POLK REGIONAL WATER COOPERATIVE

Resolution 2026-04

RESOLUTION APPROVING AND ADOPTING THE

POLK REGIONAL WATER COOPERATIVE POLICY MANUAL

The Polk Regional Water Cooperative ("Cooperative"), created pursuant to Section 373.713, Florida Statutes, and an Interlocal Agreement pursuant to Section 163.01, Florida Statutes, in lawful session and in regular order of business properly presented, finds that:

WHEREAS, in 2016 the Cooperative, the City of Auburndale, the City of Bartow, City of Davenport, City of Eagle Lake, City of Fort Meade, the City of Frostproof, the City of Haines City, the Village of Highland Park, the City of Lake Alfred, the City of Lake Wales, City of Lakeland, City of Mulberry, Polk City, City of Winter Haven, Town of Dundee, Town of Lake Hamilton and Polk County entered into the Interlocal Agreement Relating to the Establishment of the Polk Regional Water Cooperative ("Formation Agreement") with an effective date of May 1, 2016; and

WHEREAS, the Cooperative is an independent special district and a regional water supply authority created under Sections 163.01 and 373.713, Florida Statutes, and is required to conduct its governance, financial, operational, and administrative affairs in accordance with applicable federal and state laws and the Formation Agreement; and

WHEREAS, Section 2.02 of the Formation Agreement authorizes the Board of Directors to adopt policies for the governance and administration of the Cooperative; and

WHEREAS, on November 19, 2025, the Cooperative Board of Directors adopted the Cooperative's Investment Policy by Resolution 2025-33; and

WHEREAS, on September 20, 2023, the Cooperative Board of Directors adopted the Cooperative's Reserve Policy by motion; and

WHEREAS, on September 16, 2020, the Cooperative Board of Directors adopted the Cooperative's Capital Asset Policy as Consent Item E.3 at the regular meeting of that date; and

WHEREAS, on September 21, 2022, March 22, 2023, and March 20, 2024, the Southeast Wellfield Project Board of Directors adopted, and amended, the Cooperative's Land Acquisition Policy by Resolutions 2022-12, 2023-05, and 2024-12 respectively; and

WHEREAS, the Southeast Wellfield Implementation Agreement and the West Polk Wellfield Implementation Agreement, together with the Combined Projects Implementation Agreement, provide for the calculation and billing of water charges to Project Participants and for the annual reconciliation, or "True-Up," of those charges against actual expenditures; and

WHEREAS, for the past three years the Cooperative Board of Directors, in adopting the Cooperative's annual budget and water charges, has followed the water-charge calculation, billing, and reconciliation process provided for in those Implementation Agreements, and this Chapter 8 simply commits to written policy the process the Board has already been following; and

WHEREAS, on May 20, 2026, at its regular meeting, the Board of Directors accepted the auditor's annual water-charge examination reports and approved the implementation of the Annual True-Up beginning in Fiscal Year 2027 on a motion made by Board member George Piper, duly seconded and adopted by voice vote; and

WHEREAS, in order to consolidate the Cooperative's adopted and Board-approved governance, financial, operational, and administrative policies into a single, authoritative reference and to identify the additional chapters that are reserved for future adoption, the Cooperative has caused to be prepared the Polk Regional Water Cooperative Policy Manual dated July 29, 2026, attached hereto and incorporated herein as **Exhibit "A"** (the "Policy Manual"); and

WHEREAS, the Cooperative Board of Directors has reviewed the Policy Manual and finds that its approval and adoption is in the best interest of the Cooperative and its Member Governments.

NOW, THEREFORE, BE IT RESOLVED:

Section 1. The Polk Regional Water Cooperative Board of Directors hereby approves and adopts the Polk Regional Water Cooperative Policy Manual dated July 29, 2026, attached hereto and incorporated herein as **Exhibit "A"**, as the Cooperative's policy manual.

Section 2. The Executive Director is authorized and directed to take such further actions, and to issue such written administrative procedures consistent with the Policy Manual, as are necessary or appropriate to implement the Policy Manual.

Section 3. This Resolution shall take effect immediately upon its passage and adoption.

DONE at Auburndale, Florida this 29th day of July, 2026.

Board of the Polk Regional Water Cooperative:

Nathaniel J. Birdsong, Jr. Becky

Chair Secretary/Treasurer

Approved as to Form:

Edward de la Parte

Edward P. de la Parte

Legal Counsel

EXHIBIT A

to Resolution 2026-04

Polk Regional Water Cooperative

Policy Manual

dated July 29, 2026

(53 pages)

POLICY MANUAL

Polk Regional Water Cooperative

Polk County, Florida

Polk Regional
Water Cooperative

Foreword

This Policy Manual contains the policies adopted by the Polk Regional Water Cooperative Board of Directors to date — Chapter 3 (Investment Policy, Resolution 2025-33, November 19, 2025); Chapter 4 (Reserve Policy, adopted by motion September 20, 2023); Chapter 10 (Capital Asset Policy, adopted as Consent Item E.3 at the regular meeting of September 16, 2020); and Chapter 22 (Land Acquisition Policy, Resolutions 2022-12, 2023-05, and 2024-12) — together with the proposed Chapter 8 (Water Charges, Billing, and Annual True-Up), included in this draft for Board, member-government, and stakeholder review. The remaining Chapters are reserved for future adoption by the Board of Directors.

The Cooperative is a separate legal entity, a unit of special purpose local government and a regional water supply authority created pursuant to Section 163.01(7)(g) and Section 373.713, Florida Statutes, by Interlocal Agreement among the City of Auburndale, the City of Bartow, the City of Davenport, the City of Eagle Lake, the City of Fort Meade, the City of Frostproof, the City of Haines City, the Village of Highland Park, the City of Lake Alfred, the City of Lake Wales, the City of Lakeland, the City of Mulberry, Polk City, the City of Winter Haven, the Town of Dundee, the Town of Lake Hamilton, and Polk County. The purpose of the Cooperative is to provide an effective regional approach to the conservation of water; to the use, delivery, and provision of potable and non-potable water systems; to the protection of the environment; and to the efficient, innovative, and cooperative use of valuable water resources; and to acquire, develop, receive, recover, treat, store, transport, and supply potable and non-potable water on a wholesale or bulk-service basis for the Member Governments and to advance and cooperatively develop these essential public functions in fulfillment of the purposes set forth in Sections 163.01 and 373.713, Florida Statutes, and Chapter 189, Florida Statutes.

Table of Contents

(In Word, press F9 or right-click and select "Update Field" to refresh page numbers after edits.)

CHAPTER 1 — ORGANIZATION AND OVERVIEW

[RESERVED]

This Chapter is reserved for future adoption by the Polk Regional Water Cooperative Board of Directors.

CHAPTER 2 — GOVERNANCE AND AUTHORITY

[RESERVED]

This Chapter is reserved for future adoption by the Polk Regional Water Cooperative Board of Directors.

CHAPTER 3 — INVESTMENT POLICY

3.1 Purpose and Responsibility

The purpose of this Investment Policy (the "Policy") is to provide definitive guidelines for the initial and ongoing investment of public funds under the control of the Polk Regional Water Cooperative (the "Cooperative") in excess of those required to meet current expenses, as well as for the management of and reporting of those investments. The primary priority of the Policy is the safety of principal and liquidity of funds to meet projected needs. The optimization of investment return, within the limitation of prudent business judgment, as set forth in Section 218.415, Florida Statutes, and other documents containing investment constraints such as revenue bond resolutions and interlocal agreements, shall be secondary to the requirements for safety of principal and liquidity.

The Executive Director shall be responsible for establishing policies and procedures governing investments. The Board of Directors shall approve statements of policy.

3.2 Scope

This Policy applies to all surplus funds owned by the Cooperative or otherwise under the management control of the Cooperative to the extent that application of this Policy does not conflict with the requirements of any Cooperative bond resolution. In the event of a conflict, the bond resolution shall govern. [Sec. 218.415(1), F.S.]

3.3 Investment Objectives

The investment objectives, in priority order, are: (a) safety of principal; (b) credit risk minimization; (c) interest rate risk minimization; (d) maintenance of liquidity; and (e) market rate of return. [Sec. 218.415(1), F.S.]

3.3.1 Safety of Principal

The foremost objective of this investment program is the safety of the principal of the funds within the portfolios. Investment transactions shall seek to keep capital losses at a minimum, whether they are from securities defaults or erosion of market value. To attain this objective, diversification is required so that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

From time to time, securities may be traded for other similar securities to improve yield, maturity, or credit risk. For these transactions, a loss may be incurred for accounting purposes to achieve optimal investment return, provided any of the following occurs with respect to the replacement security: (a) the yield has been increased; (b) the maturity has been reduced or lengthened; or (c) the quality of the investment has been improved.

3.3.2 Credit Risk

The Cooperative will minimize credit risk of loss with respect to investment of securities by: (a) limiting investments to the authorized investments in this Policy; (b) pre-qualifying the financial institutions, broker-dealers, intermediaries, and advisers with which the Cooperative will do business; (c) diversifying the investment portfolio to protect against losses on individual securities; and (d) performing initial and ongoing credit analysis and review of all credit-sensitive securities held in the portfolio.

3.3.3 Interest Rate Risk

The Cooperative will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by: (a) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market prior to maturity; (b) investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools, and limiting the average maturity of the portfolio in accordance with this Policy; and (c) limiting the maximum duration of the overall portfolio to five (5) years.

3.3.4 Maintenance of Liquidity

The portfolios shall be managed in such a manner that funds are available to meet reasonably anticipated cash flow requirements in an orderly manner. Periodic cash-flow analyses shall be completed to ensure that the portfolios are positioned to provide sufficient liquidity.

3.3.5 Return on Investment

Investment portfolios shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives. However, return is attempted through active management where the Cooperative utilizes a total return strategy (which includes both realized and unrealized gains and losses in the portfolio). This total return strategy seeks to increase the value of the portfolios through reinvestment of income and capital gains. The core of investments is limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed.

3.3.6 Pecuniary-Factors Requirement

The Cooperative shall comply with the applicable requirements of Chapter 2023-28, Laws of Florida, including Section 218.415(24), F.S. The term “pecuniary factor” means a factor that the Cooperative prudently determines is expected to have a material effect on the risk or returns of an investment based on appropriate investment horizons consistent with applicable investment objectives and funding policy. The term does not include the consideration of the furtherance of any social, political, or ideological interests.

3.4 Delegation of Authority

The Cooperative's Board of Directors shall be responsible for approving changes to this Policy. The responsibility for providing guidance and approval of the Cooperative's investment strategy, within the parameters of this Policy, resides with the Executive Director. The management responsibility for all Cooperative funds in the Portfolio and for investment transactions is delegated to the Executive Director or designee, as appropriate, and to its third-party Investment Advisor. Under the direction of the Executive Director, the Senior Finance Manager (or Finance Manager) and the Investment Advisor shall provide active management for the Cooperative's designated funds. The Cooperative's Investment Advisor must be registered under the Investment Advisers Act of 1940. The Executive Director shall establish written procedures for the operation of the Investment Portfolio and a system of internal accounting and administrative controls to regulate the activities of employees.

3.5 Standards of Prudence

The standard of prudence to be used by investment officials shall be the "Prudent Person" standard and shall be applied in the context of managing the overall investment program. Investment officers acting in accordance with written procedures and this Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectation are reported to the Board of Directors in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this Policy. The "Prudent Person" rule [Sec. 218.415(4), F.S.] is as follows:

> *Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment.*

While the standard of prudence to be used by investment officials who are officers or employees is the "Prudent Person" standard, any person or firm hired or retained to invest, monitor, or advise concerning these assets shall be held to the higher standard of "Prudent Expert." That standard shall be that in investing and reinvesting moneys and in acquiring, retaining, managing, and disposing of investments of these funds, the contractor shall exercise the judgment, care, skill, prudence, and diligence under the circumstances then prevailing, which persons of prudence, discretion, and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims, by diversifying the investments of the funds, so as to minimize the risk, considering the probable income as well as the probable safety of their capital.

The Cooperative shall take due care to insure that personnel responsible for making investment decisions have developed sufficient understanding of and have the expertise necessary to evaluate and manage such investments.

The Executive Director or designee, when acting in accordance with written procedures and this Policy and exercising due diligence, shall be relieved of personal responsibility for the performance of any individual security provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

3.6 Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or which could impair their ability to make impartial investment decisions. Investment officials and employees involved in the investment process shall disclose to the Board of Directors any material financial interests in financial institutions that conduct business with the Cooperative, and they shall further disclose any material personal financial or investment positions that could be related to the performance of the Cooperative's investment program. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Cooperative.

3.7 Internal Controls and Investment Procedures

The responsibility to invest and manage the Cooperative's funds is delegated to the Executive Director. The Executive Director shall establish a system of internal controls and operational procedures that are in writing and made a part of the Cooperative's operational procedures. The internal controls shall be designed to prevent losses of funds, which might arise from fraud, employee error, and misrepresentation by third parties, or imprudent actions by employees. The written procedures shall include reference to safekeeping, repurchase agreements, separation of transaction authority from accounting and record keeping, wire transfer agreements, banking service contracts, collateral and depository agreements, and "delivery vs. payment" procedures. The written procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as authorized under the terms of this Policy. These procedures are intended to reduce the relatively low risk that material losses may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. [Sec. 218.415(13), F.S.]

3.8 Continuing Education

The Executive Director, management designee, and/or appropriate staff shall annually complete eight (8) hours of continuing education in subjects or courses of study related to investment practices and products. [Sec. 218.415(14), F.S.]

3.9 Authorized Investment Institutions and Dealers

Investment activity shall be conducted only with issuers, dealers, or financial institutions authorized by any two of the Chair of the Board, Vice-Chair of the Board, or Executive Director. Accounts established with institutions, issuers, or dealers shall be approved by at least two of the Chair of the Board, Vice-Chair of the Board, or Executive Director after evaluation and favorable recommendation by the Cooperative's Investment Advisor. Securities shall be purchased only from financial institutions that are qualified public depositories as defined in Section 280.02(23), Florida Statutes, or from SIPC broker-dealers whose long-term issuer rating (or parent company's long-term issuer rating) is in the "A" category or higher from Standard & Poor's Rating Service and Moody's Investors Service. The Cooperative's Investment Advisor(s) shall utilize and maintain its own list of approved primary and non-primary securities dealers. [Sec. 218.415(9), F.S.]

3.10 Maturity and Liquidity Requirements

To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds shall have maturities of no longer than twenty-four (24) months. Investments of bond reserves, construction funds, and other non-operating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with bond resolutions, but in no event shall exceed five (5) years. Maturities longer than five (5) years require the written approval of the Board. [Sec. 218.415(6), F.S.]

3.11 Risk and Diversification

Assets held shall be diversified to control risks resulting from over-concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which these instruments are bought and sold. The Executive Director (or management designee) and the Investment Advisor shall determine diversification strategies within the established guidelines as outlined by this Policy.

3.12 Competitive Selection of Investment Instruments

After the Executive Director, management designee, or the Investment Advisor has determined the approximate maturity date based on cash-flow needs and market conditions and has analyzed and selected one or more optimal types of investments, a minimum of three (3) Qualified Institutions or Primary Dealers must be contacted and asked to provide bids/offers on the securities in question. Bids will be held in confidence until the bid deemed to best meet the investment objectives is determined and selected. [Sec. 218.415(12), F.S.]

However, if obtaining bids or offers is not feasible or appropriate, securities may be purchased utilizing the comparison-to-current-market-price method on an exception basis. Acceptable current market price providers include, but are not limited to: (a) Tradeweb Information System; (b) Bloomberg Information Systems; (c) The Wall Street Journal or a comparable nationally recognized financial publication providing daily market pricing; or (d) daily market pricing provided by the Cooperative's custodian or its correspondent institutions.

The Executive Director or the Investment Advisor shall utilize the competitive bid process to select the securities to be purchased or sold. Selection by comparison to a current market price, as indicated above, shall only be utilized when, in the judgment of the Executive Director or the Investment Advisor, competitive bidding would inhibit the selection process. Examples of when it is appropriate to use the comparison-to-current-market-value method include: (a) when time constraints due to unusual circumstances preclude the use of the competitive bidding process; (b) when no active market exists for the issue being traded due to the age or depth of the issue; (c) when a security is unique to a single dealer, for example, a private placement; or (d) when the transaction involves new issues or issues in the "when-issued" market. Overnight sweep investments or repurchase agreements will not be bid, but may be placed with the Cooperative's depository bank related to the demand account for which the sweep investments or repurchase agreement was purchased.

3.13 Authorized Investments and Portfolio Composition

Investments shall be made subject to the cash-flow needs and such cash flows are subject to revisions as market conditions and the Cooperative's needs change. However, when the invested funds are needed in whole or in part for the purpose originally intended or for more optimal investments, the Executive Director or management designee may sell the investment at the then-prevailing market price and place the proceeds into the proper account at the Cooperative's custodian or banks. [Sec. 218.415(7), (8), (16), F.S.]

The following are the investment requirements and allocation limits on security types, issuers, and maturities as established by the Cooperative. The Executive Director or management designee shall have the option to further restrict investment percentages from time to time based on market conditions and risk and diversification investment strategies. The percentage allocation requirements for investment types and issuers are calculated based on the original cost of each investment. Investments not listed in this Policy are prohibited.

The securities listed below are authorized securities for all funds to the extent this does not conflict with any of the Cooperative's bond resolutions. In the event of a conflict, the bond resolution will prevail. The allocation limits are intended as a general guide for management of funds under the direct control of Cooperative staff. Investment of debt proceeds and related earnings, including but not limited to construction funds, trust funds, capitalized interest, and debt service reserves, may be invested by the Board by resolution in any amounts and as governed by the applicable bond resolution.

If securities owned by the Cooperative are downgraded by a Nationally Recognized Statistical Rating Organization ("NRSRO") to a level below the quality required by this Policy, it will be the Cooperative's policy to review the credit situation and make a determination as to whether to sell or retain such securities in the portfolio. If a security is downgraded, the Executive Director or management designee will use discretion in determining whether to sell or hold the security based on its current maturity, the economic outlook for the issuer, and other relevant factors. If a decision is made to retain a downgraded security in the portfolio, its presence in the portfolio shall be monitored and reported monthly to the Board. If the Cooperative utilizes the services of an Investment Advisor, the Investment Advisor shall assist the Cooperative in monitoring the credit ratings of securities in the portfolio and shall notify the Executive Director or management designee of any such downgrade.

Table 3-1. Authorized Investments and Portfolio Limits

Security Type	Minimum Rating	Maturity Limit	Max Allocation	Max per Issuer
U.S. Government Securities	N/A	5 Years	100%	N/A
U.S. Government Agencies (full faith and credit)	N/A	5 Years	50%	25%
Federal Instrumentalities (GSEs; non-full faith and credit)	N/A	5 Years	80%	25%
Non-Negotiable Interest-Bearing Time CDs	N/A	2 Years	25%	5%
Commercial Paper	P-1 / A-1	270 Days	25%	5%
Corporate Notes	Single "A" by any two NRSROs	5 Years	25%	5%
Demand Deposit Accounts	N/A	N/A	100%	100%
Money Market Mutual Funds (registered investment companies)	AAAm	N/A	100%	100%
Intergovernmental Investment Pool	AAAm/f	N/A	100%	N/A
Florida PRIME	AAAm	N/A	100%	N/A

3.14 Master Repurchase Agreement

The Cooperative shall require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Securities Industry and Financial Markets Association (“SIFMA”) Master Repurchase Agreement. All repurchase agreement transactions shall adhere to the requirements of the SIFMA Master Repurchase Agreement.

3.15 Derivatives and Reverse Repurchase Agreements

Investment in any derivative products or the use of reverse repurchase agreements requires specific Board of Directors approval prior to their use. If the Board of Directors approves the use of derivative products, the Executive Director or management designee shall develop sufficient understanding of the derivative products and have the expertise to manage them. A “derivative” is defined as a financial instrument the value of which depends on, or is derived from, the value of one or more underlying assets or indices or asset values. If the Board of Directors approves the use of reverse repurchase agreements or other forms of leverage, the investment shall be limited to transactions in which the proceeds are intended to provide liquidity and for which the Executive Director or management designee has sufficient resources and expertise to manage them. [Sec. 218.415, F.S.]

3.16 Performance Measurement

In order to assist in the evaluation of the portfolios’ performance, the Cooperative will use performance benchmarks for short-term and long-term portfolios. The use of benchmarks will allow the Cooperative to measure its returns against other investors in the same markets. [Sec. 218.415(3), F.S.]

- Investment performance of funds designated as short-term funds and other funds that must maintain a high degree of liquidity will be compared to the average of the yields of the ICE BAML three-month U.S. Treasury Bill Index for the time period being measured. Investments of current operating funds shall have maturities of no longer than twenty-four (24) months.
- Investment performance of funds designated as core funds and other non-operating funds that have a longer-term investment horizon will be compared to the ICE BAML 1-3 Year U.S. Treasury Note Index, and the portfolio’s total rate of return will be compared to this benchmark. The appropriate index will have a duration and asset mix that approximates the portfolios and will be utilized as a benchmark to be compared to the portfolios’ total rate of return. Investments of bond reserves, construction funds, and other non-operating funds (“core funds”) shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years.

3.17 Reporting

The Executive Director or management designee shall receive from the Investment Advisor a Monthly and Quarterly Investment Report. The Executive Director and/or management designee shall provide the Board of Directors with bi-monthly Investment Reports. The Monthly and/or Quarterly Investment Reports shall include but are not limited to the following: [Sec. 218.415(15), F.S.]

- Details of the portfolio by fund type.
- Recent market conditions, economic developments, and anticipated investment conditions.

- The investment strategies employed in the most recent quarter.
- A description of all securities held in investment portfolios at month-end, as well as their cost and carrying value, market value, and yield performance for that period.
- The total rate of return for the quarter and year-to-date versus appropriate benchmarks.
- Any areas of the Policy of concern warranting possible revisions to current or planned investment strategies. The market values presented in these reports will be consistent with the accounting guidelines of GASB Statement 31.

3.18 Third-Party Custodial Agreements

Securities, with the exception of certificates of deposit, shall be held with a third-party custodian, and all securities purchased by, and all collateral obtained by, the Cooperative shall be properly designated as an asset of the Cooperative. The securities must be held in an account separate and apart from the assets of the financial institution. A third-party custodian is defined as any bank depository chartered by the federal government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposit will be placed in the provider's safekeeping department for the term of the deposit. The custodian shall accept transaction instructions only from those persons who have been duly authorized by the Executive Director and whose authorization has been provided, in writing, to the custodian. No withdrawal of securities, in whole or in part, from safekeeping shall be permitted unless by such a duly authorized person. [Sec. 218.415(10), (18), F.S.]

The custodian shall provide the Executive Director or management designee with safekeeping statements that provide detailed information on the securities held by the custodian. On a monthly basis, the custodian shall also provide reports that list all securities held for the Cooperative, the book value of holdings, and the market value as of month-end. Security transactions between a broker-dealer and the custodian involving the purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Securities held as collateral shall be held free and clear of any liens.

3.19 Investment Review and Strategy

The Executive Director shall be responsible for consulting with the Investment Advisor and staff for the purpose of formulating alternative investment strategies and short-range directions within the guidelines set forth herein and for monitoring the performance and structure of the Cooperative's portfolio. A designee of the Executive Director will provide the Executive Director with current market information, an updated portfolio listing and analysis, and various pertinent financial data. The Executive Director shall consult with the Investment Advisor and/or staff as often as deemed necessary, under the given conditions, to review, discuss, and affirm or alter the current investment strategy and to perform other functions as herein provided. The Executive Director's activities shall include but not be limited to: review and setting of investment strategies; review and establishment of written investment procedures; review and approval of bank and other rating agency services; review and approval of source documentation regarding issuers, institutions, and dealers; and any other functions as defined herein.

3.20 Securities Disposition

Every security purchased on behalf of the Cooperative must be properly earmarked and, if in book-entry form, must be held for the credit of the Cooperative by a depository chartered by the federal government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida, and must be kept by the depository in an account separate and apart from the assets of the financial institution.

3.21 Preemption

Any provision of any special act, municipal charter, or other law that prohibits or restricts the Cooperative from complying with Section 218.415, Florida Statutes, or any rules adopted under Section 218.415, Florida Statutes, is void to the extent of the conflict.

3.22 Audits

Certified public accountants conducting audits of the Cooperative shall report, as part of the audit, whether the Cooperative has complied with Section 218.415, Florida Statutes.

3.23 Investment Policy Adoption

The Investment Policy shall be adopted by Cooperative resolution. The Executive Director and the Investment Advisor shall review this Policy annually. If a change in the Policy is recommended for approval by the Executive Director, the Executive Director or designee shall prepare the necessary report to the Board.

3.24 Glossary of Cash and Investment Management Terms

A glossary of cash and investment management terms is incorporated as Attachment A to this Chapter and is on file with the Records Custodian of the Cooperative. The glossary, originally adopted as Attachment A to the Investment Policy approved under Resolution 2025-33, is intended to assist in the consistent interpretation and application of this Chapter and shall be updated by the

Executive Director as needed to reflect changes in market terminology. The glossary is incorporated by reference and made part of this Chapter as if fully set forth herein.

History Note: Originally adopted as the PRWC Investment Policy by Resolution 2023-08 on April 26, 2023. Amended and restated by Resolution 2025-33 on November 19, 2025. Incorporated as Chapter 3 of this Policy Manual by Resolution 2026-___ on May 25, 2026.

CHAPTER 4 — RESERVE POLICY

4.1 Purpose and Scope

Section 11.05 of the Master Bond Resolution, as amended (the "MBR"), specifies a minimum requirement of debt-service coverage compliance of not less than one hundred fifteen percent (115%) of the aggregate Bond Service Requirement, which includes all debt-service payments on senior lien debt, and also includes the line-of-credit issued pursuant to the MBR. The senior debt issued through the State Revolving Fund loan program also requires a minimum debt-service coverage of one hundred fifteen percent (115%). These requirements necessitate the establishment of a Reserve Policy by the Polk Regional Water Cooperative (the "Cooperative").

The purpose of this Policy is to provide adequate annual net cash flows and to accumulate appropriate reserve funds over time so as to establish the Cooperative's financial position and credit. In order to accomplish this goal, the Cooperative shall establish a minimum debt-service coverage target of one hundred twenty-five percent (125%) of the aggregate annual debt-service payments on all senior lien and subordinate obligations, calculated using the same assumptions as set forth in the definition of Bond Service Requirement in the MBR.

As provided in the Implementation Agreements, the sum of all principal and interest payments on debt and the associated required coverage allowance of one hundred twenty-five percent (125%) are included in each Member's estimated future Base Rate Charge. The draft Business Plan Report dated December 16, 2022, estimated that the amount of cash reserve funds created based on the targeted compliance results would accumulate over time, resulting in an annual average contribution by Project Participants of approximately Six Million Dollars ($6,000,000) per year by Fiscal Year 2032, when principal and interest on the proposed Water Infrastructure Finance and Innovation Act ("WIFIA") Loans become due. This Policy identifies three (3) priority cash-reserve funding levels, set forth in Section 4.2 below. Revenues resulting from the twenty-five percent (25%) debt-service coverage requirement on the State Revolving Fund loans that were issued pursuant to the Combined Projects Implementation Agreement will be allocated among all active Cooperative Projects based on each Project Participant's Water Cost Proportionate Share in each Project.

Unless otherwise defined, capitalized words used in this Chapter have the same meaning as ascribed to them in the MBR.

4.2 Allocation of Excess Reserve Funds

4.2.1 Project Debt Service Reserve Funds

The Cooperative shall establish separate restricted Debt Service Reserve Funds ("DSRFs") as required under the MBR for senior and subordinated debt obligations. This Section 4.2.1 shall apply to the WIFIA Loan as evidenced by the related Polk Regional Water Cooperative Water Revenue Bond, Series 2023D and Polk Regional Water Cooperative Water Revenue Bond, Series

2023E, issued under the MBR. Future senior parity debt or subordinated debt issued by the Cooperative may, but shall not be required to, fund a DSRF, as provided in the applicable supplemental resolution to the MBR.

The Cooperative shall establish separate restricted DSRFs in its accounting records for the Southeast Wellfield Project and the West Polk Wellfield Project for the WIFIA Loan, as required by the MBR. These DSRFs may be deposited in a single bank account and commingled for investment purposes as provided in the MBR. The Cooperative shall deposit into each DSRF an amount equal to no less than fifty percent (50%) of the maximum WIFIA Debt Service on the WIFIA Loan for each Project in any Fiscal Year, with WIFIA Debt Service calculated for this purpose to assume disbursement of the entire available WIFIA Loan for the Project on the initial disbursement date, regardless of actual disbursement amount.

The DSRFs shall be funded by the Cooperative using the Pro-Rated DSR Amount (as defined below) for each Fiscal Year following the initial disbursement of the WIFIA Loan. The initial Pro-Rated DSR Amount shall be deposited into the Southeast Wellfield Project DSRF on or prior to the date of the first disbursement of the WIFIA Loan, and thereafter by each September 30 after the initial deposit was made until funded in full. The initial Pro-Rated DSR Amount shall be deposited into the West Polk Wellfield Project DSRF on or prior to the date of the first disbursement of the WIFIA Loan, and thereafter by each September 30 after the initial deposit was made until funded in full.

The Pro-Rated DSR Amount shall be calculated separately for the Southeast Wellfield Project WIFIA Loan and the West Polk Wellfield WIFIA Loan. The Pro-Rated DSR Amount is the amount equal to fifty percent (50%) of the maximum WIFIA Debt Service (assuming disbursement of the entire WIFIA Loan) divided by the number of Fiscal Years from the date of the first disbursement of the WIFIA Loan to the end of the Interest-Only Period (the "Pro-Rated DSR Amount"). The Pro-Rated DSR Amount shall be adjusted upon a decrease in the interest rate on the WIFIA Loan or if, by the Final Disbursement Date, the WIFIA Loan has not been disbursed in full; any funds in excess of the applicable recalculated Pro-Rated DSR Amount shall be released from the applicable DSRF and deposited into the Revenue Fund in accordance with the MBR.

Funds collected from Project Participants in excess of the Pro-Rated DSR Amounts for the Southeast Wellfield and West Polk Wellfield WIFIA Loans at the time the annual audit is completed for the prior Fiscal Year shall be used in the following order: (1) satisfy any reserve fund deficiency in the Renewal and Replacement Fund until the balance required by Section 4.2.2 is met; (2) satisfy any reserve fund deficiency in the Reserve Fund until the balance required by Section 4.2.3 is met; and (3) any remaining excess funds may be distributed back to the Project Participants after acceptance of the audit results by the Board of Directors. Allocation of such excess funds shall be based on each Project Participant's pro-rated payment of the Base Rate Charge for the prior Fiscal Year for those Cooperative Projects for which it is a Project Participant.

4.2.2 Renewal and Replacement Fund

The Cooperative shall establish an unrestricted Renewal and Replacement Fund for the entire Cooperative System. In its accounting records, the Cooperative shall establish sub-funds for each Cooperative Project, which may be deposited in a single bank account and commingled for investment purposes as provided in the MBR. Any excess revenues above the minimum required transfers to the DSRF shall be deposited in the Renewal and Replacement Fund. The annual deposit shall not exceed five percent (5%) of the prior Fiscal Year's Gross Revenue. An annual deposit is required until the balance in the Renewal and Replacement Fund equals the greater of: (1) Four Million Dollars ($4,000,000); (2) Two Million Dollars ($2,000,000) for each active Cooperative Project; or (3) the estimated Annual Capital Replacement and Renewal Cost for all Cooperative Projects for the upcoming Fiscal Year (the "Maximum RRF Requirement").

Funds in the Renewal and Replacement Fund may be used at the request of the Executive Director, following approval by the Board of Directors, for any lawful purpose of the Cooperative. Any use of funds in the Renewal and Replacement Fund shall include a plan for restoring those funds back to the minimum levels within a reasonable period of time established by the Board of Directors.

Funds in the Renewal and Replacement Fund in excess of the Maximum RRF Requirement for the upcoming Fiscal Year at the time the Cooperative Budget is adopted shall be used to satisfy any reserve fund deficiency in the Reserve Fund until the balance required by Section 4.2.3 is met.

4.2.3 Reserve Fund (Operating Account)

The Cooperative shall establish an unrestricted Reserve Fund, also known as the "Operating Account," for the entire Cooperative System. In its accounting records, the Cooperative shall establish sub-funds for each Cooperative Project, which may be deposited in a single bank account and commingled for investment purposes as provided in the MBR. Funds in excess of the Pro-Rated DSR Amounts and the Renewal and Replacement Fund shall be deposited in the Operating Account until the Reserve Fund balance equals ninety (90) days of Operation and Maintenance Costs for the Cooperative System, which reflects the estimated operating and maintenance expenses of all Cooperative Projects for the upcoming Fiscal Year.

Funds in the Operating Account may be used at the request of the Executive Director, following approval by the Board of Directors, for any lawful purpose of the Cooperative, including but not limited to payment of a defaulting Project Participant(s)' Base Rate Charge, in the short term, under the Implementation Agreements, in order to ensure the continued operation of the Projects and payment of the Debt Service until the defaulting Project Participant(s) cures the default. Any use of funds in the Operating Account shall include a plan for restoring those funds back to the minimum levels within a reasonable period of time established by the Board of Directors.

Funds in the Operating Account in excess of ninety (90) days of the estimated operating and maintenance expenses of all Cooperative Projects for the upcoming Fiscal Year at the time the Cooperative Budget is adopted may be distributed to the Project Participants after acceptance of the audit results by the Board of Directors, based on each Project Participant's pro-rated payment of its Base Rate Charge for the prior Fiscal Year for those Cooperative Projects for which it is a Project Participant.

4.3 Coordination with Implementation Agreements

To the extent that any Implementation Agreement separately provides for Reserves that are calculated, funded, or distributed differently from the standards in Section 4.2, the Implementation Agreement governs the Project to which it applies. In particular, Section 18.2 (Step-Up Requirement) of the Second Amended and Restated Implementation Agreements for the Southeast Wellfield Project and the West Polk Lower Floridan Aquifer Wellfield Project requires that, upon any failure of a Project Participant to pay the Base Rate Charge when due, the Cooperative shall first apply Reserves to cure the default, and that the remaining non-defaulting Project Participants shall make up any shortfalls created by the defaulting Project Participant(s) pro rata to their Water Cost Proportionate Shares. Reserves so applied shall be replenished by recovery from the defaulting Project Participant in the priority order established by the applicable bond resolution and by Section 18.2 of the SEWF and WPLFA Implementation Agreements.

4.4 Annual Review and Reporting

Reserves shall be reviewed annually in connection with the Cooperative's annual audit. The Executive Director shall report Reserve balances, contributions, and projected funding levels to the Board of Directors not less than annually, and at any other time the Reserves are below the levels required by this Policy. Where Reserves fall below the levels required by this Policy, the Executive Director shall present a plan to restore Reserves consistent with the timeline expectations of this Policy and the Implementation Agreements.

History Note: Adopted by motion of the PRWC Board of Directors at the September 20, 2023, regular meeting (Item E.2, Consent Agenda; motion by Commissioner Lake, seconded by Commissioner Godard, adopted unanimously). Incorporated as Chapter 4 of this Policy Manual by Resolution 2026-___ on May 25, 2026.

CHAPTER 5 — FINANCIAL ACCOUNTS AND CASH MANAGEMENT

[RESERVED]

This Chapter is reserved for future adoption by the Polk Regional Water Cooperative Board of Directors.

CHAPTER 6 — PROCUREMENT OF GOODS, SERVICES, AND PROFESSIONAL SERVICES

[RESERVED]

This Chapter is reserved for future adoption by the Polk Regional Water Cooperative Board of Directors.

CHAPTER 7 — BUDGET AND RATE-SETTING

[RESERVED]

This Chapter is reserved for future adoption by the Polk Regional Water Cooperative Board of Directors.

CHAPTER 8 — WATER CHARGES, BILLING, AND ANNUAL TRUE-UP

This Chapter governs the calculation, billing, collection, and annual reconciliation ("True-Up") of Water Charges payable by Project Participants under the Combined Projects Implementation Agreement, the Southeast Wellfield ("SEWF") Implementation Agreement, the West Polk Lower Floridan Aquifer Wellfield ("WPLFA") Implementation Agreement, and any future Implementation Agreement that incorporates a Water Charge mechanism. This Chapter implements the operative provisions of those agreements and is subject in all respects to the controlling text of the applicable Implementation Agreement. To the extent any provision of this Chapter conflicts with an Implementation Agreement, the Implementation Agreement controls.

8.1 Authority

The Cooperative's authority to fix and collect Water Charges arises from Section 2.06(R) and Section 2.08 of the Interlocal Agreement, Section 11 of the Combined Projects Implementation Agreement, Section 13 of the SEWF and WPLFA Implementation Agreements, and the Master Bond Resolution.

8.2 Components of the Water Charge

The Water Charge for an Approved Project consists of a Base Rate Charge and, where applicable, a Water Use Charge.

8.2.1 Base Rate Charge

The Base Rate Charge recovers the fixed costs of providing wholesale water service. The components of the Base Rate Charge are:

- Debt Service (principal, interest, line-of-credit interest, annual fees, debt-issuance costs);
- Debt-service coverage in accordance with the Reserve Policy adopted as Chapter 4 of this Manual (125%);
- Unfunded Capital costs for the Project;
- Unfunded other costs allocable to the Project;
- Fixed Operations and Maintenance ("Fixed O&M") for the Project; and
- Reserves (as required by Section 13 of the SEWF and WPLFA Implementation Agreements, beyond debt-service coverage).

The Base Rate Charge is offset by any Offsetting Revenue identified in the Project Budget, including SWFWMD cooperative funding, federal or state grants, and other revenue not derived from Project Participants' Base Rate Charges.

8.2.2 Water Use Charge

The Water Use Charge recovers the variable cost of water actually delivered to the Project Participant. Variable Operations and Maintenance ("Variable O&M") is divided by the total Project Water Estimate and charged per one thousand (1,000) gallons of water actually used. The Water Use Charge is invoiced monthly based on metered or otherwise verified usage.

8.3 Allocation Methodology by Project

8.3.1 Combined Projects

For the Combined Projects, the Base Rate Charge is allocated to each Project Participant in proportion to its Water Allocation. The Combined Projects Implementation Agreement Section 11.3.1 establishes the components and Section 11.3.2 establishes the Variable O&M allocation methodology. Section 11.4.1 requires twelve (12) equal monthly installments of the Base Rate Charge from October 1 through September 1, and Section 11.2 requires annual Water Charge notification by August 15.

8.3.2 SEWF and WPLFA Projects

For the SEWF and WPLFA Projects, the Base Rate Charge is allocated by Water Allotment Percentage as set forth in Section 1.47 of each Implementation Agreement (the "Water Allotment Table"). The Water Allotment Table is amended only by amendment to the Implementation Agreement, by True-Up under Section 10 (see Section 8.5 of this Chapter), or by Allotment transfer under Section 11 or Section 20 of the Implementation Agreement (see Chapter 9 of this Manual). Annual Water Charge notification shall be provided to Project Participants by May 31 (Implementation Agreement Sec. 13.2). Grants received reduce the Water Charge to the Project Participant(s) to which they apply (Sec. 13.6).

8.4 Billing, Collection, and Delinquency

8.4.1 Invoicing

Base Rate Charges shall be invoiced in twelve (12) equal monthly installments. Water Use Charges shall be invoiced monthly based on metered or otherwise verified usage. Invoices shall be transmitted electronically and by U.S. mail (where required) to the billing contact designated by each Project Participant.

8.4.2 Payment Terms

Payment is due by the date stated on the invoice. Unpaid amounts shall accrue interest at the rate set forth in the applicable Implementation Agreement (eight percent (8%) per annum for the Combined Projects, Implementation Agreement Sec. 8.5.5; the rate set under Section 55.03, Florida Statutes, for the SEWF and WPLFA Projects, or as specified in the Implementation Agreement).

8.4.3 Delinquency, Cure, Default

Failure to pay a Water Charge when due constitutes a default subject to the cure and remedies provisions of the applicable Implementation Agreement. For Combined Projects, Section 16.3 of the Implementation Agreement establishes a ninety (90) day past-due trigger for default, with thirty (30) days' notice of service suspension. For SEWF and WPLFA Projects, Section 18.4 of each Implementation Agreement establishes a fifteen (15) day notice period for service suspension; Section 18.2 requires application of Reserves first to cure any default and obligates the remaining non-defaulting Project Participants to make up shortfalls pro rata to their Water Cost Proportionate Shares. The replenishment of Reserves so applied is governed by Chapter 4 of this Manual and Sec. 18.2 of the SEWF and WPLFA Implementation Agreements. For all Projects, Section 2.12 of the Interlocal Agreement authorizes appointment of a receiver of the defaulting Project Participant's water-utility-system revenues, subordinate only to bondholder receiver rights.

8.5 Annual True-Up

8.5.1 Audit Deadline

Pursuant to Section 11.5 of the Combined Projects Implementation Agreement and Section 13.5 of each of the SEWF and WPLFA Implementation Agreements (as amended by First Amendment of July 27, 2023), the Cooperative shall annually complete an audit determining what the Water Charge for each Project Participant should have been based on actual costs incurred and (for the Combined Projects) actual water use during the preceding Fiscal Year. The audit shall be conducted by a nationally recognized certified public accounting firm. The audit deadlines are:

- Combined Projects: by January 31 following the close of the prior Fiscal Year (Sec. 11.5).
- SEWF and WPLFA Projects: by March 31 following the close of the prior Fiscal Year (Sec. 13.5, as amended).

8.5.2 Assumed-Use Rule (SEWF and WPLFA)

For purposes of verifying the Base Rate Charge of a SEWF or WPLFA Project Participant, Section 13.5 of each Implementation Agreement directs that "it shall be assumed that the Project Participants have used the quantity of water specified in their Project Water Estimates even if actual water use was less." Accordingly, the True-Up for the Base Rate Charge of SEWF and WPLFA Project Participants is computed on an Estimate basis, not on actual-use basis.

8.5.3 Application of True-Up Differences

Underpayments determined by the True-Up shall be added to, and overpayments shall be deducted from, the Base Rate Charge for the next Fiscal Year. The Executive Director shall transmit a True-Up statement to each Project Participant within fifteen (15) Business Days after audit completion, identifying the underpayment or overpayment and its application to the next Fiscal Year's Base Rate Charge.

8.5.4 Five-Year Allotment True-Up (SEWF and WPLFA)

Section 10.6 of the SEWF and WPLFA Implementation Agreements requires that, at least once in every five-year period (and any time a Project Participant's 2045 Water Allotment increases), the Cooperative conduct a true-up of the Water Allotment Table and of each Project Participant's Water Cost Proportionate Share. Anchor Project Participant Water Allotments may not be reduced while any Obligation is outstanding except as expressly authorized by the lender (or, for WPLFA, by the United States Environmental Protection Agency).

8.6 True-Up Procedures

8.6.1 Audit Engagement

The annual True-Up audit shall be conducted by the Cooperative's independent auditor or by another nationally recognized certified public accounting firm engaged through the procurement processes in Chapter 4. The Executive Director shall communicate the scope of the True-Up audit to the auditor not later than ninety (90) days before the relevant audit deadline.

8.6.2 Data Submitted to Audit

The Cooperative's Senior Finance Manager (and, after FY 2029, the Director of Finance and Administration) shall provide to the audit firm: actual costs by Project for the audited Fiscal Year; the budget originally adopted; the Water Charge originally notified; any in-year amendments; actual water use (for Combined Projects); the Estimates filed by each SEWF and WPLFA Project Participant; SWFWMD cooperative funding receipts; grant receipts; and other Offsetting Revenue.

8.6.3 Audit Report

The audit firm shall report, in writing, by Project, by Project Participant, and by line item: (a) the Water Charge originally invoiced; (b) the Water Charge that should have been invoiced based on actual costs; (c) the difference; (d) the proposed application of the difference to the next Fiscal Year's Base Rate Charge; and (e) any open items recommended for further Board action.

8.6.4 Board Acceptance

The Board (or Project Board, as applicable) shall accept the True-Up audit results at a public meeting following audit completion. Once accepted, the True-Up results shall be applied to the next Fiscal Year's Base Rate Charge through the budget process described in Chapter 5.

8.7 Distribution of Excess Reserves

Funds in excess of the levels required by the Reserve Policy (Chapter 3 of this Manual) at the time of Board acceptance of the audit results may be distributed to the Project Participants, pro rata to their respective Base Rate Charge payments for the prior Fiscal Year, in accordance with Sections 3.2.1, 3.2.2, and 3.2.3 of this Manual.

8.8 Dispute Resolution

A Project Participant disputing a Water Charge or True-Up result shall first notify the Executive Director in writing within thirty (30) days after the disputed invoice or True-Up statement. The Executive Director shall meet with the Project Participant within thirty (30) days to attempt resolution. If not resolved, the matter shall be referred to the Chair of the Board of Directors, who may convene an ad hoc Dispute Committee. If still not resolved, the dispute shall be subject to Chapter 164, Florida Statutes, conflict-resolution proceedings as a precondition to any litigation, consistent with the dispute-resolution provisions of the applicable Implementation Agreement.

History Note: Adopted as Chapter 8 of this Policy Manual by Resolution 2026-___ on May 25, 2026. Codifies the annual True-Up methodology presented to the Board of Directors on September 17, 2025 (PRWC True-Up Presentation).

CHAPTER 9 — WATER ALLOTMENT TRANSFERS (WATER SWAP)

[RESERVED]

This Chapter is reserved for future adoption by the Polk Regional Water Cooperative Board of Directors.

CHAPTER 10 — CAPITAL ASSET POLICY

10.1 Purpose

To provide for the safeguarding of capital assets and to provide Polk Regional Water Cooperative (PRWC) personnel with accounting guidance applicable to the several categories of capital assets.

10.2 Statutory Requirements

Chapter 274, F.S., governs the administration of tangible personal property owned by certain local governments. Section 274.01, F.S., defines "governmental units" for purposes of the requirements as the governing board, commission or authority of a county or taxing district of the State or the sheriff of the county. Section 274.02, F.S., defines "property" as fixtures and other tangible personal property of a nonconsumable nature and requires the State's Chief Financial Officer to establish, by rule, the requirements for the recording of property.

State issued laws and rules addressing local government capital assets are as follows:

- Florida Statutes Chapter 274.
- Department of Financial Services Rule 69I-73.

10.3 Capital Asset Valuation

Capital assets should be reported at their historical cost, which can include: (1) all charges to place the asset in its intended location (for example, freight); (2) all charges to place the asset in its intended condition for use (for example, installation or site preparation); and, (3) subsequent additions or improvements that enhances a capital asset's functionality or extends its expected useful life. Expenditures for repairs are generally not included in historical cost. If historical cost information is not available, estimated historical cost may be used.

Donated capital assets should be reported at their acquisition value on the date the donation is made. Typical donated capital assets include land, buildings, furniture, fixtures, and equipment.

10.4 Definitions

Terms relating to the accounting for capital assets are defined in the following paragraphs.

Capital assets are tangible assets of significant value having a useful life that extends beyond one year. The capital assets included in this accounting system are land, buildings, improvements, infrastructure, equipment, leasehold improvements and intangible assets as further defined.

10.4.1 Land

Land includes the investment, fee simple in real estate other than building and/or improvements.

10.4.2 Buildings

Buildings include all local government owned buildings except those whose condition prevents their serving any present or future useful purpose. Permanently installed fixtures to or within the building, such as lighting fixtures and plumbing are considered a part of the building. The costs of major improvements to a building, such as additions and renovations, should be capitalized and recorded as a part of the building asset value.

10.4.3 Improvements

Improvements are physical property of a relatively permanent nature. Examples include storage tanks, parking areas and park facilities.

10.4.4 Infrastructure

Infrastructure includes capital expenditures relating to roads, curbs and gutters, streets, sidewalks, shoulder safety, drainage systems and lighting systems.

10.4.5 Equipment

Equipment includes moveable property of a relatively permanent nature and of significant value, such as mobile equipment, office equipment, data processing equipment, machines, tools and office furniture and fixtures. “Relatively permanent” is defined as a useful life span of one year or longer when it is applied to equipment to be inventoried.

PRWC may consistently exercise the option to include other items which it desires to maintain accounting control over. Exceptions to the “significant value” definition and the one-year life rule should be applied consistently.

10.4.6 Intangible Assets

Intangible assets include software, easements, and right of ways. An intangible asset can only be recognized as an asset if it is identifiable, meaning it can be sold, transferred, licensed, rented, exchanged, or it arises from contractual or other legal rights as per Governmental Account Standards Board.

10.4.7 Leasehold Improvements

Costs used to increase the service capacity of a leased asset, such as additions, alterations, remodeling, or renovations.

10.4.8 Maintenance

Maintenance is defined as expenditures that neither materially add to the value of an asset nor appreciably prolong its life. Rather, maintenance keeps an asset in ordinary efficient operating condition. As such, maintenance costs should not be capitalized.

10.4.9 Betterments

Betterments consist of the replacement of a unit of an existing asset by an improved or superior unit, usually resulting in a more productive, efficient or longer useful life. Significant betterments are considered as capital assets and should be added to the value of the asset that is improved. Replacement of a part of an existing asset by another of like quality is not betterment, even though the useful life is maintained or extended.

10.5 Asset Acquisition Costs

10.5.1 Land Costs

The acquisition cost of land includes all expenditures relating to its procurement, such as:

- Purchase price.
- Appraisal and negotiation fees.
- Title search fees.
- Surveying fees.
- Costs of consents.
- Payment of damages.
- Clearing land for use.
- Demolishing or removing structures.
- Filing costs.

10.5.2 Building and Other Improvements

The acquisition cost of buildings, improvements, leasehold improvements and infrastructure includes all expenditures in connection with its procurement, such as:

- Purchase price or construction costs.
- Fixtures attached to the structure.
- Architect’s fees.
- Costs of permits and licenses.
- Payment of damages.
- Insurance costs during construction.
- Interest incurred for the purpose of the project — interest on debt.

10.5.3 Equipment Costs

The acquisition cost of equipment includes all expenditures in connection with its procurement, such as: Purchase price or construction costs, before trade-in allowance, less discounts; Freight or other transportation costs; and Installation costs.

10.5.4 Software Costs

The acquisition cost of software created by the government itself (internally generated), by a contracting party acting on the government's behalf, or the purchase of "off-the-shelf" software.

10.5.5 General Asset Accounts

The grouping together of assets that share common characteristics, are placed in service in the same fiscal year, and are depreciated as if they collectively represent one asset. Examples include library resources and radio read meters.

10.6 Custodian

Each department is responsible for the assets assigned to that department and will act as custodian of the property. As specified in Section 274.03, Florida Statutes, each custodian shall be responsible to the governmental unit for the safekeeping and proper use of the property entrusted to his or her care.

10.7 Capital Asset Accounting Transactions

The following procedures shall be applied to capital asset accounting transactions:

- Statutory requirements regarding local government owned tangible personal property shall be adhered to.
- PRWC will create and maintain proper subsidiary ledgers to record capital asset acquisitions and deletions.
- PRWC will balance the subsidiary ledgers to the general ledger on a regular basis.

10.8 Capitalization Thresholds

The following capitalization thresholds have been established:

- Equipment — $5,000.
- Land — capitalize all.
- Buildings — $5,000.
- Improvements — $5,000.
- Software — $5,000.

- Leasehold Improvements — $5,000.

10.9 Depreciation

Depreciation is recorded for capital assets in accordance with Generally Accepted Accounting Principles. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Table 10-1. Estimated Useful Lives for Depreciation

Asset Class	Estimated Useful Life
Buildings	20 – 40 Years
Improvements	20 Years
Water/Sewer Lines	50 Years
Infrastructure	
Pavement Management	15 Years
Surface Treatment	5 Years
Culverts	50 Years
Drainage	50 Years
Stormwater	50 Years
Shoulder Safety	50 Years
Intangibles	Per contract
Leasehold Improvements	Lesser of Life of Lease or Improvement
Equipment	5 – 15 Years

History Note: Adopted by the Polk Regional Water Cooperative Board of Directors as Consent Item E.3 at its regular meeting of September 16, 2020. The Capital Asset Policy was approved as part of the consent agenda on a motion made by Mayor Eugene Fultz (City of Lake Wales) and seconded by Commissioner Charles Lake (City of Lake Alfred); the motion was approved unanimously. Operative source document: "20-08-31 Draft Capital Assets Policy" presented in the agenda packet for the September 16, 2020 meeting.

CHAPTER 11 — DEBT MANAGEMENT

[RESERVED]

This Chapter is reserved for future adoption by the Polk Regional Water Cooperative Board of Directors.

CHAPTER 12 — PERSONNEL AND COMPENSATION/CLASSIFICATION

[RESERVED]

This Chapter is reserved for future adoption by the Polk Regional Water Cooperative Board of Directors.

CHAPTER 13 — TRAVEL AND EXPENSE REIMBURSEMENT

[RESERVED]

This Chapter is reserved for future adoption by the Polk Regional Water Cooperative Board of Directors.

CHAPTER 14 — PUBLIC RECORDS AND OPEN MEETINGS (SUNSHINE)

[RESERVED]

This Chapter is reserved for future adoption by the Polk Regional Water Cooperative Board of Directors.

CHAPTER 15 — RECORDS RETENTION

[RESERVED]

This Chapter is reserved for future adoption by the Polk Regional Water Cooperative Board of Directors.

CHAPTER 16 — ETHICS AND CONFLICTS OF INTEREST

[RESERVED]

This Chapter is reserved for future adoption by the Polk Regional Water Cooperative Board of Directors.

CHAPTER 17 — RISK MANAGEMENT AND INSURANCE

[RESERVED]

This Chapter is reserved for future adoption by the Polk Regional Water Cooperative Board of Directors.

CHAPTER 18 — INFORMATION TECHNOLOGY AND CYBERSECURITY

[RESERVED]

This Chapter is reserved for future adoption by the Polk Regional Water Cooperative Board of Directors.

CHAPTER 19 — PROJECT TIME ALLOCATION AND COST REPORTING

[RESERVED]

This Chapter is reserved for future adoption by the Polk Regional Water Cooperative Board of Directors.

CHAPTER 20 — EMERGENCY RESPONSE AND CONTINUITY OF OPERATIONS

[RESERVED]

This Chapter is reserved for future adoption by the Polk Regional Water Cooperative Board of Directors.

CHAPTER 21 — CONSERVATION

[RESERVED]

This Chapter is reserved for future adoption by the Polk Regional Water Cooperative Board of Directors.

CHAPTER 22 — LAND ACQUISITION

22.1 Purpose and Authority

This Chapter governs the acquisition by the Polk Regional Water Cooperative of fee interests, easements, leasehold interests, rights-of-way, and other real-property interests required for the development, construction, operation, and maintenance of the Cooperative's Approved Projects. It implements Sections 2.06(M), 2.06(N), and 2.06(LL) of the Interlocal Agreement and the streamlined three-tier approval process originally approved by the Southeast Wellfield Project Board on September 21, 2022, by Cooperative Resolution 2022-12, as amended by Resolution 2023-05 on March 22, 2023, and further amended by Resolution 2024-12 on March 20, 2024. The express predicate for this delegated-authority structure is the Board of Directors' authority under Sections 2.02 and 2.03(A) of the Interlocal Agreement to delegate any and all executive, administrative, and ministerial powers, including powers regarding a specific Approved Water Project.

22.2 Application

This Chapter applies to all real-property interests acquired by the Cooperative for any Approved Project, including without limitation the Southeast Wellfield Project, the West Polk Lower Floridan Aquifer Wellfield Project, the Combined Projects, the Conservation Project, the Alafia River Project, the Peace River/Land Use Transition Treatment Facility, the Peace Creek Integrated Water Supply Project, and any future Approved Project, except as otherwise expressly provided by the applicable Project Board resolution. The Cooperative undertakes major land acquisitions in connection with the Southeast Wellfield Project, which involves the acquisition of approximately three hundred twenty-nine (329) easement parcels along approximately ten (10) miles of raw water pipeline and sixty-one (61) miles of finished water transmission pipeline, plus the wellfield, treatment facility, and injection well sites; the volume of acquisitions for this and other Approved Projects, coupled with the Board of Directors' bi-monthly meeting schedule, requires a streamlined delegated approval process to maintain construction schedules and federal/state grant compliance.

22.3 Definitions

- "Appraised Value" means the value of the real-property interest to be acquired, as established by an appraisal that meets the Uniform Standards of Professional Appraisal Practice ("USPAP") and the applicable requirements of the funding instrument, performed by a licensed Florida appraiser engaged by the Cooperative.
- "Attorney's Fees and Other Costs" means the legal fees, expert-witness fees, mediation costs, court costs, appraisal-review costs, title-insurance premiums, recording fees, survey costs, environmental-assessment costs, and other

transaction costs associated with the acquisition of a real-property interest, separate and apart from the consideration paid for the interest itself.

- "Land Acquisition Executive Committee" means the committee established under Section 22.4.2, composed of three (3) Project Board members and one (1) alternate Project Board member appointed by the Project Board of Directors.
- "Project Board" means the Board of Directors of the Cooperative sitting as a Project Board with respect to a specific Approved Project, as established by Section 2.03 of the Interlocal Agreement.
- "Real-Property Interest" means any fee simple, easement, leasehold, right-of-way, license, or other interest in real property, whether perpetual, term, temporary, or revocable.
- "Declaration of Restrictive Covenants" means an instrument required by the Florida Department of Environmental Protection ("FDEP") Grant Agreement LPA0212, as amended, or by any other funding instrument, recording in the public records of the county where the real property is located the restrictive covenants required by the funding agency to be applied in perpetuity to the property acquired with grant funds.

22.4 Three-Tier Approval Process

The acquisition of any real-property interest, and the incurrence of any attorney's fees and other costs in connection with that acquisition, shall be approved at the tier specified below by reference to (i) the percentage by which the proposed consideration exceeds the Appraised Value of the real-property interest, and (ii) the dollar amount of the proposed consideration or of the proposed attorney's fees and other costs. Where the consideration or the fees/costs fall within multiple tiers, the higher tier governs.

22.4.1 Executive Director (Tier I)

The Executive Director is hereby delegated the authority to approve, in writing and on behalf of the Cooperative:

- All real-property acquisitions at a price up to fifty percent (50%) above the Appraised Value of the real-property interest, or up to One Hundred Thousand Dollars ($100,000), whichever is higher; and
- All Attorney's Fees and Other Costs associated with such acquisitions in an amount up to and including One Hundred Fifty Thousand Dollars ($150,000) per acquisition.

The Executive Director shall execute, on behalf of the Cooperative, the purchase agreement, deed of conveyance or easement, settlement statement, and all related closing documents necessary to complete the acquisition. The Executive Director may delegate the day-to-day administration of acquisitions to the Cooperative's land-acquisition consultant and eminent-domain counsel; final written approval, however, remains with the Executive Director.

22.4.2 Land Acquisition Executive Committee (Tier II)

A Land Acquisition Executive Committee is hereby established, composed of three (3) Project Board members and one (1) alternate Project Board member appointed by the Project Board of Directors. The Land Acquisition Executive Committee shall be a public body whose meetings are subject to Chapter 286, Florida Statutes (Sunshine Law) and Chapter 14 of this Manual. The Land Acquisition Executive Committee is delegated the authority to approve:

- All real-property acquisitions at a price greater than fifty percent (50%) and up to one hundred percent (100%) above the Appraised Value of the real-property interest, or in the dollar range greater than One Hundred Thousand Dollars ($100,000) and up to and including Five Hundred Thousand Dollars ($500,000), whichever range is higher; and
- All Attorney's Fees and Other Costs associated with such acquisitions in an amount greater than One Hundred Fifty Thousand Dollars ($150,000) and up to and including Three Hundred Thousand Dollars ($300,000) per acquisition.

The Land Acquisition Executive Committee shall meet on call of the Executive Director and shall act by majority vote of a quorum of two (2) of the three (3) members; the alternate member shall vote in the absence of any sitting member.

22.4.3 Project Board (Tier III)

The Project Board of Directors reserves to itself the authority to approve:

- All real-property acquisitions at a price exceeding one hundred percent (100%) above the Appraised Value of the real-property interest, or exceeding Five Hundred Thousand Dollars ($500,000), whichever is higher; and
- All Attorney's Fees and Other Costs associated with such acquisitions exceeding Three Hundred Thousand Dollars ($300,000) per acquisition.

22.5 Appraisal Requirements

Before any real-property interest may be approved for acquisition under any Tier of this Chapter, the Cooperative shall obtain an appraisal of the property by a Florida-licensed appraiser, prepared in accordance with USPAP and with the appraisal requirements of any applicable funding instrument (including without limitation the Federal Uniform Act, 42 U.S.C. § 4601 et seq., for federally funded acquisitions, and Chapter 73, Florida Statutes, where eminent-domain proceedings are anticipated). Where the proposed acquisition is funded in whole or in part by FDEP, SWFWMD, or another funding agency that imposes appraisal-review requirements, an appraisal review by a second qualified appraiser shall be obtained as required by that funding instrument.

22.6 Declarations of Restrictive Covenants

The Executive Director is delegated the authority, on behalf of the Cooperative, to execute and record in the public records of the county where the real-property interest is located a Declaration of Restrictive Covenants as required by FDEP Grant Agreement LPA0212, as amended, by any successor or replacement FDEP grant agreement, and by any other funding instrument that imposes recordable restrictive-covenant requirements. The Executive Director shall coordinate with the Cooperative's eminent-domain counsel on the form and content of each Declaration of Restrictive Covenants to ensure that the form complies with the requirements of the funding agency and does not unnecessarily restrict the Cooperative's use of the property for its intended Project purpose.

22.7 Eminent Domain

Where the Cooperative is unable to acquire a real-property interest by voluntary purchase agreement, the Cooperative may exercise the power of eminent domain in accordance with Section 2.06(N) of the Interlocal Agreement, Chapters 73, 74, and 127, Florida Statutes, and the procedures of this Section.

22.7.1 Resolution of Necessity

The exercise of eminent domain over a specified parcel requires the Project Board's adoption of a Resolution of Necessity identifying the parcel; finding that the acquisition is necessary for the development, construction, operation, or maintenance of an Approved Project; finding that the location of the acquired interest provides the least adverse impact to the property and the environment; and authorizing the Executive Director and the Cooperative's eminent-domain counsel to take all steps necessary to acquire the interest, including without limitation the filing of a petition for eminent domain in the Circuit Court for the Tenth Judicial Circuit in and for Polk County, Florida.

22.7.2 Deposit and Order of Taking

In connection with any eminent-domain proceeding, the Executive Director is authorized to cause the Cooperative to deposit with the Court the amount of the Cooperative's good-faith estimate of full compensation (as required by Chapter 74, Florida Statutes), to seek an Order of Taking, and to take possession of the real-property interest upon entry of the Order of Taking. The Executive Director shall report all such deposits and Orders of Taking to the Project Board at the next regular meeting.

22.7.3 Settlement Authority

Settlement of any eminent-domain proceeding shall be in accordance with the Three-Tier Approval Process of Section 22.4. The Executive Director, with the advice of the Cooperative's eminent-domain counsel, may negotiate a stipulated settlement at any Tier consistent with that counsel's recommendation and the appraisal of the property.

22.8 Coordination with Funding Agencies

Acquisitions funded in whole or in part by FDEP, SWFWMD, or another funding agency shall comply with the procurement, appraisal-review, environmental-review, pre-acquisition-notice, and post-acquisition-reporting requirements of the applicable Funding Agreement, in coordination with the Funding-Agency Procurement Compliance section of Chapter 6 of this Manual. The Executive Director shall maintain a current list of funding-agency requirements applicable to each Approved Project and shall ensure that the Cooperative's land-acquisition consultant and eminent-domain counsel are informed of those requirements.

22.9 Records and Reporting

The Executive Director shall maintain, for each Approved Project, a Land Acquisition Log identifying for each real-property interest acquired or under acquisition: (a) the parcel identification number; (b) the property owner; (c) the type of real-property interest; (d) the Appraised Value; (e) the agreed or court-ordered acquisition price; (f) the percentage by which the agreed or court-ordered acquisition price exceeds the Appraised Value; (g) the Attorney's Fees and Other Costs; (h) the Tier at which the acquisition was approved; (i) the date and form of any Declaration of Restrictive Covenants recorded; and (j) the funding source. The Land Acquisition Log shall be presented to the Project Board at every other regular meeting, and to the Land Acquisition Executive Committee on call. The Land Acquisition Log shall be a public record subject to Chapter 119, Florida Statutes, and Chapter 14 of this Manual, except for components exempt under Section 119.071(1)(d), Florida Statutes (litigation strategy), or Section 119.071(2)(d), Florida Statutes (security plans).

22.10 Insurance, Indemnification, and Closing Procedures

All acquisitions shall be subject to title insurance, environmental due diligence, and other closing procedures consistent with prudent governmental real-property practice. The Executive Director, in consultation with the Cooperative's General Counsel and Risk Officer (Chapter 17), shall establish standard form instruments and closing procedures by Administrative Procedure issued under this Chapter.

History Note: Originally adopted as the Southeast Wellfield Project Board's land-acquisition process by Cooperative Resolution 2022-12 on September 21, 2022 (establishing the three-tier approval framework). Amended by Cooperative Resolution 2023-05 on March 22, 2023 (separating Attorney's Fees and Other Costs from acquisition consideration). Further amended by Cooperative Resolution 2024-12 on March

20, 2024 (delegating to the Executive Director the authority to execute and record Declarations of Restrictive Covenants required by FDEP Grant Agreement LPA0212). Incorporated as Chapter 22 of this Policy Manual by Resolution 2026-___ on May 25, 2026, and generalized from the Southeast Wellfield Project specifically to all Approved Projects.