

WATER COOPERATIVE OF CENTRAL FLORIDA
Annual Financial Report
Year Ended September 30, 2022

Water Cooperative of Central Florida

Board of Supervisors as of September 30, 2022

Chairperson: Linette Matheny

Secretary: Hector Lizasuain

Board Member: Nicole Wilson

Board Member: Neil Combee

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June 23, 2023

The Chairman and Members of the Board of Supervisors
Water Cooperative of Central Florida
Osceola County, Florida

The Financial Statements of the Water Cooperative of Central Florida (the Cooperative) for the fiscal year ended September 30, 2022, are submitted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Cooperative. The Cooperative's accounting function is provided by the Tohopekalinga Water Authority (Toho), including the preparation of these statements. We believe the data, as presented, is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Cooperative, and that all disclosures necessary to enable the readers to gain the maximum understanding of the Cooperative's financial activity have been included.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Cooperative's MD&A can be found immediately following the report of the independent auditors.

The Cooperative's financial statements have been audited by MSL, P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Cooperative for the fiscal year ended September 30, 2022, are free of material misstatement.

THE REPORTING ENTITY AND SERVICES PROVIDED

The Cooperative is a unit of local government established by interlocal agreement on March 14, 2011, as defined by the Florida Interlocal Cooperation Act of 1969, as amended, and with all the privileges, benefits, powers, and terms provided within the agreement and by law, including without limitation, Section 163.01(7)(g) and Chapter 189, Florida Statutes. The parties to the agreement are the City of St. Cloud, Florida; Toho; Orange County, Florida; and Polk County, Florida. The parties determined that the growth of population and attendant commerce throughout Orange, Osceola, and Polk counties have caused the need to consider, advance, and develop an effective regional approach to the governmental conservation, use, delivery, and provision of potable and non-potable water facilities systems, the protection of the environment, and the efficient, innovative, and cooperative use of valuable water

resources. The establishment of the Cooperative demonstrates an appreciation of the comprehensive planning requirements of Chapter 163, Florida Statutes, and the beneficial use policy declarations of Chapter 373, Florida Statutes, which mandate that local governments and water management districts coordinate their plans for future growth with available resources, funding constraints and thoughtful delivery of infrastructure. Creation of the Cooperative allows for provision of economies of scale, elimination of duplicative functions, and protection of the local and regional environment.

MAJOR INITIATIVES

The following are highlights of the Cooperative's activities during FY2022:

- **Third Amendment to the Interlocal Agreement for the Preliminary Design and Permitting of the Cypress Lake Wellfield Project**

The Third Amendment to the Interlocal Agreement was approved in early FY2017; this amendment provides funding for Phase IV of the Cypress Lake Alternative Water Supply Project. Phase IV includes: (1) additional services for future work associated with the cost allocation methodologies and rate designs study for individual water wheeling projects, (2) expanded funding for appraisals, surveys, and related legal services, (3) funding for the acquisition of a Water Quality Criteria Exemption (WQCE), supporting the final permitting of three RO concentrate disposal wells (subsequently determined to be unnecessary and withdrawn from consideration) and (4) funding for the design and construction of one RO concentrate disposal well for testing purposes. The work funded under the Third Amendment, listed below, is complete or near completion.

Property Acquisition - Boundary surveys of the property for the water treatment plant, production and concentrate disposal well sites, and pipeline easements were completed to support the property acquisition process. Appraisals for the first phase of property acquisitions were completed. Purchase negotiations with the property owner concluded with the purchase finalized in November 2022 with funding authorized under the Fifth Amendment discussed below.

Concentrate Disposal Wells - Design and construction of the first of three concentrate disposal wells was completed. The project was bid and awarded in October 2020 and November 2020 respectively, and construction was completed in April 2023. The project has received up to \$2.556M in grant funding from the South Florida Water Management District (SFWMD) for this first concentrate disposal well. A partial payment of \$2,197,300.00 was received in July 2022. A request for the remainder of the funding was submitted to the SFWMD in May 2023 with payment pending.

Production Wells - Design of three production wells has been completed. The project was bid with construction anticipated to begin in August 2023. The project has received up to \$3.0M in grant funding from the SFWMD and will reimburse up to 50% of the cost of construction upon completion of the three production wells.

- **Fourth Amendment to the Interlocal Agreement for the Design and Permitting of the Cypress Lake Wellfield Project**

The Fourth Amendment to the Interlocal Agreement was approved in August 2020. This amendment provides funding for two main project components: 1) funding for consulting services for the final design, including permitting and bidding services of the first phase of the project, anticipated to provide up to 15+ million gallons per day of finished water; and 2) funding to update the water wheeling hydraulic model and the cost estimates for related project infrastructure improvements. Discrete final design tasks are underway. The following tasks have been completed or are near completion: the Preliminary Design Report, a project Phasing Study, and design of three production (supply) wells. Several additional tasks are also underway including: Architectural, Operations Building Floor Plan, and Site Plan preparation and other various discrete tasks.

As stated above, the project has received a total of up to \$5.556M in grant funding from the SFWMD for the construction of one concentrate disposal well and three production wells and will be reimbursed for up to 50% of the cost of construction upon completion of the wells. The wells must be constructed by November 2024 to receive the grant funding.

- **Water Wheeling Infrastructure Master Cost-Sharing Agreement (Wheeling Agreement) and standard Sub Agreement form to fund individual wheeling infrastructure projects necessary to distribute water among the WCCF parties.**

The Wheeling Agreement was approved in December 2021. The Wheeling Agreement establishes funding responsibilities and obligations of those benefitting from constructed infrastructure to support the Cypress Lake Wellfield Project. The Agreement also includes a standard Sub-Agreement form to be utilized to document and approve funding responsibilities for individual infrastructure (pipeline) projects as they are constructed. Currently, four wheeling projects have been constructed. Funding Sub-Agreements for the four constructed projects have been executed by the participants and proportional reimbursements for the work have been made to Toho by the WCCF parties benefitting from the infrastructure. Four additional projects are underway; two have been bid and two are in design. Sub-agreements will be executed for the two bid projects in the near future, with the remaining two executed after the projects are bid.

- **Fifth Amendment to the Interlocal Agreement for various tasks related to the Cypress Lake Wellfield Project**

The Fifth Amendment to the Interlocal Agreement was approved in December 2022. This Amendment provides funding for the following tasks extraneous to the design as approved in Amendment #4 but related to the Cypress Lake Project: acquisition of a Construction Manager and Contact Operator to participate in the design phase (preconstruction services); general legal services including bond counsel, financial advisor, and rate study; funding for consultant support of preparation of a Governance Agreement; funding for the construction, construction administration, and construction observation of three production wells (designed under services included in Amendment #4); funding authorization for the WCCF parties to reimburse Toho for the Bronson Property Acquisition; contingency for other work as determined necessary and approved by the WCCF parties.

- **Cypress Lake Governance Agreement to set forth the ownership, funding, construction, operation, and maintenance obligations of the parties associated with the Cypress Lake wellfield Project**

The Cypress Lake Governance Agreement was approved in May 2023. The Cypress Lake Governance Agreement memorializes key structural provisions for the project including: Ownership, Addition or Substitution of Parties; Project Funding including Planning and Budgeting Methodologies for Construction, Operations and Maintenance, and Rates and Charges; Default Provisions; Dispute Resolution; and Pledge of Mutual Cooperation.

In addition to the active engagement of staff from each partner, we sincerely thank Toho’s staff for managing the administrative process supporting the Water Cooperative.



Todd Swingle, Executive Director/CEO
Toho Water Authority



Alexandra S. Green, Comptroller
Toho Water Authority



INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Water Cooperative of Central Florida
Kissimmee, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and General Fund of the Water Cooperative of Central Florida (the "Cooperative") as of and for the fiscal year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of the Cooperative as of September 30, 2022, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Concluded)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2023, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
June 23, 2023

**WATER COOPERATIVE OF CENTRAL FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2022**

The Water Cooperative of Central Florida's Management's (the "Cooperative") Discussion and Analysis presents an overview of the Cooperative's financial activities for the fiscal year ended September 30, 2022. Please read the information presented here in conjunction with the financial statements and accompanying notes following this Management's Discussion and Analysis (the "MD&A").

Financial Highlights

The following is a summary of significant financial highlights related to the Cooperative's operations:

- The assets of the Cooperative exceeded its liabilities at the close of fiscal year 2022 by \$245,483 (net position), an increase of \$65,895 in net position from the prior year. This amount (\$245,483) is restricted for water projects (restricted net position).
- The Cooperative's operating grants and contributions were \$80,007, an increase of 64.9% from the prior year. The majority of this increase is attributable to increased annual dues assessed for each member government for fiscal year 2022.
- The Cooperative's physical environment expenses were \$14,112, a decrease of 74.9% from the prior year. The majority of this increase is attributable to the decrease in legal expenditures for the Cooperative's representation for the Central Florida Water Initiative (CFWI).

Overview of the Financial Statements

The *government-wide and fund financial statements* are combined for this annual report, as all activities of the Cooperative are governmental activities. The report consists of the organization-wide and fund statements, notes to the financial statements, and required supplementary information. The statements are designed to provide readers with a broad overview of the Cooperative's finances, in a manner similar to a private-sector business.

The *Statement of Net Position and Governmental Fund Balance Sheet* presents information on all of the Cooperative's assets, liabilities, with the difference between them reported as net position. 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.

The *Statement of Activities and Governmental Fund Revenues, Expenditures and Change in Fund Balance* presents information showing how the Cooperative's net position changed during the most recent fiscal year. The Cooperative uses the economic resources measurement focus and the accrual basis of accounting. All changes in net position are reported as the underlying event giving rise to the change, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. These governmental activities are primarily supported by assessments and charges for services.

**WATER COOPERATIVE OF CENTRAL FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2022**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Cooperative uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after the Statement of Activities and Governmental Fund Revenues, Expenditures and Change in Fund Balance.

Government-Wide Financial Analysis

As noted earlier, net position may serve, over time as a useful indicator of a government's financial position.

Comparative Summary of the Statement of Net Position
As of September 30, 2022 and 2021
(In Thousands)

	2022	2021	Increase (Decrease)	
			Change	%
ASSETS				
Cash	\$ 246,296	\$ 181,395	\$ 64,901	35.8%
Accounts Receivable, Net	-	2,547	(2,547)	-
				100.0%
Total Assets	<u>246,296</u>	<u>183,942</u>	<u>62,354</u>	33.9%
LIABILITIES				
Accounts Payable	<u>813</u>	<u>4,354</u>	<u>(3,541)</u>	-81.3%
Total Liabilities	<u>813</u>	<u>4,354</u>	<u>(3,541)</u>	-81.3%
NET POSITION				
Restricted – water projects	<u>245,483</u>	<u>179,588</u>	<u>65,895</u>	36.7%
Total Net Position	<u>\$ 245,483</u>	<u>\$ 179,588</u>	<u>\$ 65,895</u>	36.7%

At the close of fiscal year ended September 30, 2022, there was \$245,483 in total net position. Total assets increased by \$62,354, which primarily consisted of an increase in cash due to increased member contributions combined with a reduction in legal expense. Total liabilities decreased by \$3,541, due mostly to the reduction of legal expenses payable.

**WATER COOPERATIVE OF CENTRAL FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2022**

Comparative Summary of the Changes in Net Position
For the Years Ended September 30, 2022 and 2021
(In Thousands)

	2022	2021	Increase (Decrease)	
			Change	%
Revenues:				
Operating Grants and Contributions	\$ 80,007	\$ 48,514	\$ 31,493	64.9%
Total Revenues	<u>80,007</u>	<u>48,514</u>	<u>31,493</u>	64.9%
Expenses:				
Physical Environment	14,112	56,223	(42,111)	-74.9%
Total Expenses	<u>14,112</u>	<u>56,223</u>	<u>(42,111)</u>	-74.9%
Change in Net Position	<u>65,895</u>	<u>(7,709)</u>	<u>73,604</u>	954.8%
Net Position – Beginning of Year	<u>179,588</u>	<u>187,297</u>	<u>(7,709)</u>	-4.1%
Net Position – End of Year	<u>\$ 245,483</u>	<u>\$ 179,588</u>	<u>\$ 65,895</u>	36.7%

In fiscal year 2022, there was an overall increase in the Cooperative's net position of \$65,895. This 36.7% increase in net position from the prior year is a result of increased member contributions coupled with decreased professional services expense for the Cooperative's legal representation for the CFWI.

Financial Analysis of the Cooperative's Fund

As noted earlier, the Cooperative uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund. The focus of the Cooperative's governmental fund is to provide information on near-term inflows, outflows, and balance of *spendable* resources. Such information is useful in assessing the Cooperative's financing requirements.

The *General Fund* is the operating fund of the Cooperative. At the end of fiscal year 2022, restricted fund balance was \$245,483 which comprised 100% of the total fund balance. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 1,739.5% of total fiscal year 2022 General Fund expenditures.

**WATER COOPERATIVE OF CENTRAL FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2022**

The total fund balance of the Cooperative's General Fund increased during the fiscal year ended September 30, 2022 by \$65,895 primarily due to a 64.9% increase in operating grants and contributions revenue and a 74.9% decrease in physical environment expenses during the fiscal year. Operating grants and contributions represent the contributions of the four member parties. Expenses include \$5,030 and \$49,922 for 2022 and 2021, respectively, in legal expenses. During 2021, these were primarily associated with representation of the Cooperative's interests involving the CFWI; during 2022, this representation was no longer needed. Additional information can be found in Note 1.

General Fund Budgetary Highlights

The Cooperative adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The following schedule shows the differences between the General Fund's actual revenues and expenditures and its final budget:

REVENUES	Actual Amount	Final Budget Amount	Variance
Operating Grants and Contributions	\$ 80,007	\$ 110,000	\$ (29,993)
Total Revenues	<u>\$ 80,007</u>	<u>\$ 110,000</u>	<u>\$ (29,993)</u>
EXPENDITURES			
Water Utility Services	\$ 14,112	\$ 173,556	\$ 159,444
Total Expenditures	<u>\$ 14,112</u>	<u>\$ 173,556</u>	<u>\$ 159,444</u>

There were no changes between original and final budget in the General Fund. Actual expenditures were less than the final budget by \$29,993. This was mostly attributed to legal and consulting expense.

Economic Factors and Conditions

Key regional economic indicators, such as personal income growth, total employment, the unemployment rate, population growth, and housing starts are expected to show varying degrees of strengths and weaknesses in future business cycles. Overall, the region's economy is moving in a favorable direction, supported by population growth and a tourism industry that is achieving pre-coronavirus demand.

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, 951 Martin Luther King Boulevard, Kissimmee, FL 34741; or visit our website at: <https://www.watercoopcf.com/>.

BASIC FINANCIAL STATEMENTS

WATER COOPERATIVE OF CENTRAL FLORIDA

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

September 30, 2022

	General Fund	Adjustments (Note 2)	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 246,296	\$ -	\$ 246,296
TOTAL ASSETS	246,296	-	246,296
LIABILITIES			
Accounts payable	813	-	813
TOTAL LIABILITIES	813	-	813
FUND BALANCE / NET POSITION			
FUND BALANCE			
Restricted for Water Projects	245,483	(245,483)	-
TOTAL FUND BALANCE	245,483	(245,483)	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 246,296		
NET POSITION			
Restricted for Water Projects		245,483	245,483
TOTAL NET POSITION		\$ 245,483	\$ 245,483

The accompanying notes are an integral part of the financial statements.

WATER COOPERATIVE OF CENTRAL FLORIDA
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE

For the Year Ended September 30, 2022

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Activities</u>
REVENUES			
Intergovernmental	\$ 80,007	\$ -	\$ 80,007
TOTAL REVENUES	<u>80,007</u>	<u>-</u>	<u>80,007</u>
EXPENDITURES / EXPENSES			
Water Utility Services	14,112	-	14,112
TOTAL EXPENDITURES / EXPENSES	<u>14,112</u>	<u>-</u>	<u>14,112</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>65,895</u>	<u>(65,895)</u>	<u>-</u>
CHANGE IN FUND BALANCE / CHANGE IN NET POSITION	65,895	-	65,895
FUND BALANCE / NET POSITION BEGINNING OF THE YEAR	<u>179,588</u>	<u>-</u>	<u>179,588</u>
FUND BALANCE / NET POSITION END OF THE YEAR	<u>\$ 245,483</u>	<u>\$ -</u>	<u>\$ 245,483</u>

The accompanying notes are an integral part of the financial statements.

WATER COOPERATIVE OF CENTRAL FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Water Cooperative of Central Florida (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.

Financial Reporting Entity

The Cooperative was created by an interlocal agreement between the city of St. Cloud, the Tohopekaliga Water Cooperative, Orange County, and Polk County in 2011 in accordance with Chapters 163 and 373 of the Florida Statutes.

The Cooperative is comprised of one Supervisor 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 Supervisors 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.

Basis of Presentation

The Cooperative complies with accounting standards established by the Governmental Accounting Standards Board (“GASB”). The Cooperative has implemented GASB Statement No. 34 as amended, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments*.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the Cooperative. The Cooperative reports only governmental activities; it does not have any business-type activities or fiduciary funds. Governmental activities are supported by contributions from member organizations.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues consist of grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Payments of other items not properly included as program revenues are reported as general revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fund Financial Statements

The financial transactions of the Cooperative are reported in the General Fund in the fund financial statements. This fund is accounted for by a providing separate set of self-balancing accounts that comprises its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to, and accounted for, based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The purpose of the General Fund is to account for the accumulation and expenditure of resources that are used for general purposes of the Cooperative and do not require the establishment of any other type of fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources 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 related cash flows.

Governmental fund financial statements are reported using the *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the Cooperative considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

The Cooperative is a single-program entity, devoted to the sound planning, acquisition, development, management, operation, improvement, and maintenance of Water Projects. It is comprised of a General Fund only and has no other governmental, proprietary, or fiduciary funds. There were no component units related to the Cooperative.

Budgetary Requirements

The Board of Supervisors shall provide each member government with a notice of its intention to adopt the budget along with a copy of the tentative budget no later than thirty days prior to the budget hearing. The Cooperative's duly adopted final budget shall also be transmitted to or filed annually with the clerk or other similar official for each Member Government. The budget may not be changed or modified by any other authority.

The budget was prepared on a basis consistent with generally accepted accounting principles and was based upon the final amended budget of the Cooperative. Florida Statutes state that it is unlawful for expenditures to exceed appropriations. For the fiscal year ended September 30, 2022, actual expenditures did not exceed budgeted expenditures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits. Florida Statutes require the Cooperative to deposit public funds in qualified public depositories. Cash deposits as of September 30, 2022, are insured by federal depository insurance and the Public Depository Trust Fund.

Net Position

Net position represents the difference between assets and liabilities. The Cooperative may report three categories of net position, as follows: invested in capital assets, restricted net position, and unrestricted net position. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute. Unrestricted net position consists of all other net position that does not meet the definition of the other two components and are available for general use by the Cooperative. When both restricted and unrestricted resources are available for use, it is the Cooperative's policy to use restricted resources first, then unrestricted as needed. At September 30, 2022, restricted net position was \$245,483.

Fund Balance and Spending Policy

In accordance with accounting standards, the Cooperative classified governmental fund balances as follows:

Non-Spendable Fund Balance - Represents fund balance that is (a) not in a spendable form such as prepaid items and inventories or (b) legally or contractually required to be maintained intact such as an endowment. There was no non-spendable fund balance at September 30, 2022.

Restricted Fund Balance - Consists of amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources. There was a \$245,483 restricted fund balance at September 30, 2022.

Committed Fund Balance - Self-imposed limitations set in place prior to the end of the fiscal period. These amounts can be used only for the specific purposes determined by a formal action of the Board of Supervisors, which is the highest level of decision-making authority, and that require the same level of formal action to remove the constraint. The Board of Supervisors can establish, modify, or rescind committed fund balance through the formal approval of a resolution. There was no committed fund balance at September 30, 2022.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance and Spending Policy (Continued)

Assigned Fund Balance - Amounts that are subject to a purpose constraint that represents an intended use established by the Board of Supervisors or by its designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. Formal action is *not* necessary to impose, remove, or modify a constraint in Assigned Fund Balance. Additionally, this category could be used to reflect the appropriation of a portion of existing fund balance to eliminate a projected deficit in the subsequent year's budget. The Board of Supervisors has not formally appointed anyone with the authority to assign fund balance. There was no assigned fund balance at September 30, 2022.

Unassigned Fund Balance - Represents the residual classification or fund balance and includes all spendable amounts not contained within the other classifications of the General Fund. There was no unassigned fund balance at September 30, 2022.

The Cooperative has fund balance and spending practices for tracking the various classifications of fund balance. When an expenditure is incurred in which restricted, committed, assigned, or unassigned amounts are available to be used, the Cooperative will first use restricted amounts, then committed amounts, then assigned amounts, and finally unassigned amounts.

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 - DEPOSITS

At September 30, 2022, the Cooperative's carrying amount was \$246,296 and the bank balance was \$246,296, consisting entirely of demand deposits. The entire amount of the demand deposits is deposited in a state of Florida qualified depository and, therefore, is fully collateralized.

Custodial credit risk is the risk that in the event of a bank failure the government's deposits may not be returned to it. The Cooperative's monies must be deposited in banks designated as qualified public depositories by the Chief Financial Officer, Florida Department of Financial Services. Therefore, the Cooperative's total deposits are insured by the Federal Depository Insurance Corporation and collateralized by the Bureau of Collateral Management, Division of Treasury, and Florida Department of Financial Services. The law requires the Chief Financial Officer to ensure that funds are entirely collateralized throughout the fiscal year. Other than the preceding disclosure, the Cooperative has no policy on custodial credit risk.

NOTE 2 - DEPOSITS (Continued)

Collateral is provided for demand deposits through the Florida Security for Public Deposits Act. This law establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements, and characteristics of eligible collateral. Under this law, the qualified public depository must pledge at least 25% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance.

Additional collateral, up to a maximum of 150%, may be required if deemed necessary under the conditions set forth in this law. Eligible collateral consists of obligations of the United States and its agencies and obligations of states and their local political subdivisions and unaffiliated corporations.

Obligations pledged to secure deposits must be delivered to the Department of Financial Services or, with the approval of the Chief Financial Officer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Chief Financial Officer. On a monthly basis, the Chief Financial Officer determines that the collateral has a market value adequate to cover the deposits under the provisions of this law.

NOTE 3 - 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 is self-insured for all risk of loss. No claims have been paid during the past two years.

NOTE 4 - SERVICES PROVIDED BY THE TOHOPEKALIGA WATER AUTHORITY

The Cooperative's accounting function is provided by the Tohopekaliga Water Authority. If these services were no longer provided by the Tohopekaliga Water Authority, the Cooperative would have to incur additional expenses.

REQUIRED SUPPLEMENTARY INFORMATION

WATER COOPERATIVE OF CENTRAL FLORIDA

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended September 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Operating Grants and Contributions	\$ 110,000	\$ 110,000	\$ 80,007	\$ (29,993)
TOTAL REVENUES	110,000	110,000	80,007	(29,993)
EXPENDITURES / EXPENSES				
Water Utility Services	173,556	173,556	14,112	159,444
TOTAL EXPENDITURES / EXPENSES	173,556	173,556	14,112	159,444
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(63,556)	(63,556)	65,895	129,451
FUND BALANCES -				
BEGINNING OF THE YEAR	63,556	63,556	179,588	116,032
FUND BALANCES -				
END OF THE YEAR	\$ -	\$ -	\$ 245,483	\$ 245,483

Notes to the Schedule:

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles ("GAAP"). There is no difference between GAAP and the budgetary basis of accounting.

COMPLIANCE SECTION



**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***

Board of Supervisors
Water Cooperative of Central Florida
Kissimmee, Florida

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 governmental activities, and general fund of the Water Cooperative of Central Florida (the “Cooperative”) as of and for the fiscal year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Cooperative’s basic financial statements and have issued our report thereon dated June 23, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative’s financial statements are free of 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Pursuant to provisions of Chapter 10.550, *Rules of the Auditor General*, we reported certain matters to management of the Cooperative in a separate management letter and Independent Accountant’s Report dated June 23, 2023.

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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
June 23, 2023



INDEPENDENT ACCOUNTANT'S REPORT

Board of Supervisors
Water Cooperative of Central Florida
Kissimmee, Florida

We have examined the Water Cooperative of Central Florida's (the "Cooperative") compliance with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2022. Management is responsible for the Cooperative's compliance with those requirements. Our responsibility is to express an opinion on the Cooperative's compliance 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 with those requirements, in all material respects. An examination involves performing procedures to obtain evidence about the Cooperative's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Cooperative's compliance with specified requirements.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement. 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 for the fiscal year ended September 30, 2022.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
June 23, 2023



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Board of Supervisors
Water Cooperative of Central Florida
Kissimmee, Florida

Report on the Financial Statements

We have audited the financial statements of the Water Cooperative of Central Florida (the "Cooperative") as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated June 23, 2023.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, and our Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports, which are dated June 23, 2023, should be considered in conjunction with this management letter.

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 financial audit report. There were no findings in the preceding annual financial report.

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 legal authority is disclosed in the notes to the financial statements.

Financial Condition and Management

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

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

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:

- a) The total number of Cooperative employees compensated in the last pay period of the Cooperative's fiscal year as: N/A.
- b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the Cooperative's fiscal year as: N/A.
- c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$0.
- d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as: N/A.
- e) Each construction project with a total cost of at least \$65,000 approved by the Cooperative that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as: N/A.
- f) 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 amends a final adopted budget under Section 189.016(6), Florida Statutes as \$0.

Board of Supervisors
Water Cooperative of Central Florida

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 have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the Board of Trustees, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
June 23, 2023