

POLK REGIONAL WATER COOPERATIVE
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

**POLK REGIONAL WATER COOPERATIVE
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SEPTEMBER 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Polk Regional Water Cooperative (the "Cooperative"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Polk Regional Water Cooperative as of September 30, 2021, and changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2022 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 24, 2022 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 24, 2022

**POLK REGIONAL WATER COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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, 2021 and 2020. 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, 2021 and 2020:

- Operating revenues were \$3,637,142 and \$7,512,596, respectively.
- Operating expenses were \$4,568,629 and \$7,506,106, respectively.
- Net position totaled a deficit of \$1,221,107 and \$144,305, 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, 2021**

SUMMARY STATEMENT OF NET POSITION

	<u>September 30,</u>		<u>Dollar</u>	<u>Percent</u>
	<u>2021</u>	<u>2020</u>	<u>Variance</u>	<u>Variance</u>
ASSETS				
Current Assets	\$ 1,218,082	\$ 2,199,109	\$ (981,027)	
Noncurrent Assets	<u>7,190,729</u>	<u>6,204,233</u>	<u>986,496</u>	
Total Assets	<u>8,408,811</u>	<u>8,403,342</u>	<u>5,469</u>	0%
LIABILITIES				
Current Liabilities	868,734	772,959	95,775	
Noncurrent Liabilities	<u>8,761,184</u>	<u>7,774,688</u>	<u>986,496</u>	
Total Liabilities	<u>9,629,918</u>	<u>8,547,647</u>	<u>1,082,271</u>	13%
NET POSITION				
Investment in Capital Assets	35,000	35,000	-	
Unrestricted	<u>(1,256,107)</u>	<u>(179,305)</u>	<u>(1,076,802)</u>	
Total Net Position	<u>(1,221,107)</u>	<u>(144,305)</u>	<u>(1,076,802)</u>	746%
Total Liabilities and Net Position	<u>\$ 8,408,811</u>	<u>\$ 8,403,342</u>	<u>\$ 5,469</u>	0%

Current assets are comprised of cash in the amount of \$1,001,225, and grants and project receivables of \$216,857.

Noncurrent assets are comprised of land purchased during 2019, and due from members in the amount of \$7,155,729. The increase of \$986,496 is due to state revolving fund draws which will be reimbursed by members.

Current liabilities are comprised of accounts payable, unearned revenues, and due to member. The increase of \$95,775 comprised in a decrease in accounts payable of \$256,277 and an increase in unearned revenue of \$352,052. Both adjustments are due to timing of the projects during the year.

Noncurrent liabilities consist of a line of credit and the state revolving fund. No amount was drawn on the line of credit during the year and \$986,496 was drawn on the state revolving fund.

Net position in total decreased by \$1,076,802 due primarily to project expenditures paid for by the state revolving fund loan.

**POLK REGIONAL WATER COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

SUMMARY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	September 30,		Dollar	Percent
	2021	2020	Variance	Variance
OPERATING REVENUES				
Member Funding Revenue	\$ 198,000	\$ 198,000	\$ -	
Project Revenues	3,417,996	7,097,954	(3,679,958)	
Conservation Grant Revenues	21,146	85,779	(64,633)	
Miscellaneous	-	130,863	(130,863)	
Total Operating Revenues	<u>3,637,142</u>	<u>7,512,596</u>	<u>(3,875,454)</u>	-52%
OPERATING EXPENSES				
Project Expenses	4,032,093	6,819,375	(2,787,282)	
Grant Expenses	21,146	85,779	(64,633)	
Other Operating Expenses	<u>515,390</u>	<u>600,952</u>	<u>(85,562)</u>	
Total Operating Expenses	<u>4,568,629</u>	<u>7,506,106</u>	<u>(2,937,477)</u>	-39%
OPERATING INCOME (LOSS)	(931,487)	6,490	(937,977)	14453%
NONOPERATING REVENUES (EXPENSES)				
Interest Revenue	128	560	(432)	
Interest Expense	<u>(145,443)</u>	<u>(117,489)</u>	<u>27,954</u>	
Total Nonoperating Revenues (Expenses)	<u>(145,315)</u>	<u>(116,929)</u>	<u>28,386</u>	-24%
CHANGE IN NET POSITION	(1,076,802)	(110,439)	(966,363)	875%
Net Position - Beginning of Period	(144,305)	(33,866)	(110,439)	326%
NET POSITION - END OF PERIOD	<u>\$ (1,221,107)</u>	<u>\$ (144,305)</u>	<u>\$ (1,076,802)</u>	746%

Operating expenses include \$4,032,093 of project expenses, \$275,351 in legal expense, primarily for assistance with state grants and funding for future projects and the member mediation, with \$80,000 in expenses for executive director services, \$25,647 in expenses for accounting fees, \$18,950 in expenses for audit fees, \$21,146 in grant expenses, and \$115,442 in other general expenses. Total operating expenses decreased \$2,937,477 over the prior year due to lower activity in the Cooperative's water projects as phase 1 nears completion.

**POLK REGIONAL WATER COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

Economic Factors and Conditions

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

Funding Agreements

The Cooperative and Southwest Florida Water Management District (SWFWMD) entered into funding agreements for the implementation phase of the Cooperative's combined water projects, estimated to cost approximately \$23,000,000. Approximately \$11,500,000 of the funding will be provided in the form of a grant from SWFWMD. The other \$11,500,000 of funding is to be provided through a Line of Credit, Membership Government Contributions, State Revolving Fund Loan, and State Appropriations. The implementation phase is expected to be completed by September 30, 2022.

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, 2021**

ASSETS

CURRENT ASSETS

Cash	\$ 1,001,225
Due from Members	28,044
Due from Other Governments	<u>188,813</u>
Total Current Assets	1,218,082

NONCURRENT ASSETS

Capital Assets - Land	35,000
Due from Members	<u>7,155,729</u>
Total Noncurrent Assets	7,190,729

Total Assets	<u><u>\$ 8,408,811</u></u>
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$ 398,325
Unearned Revenue	452,052
Due to Member	<u>18,357</u>
Total Current Liabilities	868,734

NONCURRENT LIABILITIES

Line of Credit	1,605,455
State Revolving Fund	<u>7,155,729</u>
Total Noncurrent Liabilities	8,761,184

Total Liabilities	<u>9,629,918</u>
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NET POSITION

Investment in Capital Assets	35,000
Unrestricted	<u>(1,256,107)</u>

Total Net Position	<u>(1,221,107)</u>
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Total Liabilities and Net Position	<u><u>\$ 8,408,811</u></u>
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**POLK REGIONAL WATER COOPERATIVE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2021**

OPERATING REVENUES

Member Project Contributions	\$ 1,294,915
Project Grant Revenue	2,123,081
Member Funding Revenue	198,000
Conservation Grant Revenue	<u>21,146</u>
Total Operating Revenues	3,637,142

OPERATING EXPENSES

Project Expenses	4,032,093
Legal Fees	275,351
Outside Contract Services	80,000
Conservation Grant Expenses	21,146
Accounting Fees	25,647
Other General Expenses	115,442
Audit	<u>18,950</u>
Total Operating Expenses	<u>4,568,629</u>

Operating Income (Loss) (931,487)

NONOPERATING REVENUES (EXPENSES)

Interest Revenue	128
Interest Expense	<u>(145,443)</u>
Total Nonoperating Revenues (Expenses)	(145,315)

CHANGE IN NET POSITION (1,076,802)

Net Position - Beginning of Period (144,305)

NET POSITION - END OF PERIOD \$ (1,221,107)

**POLK REGIONAL WATER COOPERATIVE
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Members	\$ 565,254
Receipts from Other Governments	3,612,322
Payments for Goods and Services	<u>(4,824,906)</u>
Net Cash Provided by (Used for) Operating Activities	(647,330)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Net Borrowings from SRF	859,412
Interest Paid	<u>(18,359)</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	841,053

CASH FLOWS FROM INVESTING ACTIVITIES

Receipts of Interest	<u>128</u>
Net Cash Provided by (Used for) Investing Activities	128

NET INCREASE IN CASH

193,851

Cash - Beginning of Period

807,374

CASH - END OF PERIOD

\$ 1,001,225

**RECONCILIATION OF OPERATING LOSS TO
NET CASH FROM OPERATING ACTIVITIES**

Operating Loss	\$ (931,487)
Adjustments to Reconcile Operating Loss to Net Cash from Operating Activities:	
(Increase) Decrease in Assets:	
Due from Members	(927,661)
Due from Other Government	1,116,043
Increase (Decrease) in Liabilities:	
Accounts Payable	(256,277)
Unearned Revenue	<u>352,052</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ (647,330)</u></u>

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

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, 2021**

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, 2021**

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, 2021 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, 2021**

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, 2021, the carrying amount of the Cooperative's deposits was \$1,001,225 and the balance per the bank was \$1,008,443.

The Cooperative did not have any investments at September 30, 2021.

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021, was as follows:

	Balance October 1, 2020	Additions	(Deletions)	Balance September 30, 2021
Capital assets not being depreciated				
Land	\$ 35,000	\$ -	\$ -	\$ 35,000
Total capital assets not being depreciated	<u>\$ 35,000</u>	\$ -	\$ -	\$ 35,000

NOTE 4 DUE FROM MEMBERS

Member receivables consist of the following at September 30, 2021:

Polk County	\$ 2,704,823
City of Lakeland	2,076,376
City of Winter Haven	808,112
City of Auburndale	591,002
City of Haines City	426,701
City of Lake Wales	337,433
Town of Dundee	186,174
City of Fort Meade	46,419
City of Frostproof	4,158
Polk City	992
City of Davenport	625
City of Mulberry	598
Town of Lake Hamilton	360
Total Due from Members, Net	<u>\$ 7,183,773</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. Interest is due monthly on the outstanding balance based upon 80% of the 1-Month LIBOR rate plus 75 basis points. See Note 11 regarding subsequent events related to the line of credit.

**POLK REGIONAL WATER COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021**

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, 2021 are as follows:

Balance October 1, 2020	Additions	(Deletions)	Balance September 30, 2021	Due Within One Year
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
\$ 1,605,455	\$ -	\$ -	\$ 1,605,455	\$ -

The annual requirements to amortize the debt outstanding as of September 30, 2021 are as follows:

**Notes from Direct
Borrowings**

Year	Principal	Interest
<u> </u>	<u> </u>	<u> </u>
2022	\$ -	\$ 22,157
2023	1,605,455	9,990
Total	<u>\$ 1,605,455</u>	<u>\$ 32,147</u>

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, 2021, \$7,155,729 had been drawn on this loan.

There are a number of limitations and restrictions contained in the various bond indentures. As of September 30, 2021, 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, 2021**

NOTE 6 STATE REVOLVING FUND (CONTINUED)

A summary of the changes for the year ended September 30, 2021 are as follows:

Balance October 1, 2020	Additions	(Deletions)	Balance September 30, 2021	Due Within One Year
\$ 6,169,233	\$ 986,496	\$ -	\$ 7,155,729	\$ -

The annual requirements to amortize the debt outstanding as of September 30, 2021 are as follows:

**Notes from Direct
Borrowings**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ -	\$ -
2023	-	-
2024	-	-
2025	656,308	132,678
2026	668,820	120,166
2027-2031	3,540,293	404,637
2032-2036	2,290,308	76,649
Total	\$ 7,155,729	<u>\$ 734,130</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, 2021, 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, 2021**

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 COMMITMENTS

The Cooperative has entered into an agreement for combined projects administrator in the amount of \$12,500 per month beginning September 2020 and continuing until terminated or completion of the projects. Pursuant to the agreement, the rate of compensation shall be adjusted annually based upon the Consumer Price Index for All Urban Consumers (CPI-U). There are \$1,661,660 in contract commitments at year-end related to the projects in process.

NOTE 10 FUNDING AGREEMENTS

The Cooperative and Southwest Florida Water Management District (SWFWMD) entered into funding agreements for the implementation phase of the Cooperative's water project, estimated to cost approximately \$23,000,000. Approximately \$11,500,000 of the funding will be provided in the form of a grant from SWFWMD. The other \$11,500,000 of funding is to be provided through a Line of Credit, Membership Government Contributions, State Revolving Fund Loan, and State Appropriations. The implementation phase is expected to be completed by September 30, 2022. As of September 30, 2021, there has been \$7,155,729 drawn on the State Revolving Fund Loan.

NOTE 11 SUBSEQUENT EVENTS

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.

SUPPLEMENTARY INFORMATION

**POLK REGIONAL WATER COOPERATIVE
SCHEDULE OF REVENUES AND EXPENSES
BUDGET TO ACTUAL – ADMIN
YEAR ENDED SEPTEMBER 30, 2021**

	<u>Actual</u>	<u>Budget</u>	<u>Amount Over (Under) Budget</u>
REVENUES			
Member Funding Revenue	\$ 198,000	\$ 198,000	\$ -
Demand Management Plan	-	84,000	(84,000)
Interest	<u>128</u>	<u>-</u>	<u>128</u>
Total Revenues	198,128	282,000	(83,872)
EXPENSES			
Accounting Fees	25,647	26,000	(353)
Audit Fees	18,950	15,000	3,950
Legal Fees	39,795	45,000	(5,205)
Outside Contract Services	80,000	80,000	-
Demand Management Plan	-	84,000	(84,000)
Administrative Assistant	-	5,000	(5,000)
Engineer	-	24,000	(24,000)
Other General Expenses	<u>2,673</u>	<u>3,000</u>	<u>(327)</u>
Total Expenses	<u>167,065</u>	<u>282,000</u>	<u>(114,935)</u>
CHANGE IN NET POSITION	31,063	-	31,063
Net Position - Beginning of Period	<u>70,197</u>	<u>-</u>	<u>70,197</u>
NET POSITION - END OF PERIOD	<u>\$ 101,260</u>	<u>\$ -</u>	<u>\$ 101,260</u>

**POLK REGIONAL WATER COOPERATIVE
SCHEDULE OF REVENUES AND EXPENSES – PROJECTS
YEAR ENDED SEPTEMBER 30, 2021**

	<u>Peace Creek</u>	<u>Peace River</u>	<u>Southeast</u>	<u>West Polk</u>	<u>Project Admin</u>	<u>Total</u>
REVENUES						
Member Contributions	\$ 71,181	\$ 151,527	\$ 518,119	\$ 118,585	\$ 435,503	\$ 1,294,915
Project Grant Revenue	<u>166,849</u>	<u>147,899</u>	<u>496,491</u>	<u>1,311,842</u>	<u>-</u>	<u>2,123,081</u>
Total Revenues	238,030	299,426	1,014,610	1,430,427	435,503	3,417,996
EXPENSES						
Project Expense	332,942	296,169	993,174	2,409,808	-	4,032,093
Legal Fees	-	-	-	-	235,556	235,556
Interest Expense	-	-	-	-	145,443	145,443
Other General Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,769</u>	<u>112,769</u>
Total Expenses	<u>332,942</u>	<u>296,169</u>	<u>993,174</u>	<u>2,409,808</u>	<u>493,768</u>	<u>4,525,861</u>
CHANGE TO NET POSITION	(94,912)	3,257	21,436	(979,381)	(58,265)	(1,107,865)
Net Position - Beginning of Period	<u>41,977</u>	<u>(117,877)</u>	<u>(70,097)</u>	<u>253,999</u>	<u>(322,504)</u>	<u>(214,502)</u>
NET POSITION - END OF PERIOD	<u>\$ (52,935)</u>	<u>\$ (114,620)</u>	<u>\$ (48,661)</u>	<u>\$ (725,382)</u>	<u>\$ (380,769)</u>	<u>\$ (1,322,367)</u>

**POLK REGIONAL WATER COOPERATIVE
SCHEDULE OF REVENUES AND EXPENSES – CONSERVATION GRANTS
YEAR ENDED SEPTEMBER 30, 2021**

REVENUES

Conservation Grant Revenue	\$ 21,146
Total Revenues	<u>21,146</u>

EXPENSES

Conservation Grant Expense	<u>21,146</u>
Total Expenses	<u>21,146</u>

CHANGE IN NET POSITION

-

Net Position - Beginning of Period

-

NET POSITION - END OF PERIOD

\$ -

**POLK REGIONAL WATER COOPERATIVE
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2021**

<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 Environmental Protection</u>				
Direct programs				
Drinking Water Facility Construction	37.076	DW532000	\$ 986,496	\$ -
Florida Springs Grant Program	37.052	17CF0000475	21,146	21,146
Pass-through from Southwest Florida Water Management District				
Alternative Water Supply	37.100	17CF0000846	<u>214,068</u>	<u>-</u>
Total Alternative Water Supply			214,068	-
Total Department of Environmental Protection			1,221,710	21,146
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 1,221,710</u>	<u>\$ 21,146</u>

**POLK REGIONAL WATER COOPERATIVE
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED SEPTEMBER 30, 2021**

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, 2021. 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, 2021.

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, 2021.

NOTE 3 LOANS OUTSTANDING

PRWC had the following loan balances outstanding at September 30, 2021.

State Grantor/Pass through Grantor/ Program or Cluster Title	Ending Balance
Department of Enviromental Protection Drinking Water Facility Construction	\$ 7,155,729



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, 2021, 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 24, 2022.

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2021-01.

Members of the Board of Directors
Polk Regional Water Cooperative

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 24, 2022



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, 2021. Management is responsible for the Cooperative's compliance with those specified requirements. Our responsibility is to express an opinion on the Cooperative's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Cooperative complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Cooperative complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

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

In our opinion, the Cooperative complied, in all material respects, with the aforementioned requirements of Section 218.415, Florida Statutes for the year ended September 30, 2021.

Brynjulfson CPA, P.A.

Brynjulfson CPA, P.A.
Auburndale, Florida
June 24, 2022



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, 2021. 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, 2021.

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 24, 2022

POLK REGIONAL WATER COOPERATIVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATING TO STATE FINANCIAL ASSISTANCE

Year Ended September 30, 2021

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? X Yes _____ 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: \$366,513

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

There were no prior-year audit findings related to state financial assistance.

Section III – Findings and Questioned Costs – Major State Projects

None

Section III – Financial Statement Findings

Finding Number: 2021-01

Criteria: Grant agreement LPA0132, which provided \$452,052 of funding for preconstruction activities for the Southeast Wellfield Lower Floridan Aquifer Project, required that all reimbursable costs be incurred prior to the expiration of the grant agreement which was October 31, 2021.

Condition: 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.

Cause: The condition was caused by an isolated error in the completion of the grant reimbursement request. By the time the error was identified, the grant agreement had expired, and the Cooperative was precluded from applying the grant towards costs incurred after the expiration date without amending the original agreement.

POLK REGIONAL WATER COOPERATIVE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATING TO STATE FINANCIAL ASSISTANCE

Year Ended September 30, 2021

Section III – Financial Statement Findings (concluded)

Effect: The costs submitted for reimbursement had already been reimbursed by other sources. This results in the reporting of unearned revenue on the Cooperative statement of net position of \$452,052 as of September 30, 2021.

Recommendation: 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.

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, 2021 and have issued our report thereon dated June 24, 2022.

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 24, 2022, should be considered in conjunction with this management letter.

Official Title and Legal Authority

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

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding financial audit report.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7) Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Cooperative has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit of the financial statements, we determined that the Cooperative did not meet any of the specified conditions described in Section 218.503(1), Florida Statutes.

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 – 3.
- 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 - *\$480,073*.
- 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 – *None*.
- 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*.

Members of the Board of Directors
Polk Regional Water Cooperative

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 24, 2022



Polk Regional
Water Cooperative

George Lindsey, Chair
Polk County

Bill Mutz, Vice Chair
City of Lakeland

Keith Cowie
City of Auburndale

Steve Githens
City of Bartow

Tom Fellows
City of Davenport

Bert Goddard
Town of Dundee

Randy Billings
City of Eagle Lake

James Watts
City of Fort Meade

Austin Gravley
City of Frostproof

Morris West
City of Haines City

Jack Dearmin
City of Lake Alfred

Michael Kehoe
Town of Lake Hamilton

Daniel Williams
City of Lake Wales

Collins Smith
City of Mulberry

Joe LaCascia
City of Polk City

Nathaniel Birdsong, Jr.
City of Winter Haven

330 W. Church Street
Drawer AT01
Bartow, Florida 33830

Office: 863-534-6444
Fax: 863-534-7069

June 24, 2022

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 2021-01) was identified associated with the financial statements as follows:

Criteria: Grant Agreement LPA0132, which provided \$452,052 of funding for preconstruction activities for the Southeast Wellfield Project required that all reimbursable costs be incurred prior to the expiration of the grant agreement which was October 31, 2021

Condition: During 2021, the PRWC requested and received a grant reimbursement of \$452,052 pursuant to grant agreement LPA0132 for costs related to the Southeast Wellfield Project, but those costs were funded by other sources and therefore were not eligible to be reimbursed by the LPA0132 grant agreement.

Cause: The condition was caused by an isolated error in the completion of the grant reimbursement request.

Effect: The costs submitted for reimbursement had already been reimbursed by other sources. This results in the reporting of unearned revenue on the cooperative statement of net position of \$452,052 as of September 30, 2021.

Recommendation: The auditor recommends that the Cooperative request that the FDEP extend the 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.

The PRWC is currently taken necessary steps to address the audit finding following the recommendation set forth by the auditor. The Florida Department of Environmental Protection has been contacted inquiring if the grant can be extended.

Sincerely,

Eric DeHaven
PRWC Executive Director