Commitment
Combined Implementation	\$ 17,296,477	\$ 16,427,467	\$ 869,010
SE Water Production Facility	236,281,656	39,204,131	197,077,525
SE Wellfield Transmission	149,610,147	47,936,466	101,673,681
West Polk Wellfield and Production Facility	11,338,484	1,576,234	9,762,250
West Polk Wellfield Injection Well	23,349,310	8,119,230	15,230,080
West Polk Test Production Well 2	8,031,358	5,061,394	2,969,964
	<u>\$ 445,907,432</u>	<u>\$ 118,324,922</u>	<u>\$ 327,582,510</u>

Energy Services / Equipment Agreement Commitment - In January 2025, the Cooperative entered into a Master Services Agreement with Duke Energy (the "Agreement") for the potential provision, installation, and related services (which may include operation and maintenance) of certain equipment. The Agreement contemplates that the term and certain payment obligations commence upon completion of installation, commissioning, and Cooperative acceptance (the "Commencement Date"). As of fiscal year-end September 30, 2025, the Commencement Date had not occurred and is dependent upon future project milestones; accordingly, management has not begun recognizing any right-to-use asset or lease liability related to the Agreement.

To the extent the Agreement results in future minimum payment obligations after the Commencement Date, those obligations will be evaluated for accounting and disclosure purposes in the period in which they become probable and reasonably estimable.

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2025**

NOTE 9 COMMITMENTS (CONCLUDED)

Because the Commencement Date and related minimum payments are contingent on future events and have not been finalized as of fiscal year-end, the Cooperative is unable to reasonably estimate the timing and amount of any future minimum commitments. Upon finalization of the project scope and commencement, the Cooperative will evaluate the arrangement under applicable accounting guidance (including lease accounting considerations) and disclose any material commitments and/or recognized amounts, as appropriate.

NOTE 10 SUBSEQUENT EVENT

Effective December 10, 2025, the Cooperative received approval for a fourth direct borrowing note through the State Revolving Fund totaling \$44,000,000. The note carries a zero percent interest rate and provides for principal forgiveness of approximately 15%, or \$6,538,148. Repayment will be made in 40 semiannual installments beginning in August 2029. Proceeds will be used to support construction of the Southeast Lower Floridan Aquifer Water Production Facility.

SUPPLEMENTARY INFORMATION

**POLK REGIONAL WATER COOPERATIVE
SCHEDULE OF REVENUES AND EXPENSES - BUDGET TO ACTUAL – ADMIN
YEAR ENDED SEPTEMBER 30, 2025**

	<u>Actual</u>	<u>Budget</u>	<u>Amount Over (Under) Budget</u>
Revenues			
Member funding revenue	\$ 344,895	\$ 346,516	\$ (1,621)
Miscellaneous revenue	573	-	573
Interest	22,310	-	22,310
Total revenue	<u>367,778</u>	<u>346,516</u>	<u>21,262</u>
Expenses			
Accounting fees	53,837	45,000	8,837
Audit fees	41,613	32,000	9,613
Legal fees	45,748	25,000	20,748
Executive Director	132,451	126,788	5,663
Administrative assistant	-	5,000	(5,000)
Financial manager	44,135	95,000	(50,865)
Other staff	6,556	10,000	(3,444)
Other general expenses	9,587	7,728	1,859
Total expenses	<u>333,927</u>	<u>346,516</u>	<u>(12,589)</u>
Change in Net Position	<u>\$ 33,851</u>	<u>\$ -</u>	<u>\$ 33,851</u>

**POLK REGIONAL WATER COOPERATIVE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30 2025**

<u>Federal Grantor/Pass-through Entity/Program Title</u>	<u>Assistance Listing #</u>	<u>Identifying number assigned by the pass-through entity</u>	<u>Total Expenditures</u>	<u>Passed Through to Subrecipients</u>
United States Department of Treasury				
Passed-through Florida Department of Environmental Protection				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program	21.027	WSA12	\$ 4,600,000	\$ -
Total Expenditures of Federal Awards			<u>\$ 4,600,000</u>	<u>\$ -</u>
<u>State Agency/Pass-through Entity/State Project</u>	<u>CSFA#</u>	<u>Contract/Grant Identification</u>	<u>Total Expenditures</u>	<u>Passed Through to Subrecipients</u>
State of Florida Department of Environmental Protection				
Direct program:				
Drinking Water Facility Construction - Loan	37.076	DW532000	\$ 205,283	\$ -
Drinking Water Facility Construction - Loan	37.076	DW532001	3,611,549	-
Drinking Water Facility Construction - Loan	37.076	DW532002	445,817	-
Total Drinking Water Facility Construction			4,262,649	-
Direct program:				
Statewide Surface Restoration and Wastewater Projects	37.039	LPA0212	9,846,157	672,431
Statewide Surface Restoration and Wastewater Projects	37.039	LPA0251	188,771	-
Total Statewide Surface Restoration and Wastewater Projects			10,034,928	672,431
Direct program:				
Florida Springs Grant Program	37.052	1CF0000475	6,856	6,856
Passed-through the Southwest Florida Water Management District:				
Alternative Water Supply	37.100	WS047	15,595,919	-
Alternative Water Supply	37.100	WS078	1,064,308	-
Alternative Water Supply	37.100	WS046	17,509,987	-
Alternative Water Supply	37.100	WS079	1,228,000	-
Total Alternative Water Supply			35,398,214	-
Total Florida Department of Environmental Protection			<u>49,702,647</u>	<u>679,287</u>
Total Expenditures of State Financial Assistance			<u>\$ 49,702,647</u>	<u>\$ 679,287</u>

POLK REGIONAL WATER COOPERATIVE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL
ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2025

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (Schedule) includes the federal award and state financial assistance activity of Polk Regional Water Cooperative (Cooperative) under programs of the federal government and projects of the state of Florida for the year ended September 30, 2025.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 3 LOANS OUTSTANDING

The Cooperative had the following loan balances outstanding on September 30, 2025.

<u>State Grantor/Program</u>	<u>Ending Balance</u>
Department of Environmental Protection	
Drinking Water Facility Construction	
State Revolving Fund DW532000	\$ 10,617,972
State Revolving Fund DW532001	21,749,504
State Revolving Fund DW532002	808,119
Total	<u>\$ 33,175,595</u>

NOTE 4 PRIOR-YEAR PRESENTATION MATTER

During the current year, management identified that \$2,792,567.60 of expenditures related to state financial assistance were inadvertently omitted from the Schedule of Expenditures of State Financial Assistance (SEFA) for the year ended September 30, 2024. The omitted expenditures relate to CFSA No. 37.100 under Contract/Grant Identifier WS047. The omission affected only the presentation of the prior-year SEFA and did not impact the prior-year basic financial statements. The omitted amount has been included in the current-year SEFA and was included in the current-year audit testing population.

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, 2025, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated March 9, 2026.

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. 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 or significant deficiencies may exist that were not 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
March 9, 2026

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

Members of the Board of Directors
Polk Regional Water Cooperative

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited Polk Regional Water Cooperative's (the "Cooperative") compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget ("OMB") *Compliance Supplement* and Department of Financial Services *State Compliance Supplement* that could have a direct and material effect on each of the Cooperative's major federal programs and major state projects for the year ended September 30, 2025. The Cooperative's major federal programs and major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Cooperative complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and major state projects for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program and State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*. Our responsibilities under those standards, the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Cooperative and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and major state projects. Our audit does not provide a legal determination of the Cooperative's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*, and which are described in the accompanying schedule of findings and questioned costs as item 2025-01. Our opinion on each major federal program and State project is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

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

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

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
March 9, 2026

POLK REGIONAL WATER COOPERATIVE

Schedule of Findings and Questioned Costs

For the year ended September 30, 2025

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?

____ Yes X No

Significant deficiency(ies) identified?

____ Yes X None reported

Noncompliance material to the financial statements reported?

____ Yes X No

Federal Awards and State Financial Assistance

Type of Auditor's Report Issued on Compliance:

Unmodified Opinion

Internal control over major federal programs and major state projects:

Material weakness(es) identified?

____ Yes X No

Significant deficiency(ies) identified?

____ Yes X None reported

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

X Yes ____ No

Major Federal Program(s):

21.027 – Coronavirus State and Local Fiscal Recovery Funds

Major State Project(s):

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

37.039 – State of Florida Department of Environmental Protection – Statewide Water Quality Restoration Projects

37.100 – State of Florida Department of Environmental Protection – Alternative Water Supply

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

Federal:

\$1,000,000

State:

\$1,491,079

Auditee qualified as low-risk auditee?

____ Yes X No

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

Prior Audit Findings – Financial Statement Audit:

Prior Audit Finding Reference Number	Summary of Finding	Status	Explanation if Not Corrected
2024-01	Internal Control over Financial Reporting	Fully Corrected	n/a

POLK REGIONAL WATER COOPERATIVE

Schedule of Findings and Questioned Costs

For the year ended September 30, 2025

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

Prior Audit Findings – Federal Programs and State Projects: None

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

Findings and questioned costs – Major Federal Programs - None

Findings and questioned costs – Major State Projects:

Finding Number: 2025-01

State Projects: 37.039 - Statewide Water Quality Restoration Projects and 37.100 – Alternative Water Supply

Sponsoring Agency: Florida Department of Environmental Protection (FDEP) passed through the Southwest Florida Water Management District (SWFWMD).

Compliance Requirement: Special Tests and Provisions / Award Terms – Insurance (additional insured endorsement and proof of insurance)

Criteria: The applicable grant agreements between FDEP and SWFWMD required that FDEP to be named as an additional insured on general liability (and, if applicable, automobile) policies and requires insurance requirements to be flowed down to sub-grantees/subcontractors with proof of insurance provided. The subgrant agreement between the Cooperative and the SWFWMD requires the Cooperative to name the SWFWMD and FDEP (and their employees and officers) as additional insured and to provide proof of coverage prior to performance.

Condition: The Cooperative maintained liability insurance but did not provide/maintain additional insured endorsements naming the SWFWMD and FDEP as required by the subaward for the period under audit.

Cause: Controls were not designed and/or operating to ensure required additional insured endorsements were obtained and retained prior to commencing work and/or requesting reimbursement.

Effect: Noncompliance with subaward provisions and increased exposure to the pass-through entity and the State for construction-related liability. No questioned costs were identified.

Questioned Costs: \$0 (none).

Recommendation: The Cooperative should implement procedures to (1) obtain and retain certificates of insurance and required additional insured endorsements for all applicable agreements under the program prior to commencement of work and/or reimbursement requests, (2) periodically re-verify coverage throughout the agreement term, and (3) document review/approval by a designated responsible official.

Views of Responsible Officials and Planned Corrective Action: This finding was remediated after it was identified by the auditors and as of the date of this report, the SWFWMD and FDEP has been named as an additional insured on the Cooperative's insurance policies.

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

None reported.

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, 2025 and have issued our report thereon dated March 9, 2026.

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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued the following reports and schedule in connection with our audit:

- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- Independent Auditor's Report on Compliance for Each Major Federal Program and Major State Project and on Internal Control over Compliance Required by the Uniform Guidance and Chapter 10.550, Rules of the Auditor General.
- Schedule of Findings and Questioned Costs.
- Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes conducted in accordance with *AICPA Professional Standards*, AT-C Section 315 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General.

Disclosures in these reports and schedule, which are dated March 9, 2026, 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. There are no component units.

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 findings and 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.

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)7, 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 - \$234,903.
- 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.

Project	Total Expenditures
West Polk Production Wells	\$7,571,950
Southeast Production Wells	\$11,889,300
Southeast Wellfield Transmission	\$231,457,244
Southeast Wellfield Water Production Facility	\$280,334,786
West Polk Injection Well	\$23,349,310
West Polk Water Production Facility and Transmission	\$172,169,382

- 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
March 9, 2026

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, 2025. 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, 2025.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
March 9, 2026