

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2012**

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2012**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	9
STATEMENT OF ACTIVITIES	10
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	11
RECONCILIATION OF THE GOVERNMENTAL ACTIVITIES BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS	12
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	13
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS IN THE BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS	14
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL - GENERAL FUND	15
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL - GRANTL FUND	16
NOTES TO FINANCIAL STATEMENTS	17
SUPPLEMENTAL INFORMATION	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	25
SCHEDULE OF FINDINGS AND RESPONSES	27
MANAGEMENT LETTER	30

INDEPENDENT AUDITORS' REPORT

Members of the Authority Board
Hardee County Industrial Development Authority
Hardee County, Florida

We have audited the accompanying financial statements of the governmental activities and the major fund of the Hardee County Industrial Development Authority, (Authority), a component unit of Hardee County, Florida, as of and for the year ended September 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

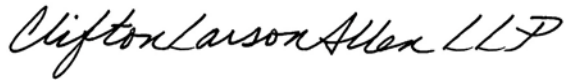
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Authority as of September 30, 2012, and the respective changes in financial position and the budgetary comparison for the major funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 9 to the financial statements, the Authority corrected an error in the government-wide financial statements involving a capital asset that should have been recorded in prior years.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2013, on our consideration of the Authority'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Members of the Authority Board
Hardee County Industrial Development Authority

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



CliftonLarsonAllen LLP

Lakeland, Florida
May 13, 2013

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

As management of the Hardee County Industrial Development Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year end September 30, 2012. The information presented here should be considered in conjunction with the financial statements.

Financial Highlights

The Authority's net assets are \$15,048,495, an increase of \$4,751,667 over the previous year. There was a prior period restatement to capitalize equipment in the amount of \$1,989,014 included in this increase for the year.

During the year, total expenses were \$3,294,191 versus total revenue of \$6,056,844.

Overview of the Financial Statements

The basic financial statements consist of three components: 1) government-wide financial statements providing information about the activities of the Authority as a whole; 2) fund financial statements and, 3) notes to the financial statements. In addition to these basic statements, the report also contains other supplemental information in addition to the basic financial statements.

Government-wide Financial Statements – The government-wide financial statements are designed to provide a broad overview of the Authority's finances in a manner similar to a private-sector business. The government-wide statements provide information about the Authority's financial status as a whole. These statements include details of income during the year and a breakdown by category of expenses for activities and administration of the Authority. The statements include *all* assets and liabilities using the accrual basis of accounting. This means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net assets and changes in net assets. The net assets – the difference between assets and liabilities – are an important measure of the Authority's financial health.

Fund Financial Statements – These statements provide a detailed look at the Authority's general fund and special revenue grant fund. The Authority, like all government entities, uses fund accounting to ensure and reflect compliance with finance related legal requirements. The Authority uses two funds, a governmental general fund and a governmental special revenue fund, which focuses on (1) how cash and other financial assets, that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the general fund and special revenue fund statements provide a detailed short-term view that indicates whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, a detailed reconciliation provides additional information that explains the relationship (or differences) between the statements.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

Net Assets

At September 30 2012, the Authority had total assets of \$15,167,016, total liabilities of \$118,521, and total net assets of \$15,048,495.

**Industrial Development Authority
Net Assets**

	<u>Governmental Activities</u>		Increase (Decrease)
	<u>2012</u>	<u>2011</u>	
ASSETS			
Cash	\$ 6,294,890	\$ 4,649,259	\$ 1,645,631
Accounts Receivable	4,754	4,918	(164)
Due from Other Government	818,651	626,289	192,362
Inventories; Land Held for Resale	1,346,048	1,451,671	(105,623)
Capital Assets, Not Being Depreciated	965,933	1,847,794	(881,861)
Capital Assets, Net of Depreciation	<u>5,736,740</u>	<u>1,903,567</u>	<u>3,833,173</u>
Total Assets	<u>15,167,016</u>	<u>10,483,498</u>	<u>4,683,518</u>
LIABILITIES			
Accounts Payable	<u>118,521</u>	<u>186,670</u>	<u>(68,149)</u>
Total Liabilities	<u>118,521</u>	<u>186,670</u>	<u>(68,149)</u>
NET ASSETS			
Invested in Capital Assets	6,702,673	3,751,361	2,951,312
Restricted for Economic Development Projects	5,754,234	4,400,000	1,354,234
Unrestricted	<u>2,591,588</u>	<u>2,145,467</u>	<u>446,121</u>
Total Net Assets	<u>\$ 15,048,495</u>	<u>\$ 10,296,828</u>	<u>\$ 4,751,667</u>

Changes in Net Assets

Revenues for the Authority's activities totaled \$6,056,844, an increase of \$52,773 from the previous year. The net increase was attributable to grant revenue received from the Hardee County Economic Development Authority (EDA), rental income, and fruit income.

Expenses of the Authority totaled \$3,294,191, an increase of \$2,473,043 from the previous year. This increase was due to grants awarded through the Mosaic Fertilizer LLC Development Agreement.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

**Industrial Development Authority
Changes in Net Assets**

	Governmental Activities		Increase (Decrease)
	2012	2011	
REVENUES			
Program Revenues:			
Operating Grants and Contributions	\$ -	\$ 364,009	\$ (364,009)
Capital Grants and Contributions	1,243,704	933,982	309,722
Charges for Services	296,732	198,112	98,620
General Revenues:			
Mosaic Income	4,500,000	4,500,000	-
Interest Income	5,701	3,540	2,161
Miscellaneous	10,707	4,428	6,279
Total Revenues	<u>6,056,844</u>	<u>6,004,071</u>	<u>52,773</u>
EXPENSES			
General Government	<u>3,294,191</u>	<u>821,148</u>	<u>2,473,043</u>
Total Expenses	<u>3,294,191</u>	<u>821,148</u>	<u>2,473,043</u>
CHANGE IN NET ASSETS	2,762,653	5,182,923	(2,420,270)
Net Assets - Beginning of Year, as Previously Stated	10,296,828	5,113,905	5,182,923
Prior Period Restatement	1,989,014	-	1,989,014
Net Assets - Beginning of Year, as Restated	<u>12,285,842</u>	<u>5,113,905</u>	<u>7,171,937</u>
NET ASSETS - END OF YEAR	<u>\$ 15,048,495</u>	<u>\$ 10,296,828</u>	<u>\$ 4,751,667</u>

Budgetary Highlights

Budget and actual comparison schedules are provided in the Basic Financial Statements for the general fund and the grant special revenue fund. The budget and actual comparison schedules show the original adopted budgets, the final revised budget, actual results, and variance between the final budget and actual results for the general and major special revenue funds. After the original budget is approved, it may be revised for a variety of reasons such as unforeseen circumstances, new grant awards, or other unanticipated revenues.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

Economic Factors

The Hardee County Industrial Development Authority (IDA) is a dependent special district, created by Chapter 159 FS and activated by original citizen petition through resolution by the Hardee County Board of County Commissioners in 1984. Its purpose is to “foster and promote economic development” in Hardee County in consort and conjunction with other entities and agencies as may exist within the County and the State including the Hardee County Board of County Commissioners, Hardee County Economic Development Council, the Hardee County Chamber of Commerce and Enterprise Florida.

The IDA generally has three sources of income to accomplish the objectives set forth in the intent of its existence:

- Its own real estate income from rent, interest on proceeds from disposed assets and sale of properties.
- Grants from the Hardee County Economic Development Authority.
- Economic Development income from the Mosaic Agreement as a result of a Chapter 163 FS agreement to effectuate the intent of the Hardee County Economic Development Element of its Comprehensive Plan.

Hardee County's economic situation has not been directly impacted by the general downturn in the economy recognized by the other local, State, National and international economic conditions. Its traditional economy is vested in citrus and cattle, support industries for citrus and cattle, general commerce ancillary to an agricultural community, phosphate mining from the perspective of land acquisition prices and local payrolls and increasingly significant, government payrolls and subsidies. Independence from subsidies and welfare payments through economic diversity opportunity for recipients is (and has been) the primary objective.

Hardee County's political directives including State (Florida) leadership has been increasingly desirous to mitigate this dependency on subsidy from local, State and Federal sources for over a decade. Diversity of the County's economy has/remains the primary focus and the objective of the income streams. General conditions related to its local economy reveal cattle prices have been a significant contributor to the County's economy in recent months/years, but the number of individual producers continues to decrease as the acreage of mining increases. The ultimate significance of this relative to the local economy is not fully understood but will continue to be monitored.

More importantly, the citrus growers, allied suppliers, caretakers, harvesters, seasonal laborers are facing a seeming insurmountable hurdle related to “citrus greening”, also called Huanglongbing or “yellow dragon disease”. See New York Times article available at the preparation of this document: <http://www.nytimes.com/2013/05/10/us/disease-threatens-floridas-citrus-industry.html?pagewanted=all>.

Excerpt: *“This year was a real kick in the gut,” said **Adam Putnam**, Florida's agriculture commissioner and a former United States representative, whose family owns citrus groves. “It is now everywhere, and it's just as bad as the doomsayers said it would be.”*

The above statement is not for the “faint of heart”. We are living “it” in interior Heartland Florida.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

The Hardee County IDA faces many challenges and opportunities as a consequence of dynamic changes in citrus cultural practices, identification of alternative crops and recruitment of producers and processors in the emerging post mining scenario. Maximization of reclamation opportunities to diversify and fill voids in the County's economy will hopefully be viable opportunities to enhance and mitigate contemporary and future circumstances and consequences.

The IDA is active in the following projects for diversification:

- Deployed the "Hardee Broadband Project" providing ubiquitous broadband coverage, both middle mile and last mile to the entire 600 square miles of rural/urban areas in the county. It is anticipated this newest infrastructure project will give rural Hardee County citizens opportunity and convenience that otherwise would be unavailable in rural Florida. This infrastructure investment will further advance Florida and America in our efforts to adjust to the new competitive dynamics created with globalization. *Note: Hardee County does not have the availability of infrastructure refinements of the typical Florida urban scenario. Generally, conventional urban intellect takes for granted fire suppression, public water and sewer, access to health care, higher education choices, professional services options, even electricity and telecommunications options such as high speed internet issues are "hurdles" created by lack of generally available urban infrastructure in rural areas. We fight our fight in apparent contradiction to conventionally supported intellect.*
- The Hardee Commerce Park continues to be developed by the IDA. At least one new spec building is being constructed for a robotic machinery technology manufacturing process.
- A sewer pretreatment facility for park tenants.
- A security building/sheriff's substation (Command Center) for added security in the commerce park and ancillary redundancy enhancing and assisting law enforcement.
- Construction of surface water management systems necessary for the expansion of 30 additional acres of the Commerce Park serving as an infrastructure gateway to an additional 104 acres (Terrell Property).
- The Authority has also completed the acquisition/construction/retrofit of the Peace River Electric Coop's former office building, with the objective of establishing a technology park (Tech River) for recruitment and placement of appropriate companies related to such economic development.
- It has funded, through the initial Mosaic Economic Terms disbursement, LifeSync, assumed by Continuum, to develop software initially for targeting the manner in which people manage their health care. This company is funded and operationally subsidized at the Tech River tech center.
- The Mosaic Company began its mining operations in the 2012 year, thus providing the second economic terms disbursement to the Authority for distribution and economic development deployment. CF Industries continues to mine strong and is expected to initiate final approvals for its South Pasture Extension which will result in an approximate ten/twenty year increase with the presence of phosphate mining by this company in Hardee County.
- The Ona/Pioneer mine in western, central, southern Hardee County permitting is expected to commence in 2013 with further analytical data related to Hardee County's future.
- The investor cache potential is growing with projects being pursued by BioNitrogen, Ft. Green LNG, LLC, Florikan (cumulatively over \$1 billion in projected investment) and other confidential prospects.
- The IDA continues to face some citizen opposition to deployment and infusion of its resources into the economy. Political philosophy encouraging innovative ideas and diversified of investment opportunities may be the defining components of a successful, failing or mediocre outcome. Education is imperative.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2012**

State, national and international economic factors influence the Authority's revenues. The Authority's revenues are totally dependent upon the volume of phosphate rock extractions in the state of Florida and a distribution formula that allocates the severance tax proceeds to the eligible counties according to each county's pro-rata share of phosphate rock extractions. More specifically, Hardee County is primarily dependent upon the phosphate rock extractions of CF Industries, Inc. and the Mosaic Company. The primary factors influencing the rate of mining are:

- Competition and demand relative to supply. Phosphate producers have become individually larger thru consolidation. The State has only three producers of Phosphate today. The future supply will be provided by Hardee County.
- Seasonality: Climatic conditions can cause weather related shifts in planting schedules and purchasing patterns. Typically, these patterns average out over a given year and primarily impact quarterly activities and not materially impact the results of a particular year.
- Reserves (of phosphate mineral). They feed us all and generally provide a mechanism for urban survival.
- Effects of legislative changes to Severance Tax statutes make long term projections of Economic Development Authority revenues difficult; however increased volume is expected to offset fluctuating tax rates.
- General economic conditions related to the Hardee County Industrial Development Authority are expected to continue to be challenging relative to providing business incentives. The anticipation of regressive, though politically safe renderings by the Auditor General "Operational Audit" (recently completed) is disappointing, taking into account the climate of progressive politics and anticipation of the recovering Florida economy. Recently completed operational audits of Hardee County agencies may control the effectiveness of the IDA/EDA/BOCC efforts to overcome the economic development hurdles effectuating solutions to the aforementioned circumstances.

Regardless, the IDA is expected to give economic development efforts, through local knowledge and passion, a competitive advantage in the realm of recruitment and meaningful economic development/diversity. Political ideological differences and misunderstandings related to the purpose and intent of Economic Development Authority grant deployment and Mosaic Economic Terms expenditures may impede expeditious stewardship, but tenacity of intellect must prevail.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning budgets or questions related to management of the Authority's operations should be addressed to:

Hardee County Industrial Development Authority
William R. Lambert, Director
107 East Main Street
Wauchula, FL 33873

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

	Governmental Activities
ASSETS	
Cash	\$ 6,294,890
Accounts Receivable	4,754
Due from Other Government	818,651
Inventories; Land Held for Resale	1,346,048
Capital Assets, Not Being Depreciated	965,933
Capital Assets, Being Depreciated, Net	5,736,740
Total Assets	15,167,016
 LIABILITIES	
Accounts Payable	118,521
Total Liabilities	118,521
 NET ASSETS	
Invested in Capital Assets	6,702,673
Restricted for Economic Development Projects	5,754,234
Unrestricted	2,591,588
Total Net Assets	\$ 15,048,495

See accompanying Notes to Financial Statements.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012**

<u>Functions/Programs</u>	Program Revenues			Net (Expense)
<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	Revenue and
	<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	Changes in
		<u>Contributions</u>	<u>Contributions</u>	<u>Net Assets</u>
Primary Government:				
Governmental Activities:				
General Government; Economic				
Development	\$ 3,294,191	\$ 296,732	\$ -	\$ 1,243,704
Total Governmental Activities	<u>\$ 3,294,191</u>	<u>\$ 296,732</u>	<u>\$ -</u>	<u>\$ 1,243,704</u>
				<u>(1,753,755)</u>
General Revenues:				
Mosaic Income				4,500,000
Interest Income				5,701
Miscellaneous				10,707
Total General Revenues				<u>4,516,408</u>
Change in Net Assets				2,762,653
Net Assets - Beginning of Year, as Previously Stated				10,296,828
Prior Period Restatement				1,989,014
Net Assets - Beginning of Year, as Restated				<u>12,285,842</u>
Net Assets - End of Year				<u>\$ 15,048,495</u>

See accompanying Notes to Financial Statements.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

ASSETS	<u>General Fund</u>	<u>Special Revenue Grant Fund</u>	<u>Total Governmental</u>
Cash	\$ 1,540,485	\$ 4,754,405	\$ 6,294,890
Accounts Receivable	4,754	-	4,754
Due from Other Fund	-	1,088,884	1,088,884
Due from Other Government	818,651	-	818,651
Inventories; Land Held for Resale	1,346,048	-	1,346,048
Total Assets	<u>\$ 3,709,938</u>	<u>\$ 5,843,289</u>	<u>\$ 9,553,227</u>
LIABILITIES			
Accounts Payable	\$ 37,591	\$ 80,930	\$ 118,521
Due to Other Fund	1,088,884	-	1,088,884
Total Liabilities	<u>1,126,475</u>	<u>80,930</u>	<u>1,207,405</u>
FUND BALANCE			
Nonspendable	1,346,048	-	1,346,048
Restricted for Economic Development Projects	-	5,754,234	5,754,234
Assigned	-	8,125	8,125
Unassigned	1,237,415	-	1,237,415
Total Fund Balance	<u>2,583,463</u>	<u>5,762,359</u>	<u>8,345,822</u>
Total Liabilities and Fund Balance	<u>\$ 3,709,938</u>	<u>\$ 5,843,289</u>	<u>\$ 9,553,227</u>

See accompanying Notes to Financial Statements.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL ACTIVITIES BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

Total Fund Balance - Total Governmental Funds	\$ 8,345,822
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds	<u>6,702,673</u>
Total Net Assets - Governmental Activities	<u>\$ 15,048,495</u>

See accompanying Notes to Financial Statements.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

REVENUES	<u>General Fund</u>	<u>Special Revenue Grant Fund</u>	<u>Total Governmental Funds</u>
Intergovernmental	\$ 1,869,993	\$ -	\$ 1,869,993
Charges for Services	301,486	-	301,486
Other Revenue			
Mosaic Income	-	4,500,000	4,500,000
Interest Income	378	5,323	5,701
Miscellaneous	560,074	-	560,074
Total revenues	<u>2,731,931</u>	<u>4,505,323</u>	<u>7,237,254</u>
 EXPENDITURES			
General Government	251,257	2,751,474	3,002,731
Capital Outlay	1,408,833	394,292	1,803,125
Total expenditures	<u>1,660,090</u>	<u>3,145,766</u>	<u>4,805,856</u>
 Excess of revenues over expenditures	<u>1,071,841</u>	<u>1,359,557</u>	<u>2,431,398</u>
 Other financing sources (uses)			
Transfers In	-	4,402,802	4,402,802
Transfers Out	(4,402,802)	-	(4,402,802)
Total other financing sources (uses)	<u>(4,402,802)</u>	<u>4,402,802</u>	<u>-</u>
 Net change in fund balance	<u>(3,330,961)</u>	<u>5,762,359</u>	<u>2,431,398</u>
 Fund Balances - Beginning of Year	<u>5,914,424</u>	<u>-</u>	<u>5,914,424</u>
 FUND BALANCES - END OF YEAR	<u>\$ 2,583,463</u>	<u>\$ 5,762,359</u>	<u>\$ 8,345,822</u>

See accompanying Notes to Financial Statements.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS IN THE BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012**

Net Change in Fund Balance - Total Governmental Funds		\$ 2,431,398
<p>Capital outlays are reported as expenditures in the Governmental Funds, however, in the statement of activities, the cost of assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital Acquisitions	1,803,125	
Less: Depreciation	<u>(148,562)</u>	1,654,563
<p>In the Statement of Activities, sales of fixed assets are reported by calculating a gain or loss on sale based on historical cost and proceeds from the sales during the year. In the Governmental Funds, revenue is recorded for cash received from the sale.</p>		
Proceeds from Sale of Land and Building	(554,121)	
Loss on Sale of Land and Building	<u>(142,898)</u>	(697,019)
<p>In the Statement of Activities, revenue is reported by the amounts earned during the year. In the Governmental Funds, revenue is recorded instead because payments were not received in the timeframe to be considered available.</p>		
		<u>(626,289)</u>
Change in Net Assets of Governmental Activities		<u><u>\$ 2,762,653</u></u>

See accompanying Notes to Financial Statements.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,500,000	\$ 1,350,000	\$ 1,869,993	\$ 519,993
Charges for Services	252,964	271,464	301,486	30,022
Other Revenue				
Interest Income	3,000	250	378	128
Miscellaneous	-	-	560,074	560,074
Total revenues	<u>1,755,964</u>	<u>1,621,714</u>	<u>2,731,931</u>	<u>1,110,217</u>
EXPENDITURES				
General Government	130,597	289,491	251,257	38,234
Capital Outlay	973,856	1,523,558	1,408,833	114,725
Total expenditures	<u>1,104,453</u>	<u>1,813,049</u>	<u>1,660,090</u>	<u>152,959</u>
Excess (deficiency) of revenues over (under) expenditures	<u>651,511</u>	<u>(191,335)</u>	<u>1,071,841</u>	<u>1,263,176</u>
Other financing sources (uses)				
Transfers In	127,000	154,103	-	(154,103)
Transfers Out	(27,000)	(54,103)	(4,402,802)	(4,348,699)
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>(4,402,802)</u>	<u>(4,502,802)</u>
Net change in fund balances	651,511	(191,335)	(3,330,961)	(3,139,626)
Fund Balances - Beginning of Year	-	-	5,914,424	5,914,424
FUND BALANCES - END OF YEAR	<u>\$ 651,511</u>	<u>\$ (191,335)</u>	<u>\$ 2,583,463</u>	<u>\$ 2,774,798</u>

See accompanying Notes to Financial Statements.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL–
GRANT FUND
YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Other Revenue				
Mosaic Income	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000	\$ -
Interest Income	2,602	4,120	5,323	1,203
Total revenues	<u>4,502,602</u>	<u>4,504,120</u>	<u>4,505,323</u>	<u>1,203</u>
EXPENDITURES				
General Government	2,760,409	2,720,141	2,751,474	(31,333)
Capital Outlay	-	400,000	394,292	5,708
Total expenditures	<u>2,760,409</u>	<u>3,120,141</u>	<u>3,145,766</u>	<u>(25,625)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,742,193</u>	<u>1,383,979</u>	<u>1,359,557</u>	<u>(24,422)</u>
Other financing sources (uses)				
Transfers In	-	-	4,402,802	4,402,802
Transfers Out	(100,000)	(127,103)	-	127,103
Total other financing sources (uses)	<u>(100,000)</u>	<u>(127,103)</u>	<u>4,402,802</u>	<u>4,529,905</u>
Net change in fund balances	1,742,193	1,383,979	5,762,359	4,378,380
Fund Balances - Beginning of Year	-	-	-	-
FUND BALANCES - END OF YEAR	<u>\$ 1,742,193</u>	<u>\$ 1,383,979</u>	<u>\$ 5,762,359</u>	<u>\$ 4,378,380</u>

See accompanying Notes to Financial Statements.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority 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.

Reporting Entity

The Authority, as authorized by Chapter 159.44-159.53 of the Florida Statutes, was created for the purpose of financing and refinancing projects for the public purposes in the manner provided by the Florida Industrial Development Financing Act and by Chapter 159.44-159.53 of the Florida Statutes and for the purpose of fostering economic development of Hardee County. The Authority studies the advantages, facilities, resources, products, attractions, and conditions concerning Hardee County with relation to the encouragement of economic development in the County and uses such means and media as the Authority deems advisable to publicize and/or to make known such facts and material to such persons, firms, corporations, agencies, and institutions which, in the discretion of the Authority, reasonably result in encouraging desirable economic development in the County. In carrying out this purpose, the Authority is encouraged to cooperate and work with industrial development agencies, chambers of commerce, and other local, state and federal agencies having responsibilities in the field of industrial development.

The Authority is composed of 9 members appointed by the Hardee County Board of County Commissioners (BOCC). After completion of the initial staggered terms, each appointed member serves a term of four years. The funds received from Mosaic are derived from an agreement between the BOCC and Mosaic. The agreement creates a component unit relationship because the BOCC appoints the Authority's board and the receipt of the Mosaic funds creates a burden on the BOCC; therefore, the Authority is considered a component unit of the BOCC.

These financial statements present only the funds of the Authority and are not meant to represent Hardee County, Florida, as a whole. There are no separate legal entities (component units) for which the Authority is considered financially accountable.

Basis of Presentation

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

Government-Wide 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 Authority. The Authority reports only governmental activities; it does not have any business-type activities, and fiduciary funds are excluded.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements (Continued)

Governmental activities are supported by Mosaic income originating from a development contract between Hardee County Board of County Commissioners and Mosaic Fertilizer LLC, intergovernmental revenues and proceeds received from the sale of inventory and grants received by the Economic Development Authority.

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.

Fund Financial Statements

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The purposes of the Authority's funds are as follows:

Governmental Major Funds

- **General Fund** – This fund is used to account for the accumulation and expenditure of resources that are not restricted in any manner but are used for general purposes of the Authority and do not require the establishment of any other type of fund.
- **Grant Fund** – This fund is used to account for the accumulation and expenditure of resources that are restricted and used for economic development purposes of the Authority.

Measurement Focus and Basis of Accounting

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 the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 Authority 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.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Requirements

Under GASB No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The Authority is required to follow the procedures provided by Florida Statutes in establishing final budget balances reported on the financial statements:

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for governmental fund types in accordance with procedures and time intervals prescribed by law.
- Budgets are prepared for the governmental funds on a basis consistent with accounting principles generally accepted in the United States of America.
- Final budget amounts reported are based upon the final amended budget.

Total expenditures in the special revenue grants fund exceeded budgeted amounts by \$25,625 as of September 30, 2012.

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.

Net Assets

Net assets represent the difference between assets and liabilities. The Authority may report three categories of net assets, as follows: invested in capital assets, restricted net assets, and unrestricted net assets. Invested in capital assets consist of net capital assets. Restricted net assets represent 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 assets consist of all other net assets that do not meet the definition of the other two components and are available for general use by the Authority. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted as needed.

Fund Balance and Spending Policy

In accordance with GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, governments are required to classify fund balance in governmental funds as nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance and Spending Policy (Continued)

- Restricted – amounts can be spent for specific purposes because of constraints that are externally imposed by contributors, creditors, grantors, laws or regulations, or enabling legislation.
- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to grant funds awarded and passed by the Board, the Authority's highest level of decision making authority.
- Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Authority's adopted policy, only the Board may assign amounts for specific purposes.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

The Board has implemented fund balance and spending policies to clearly define the process for tracking the various classifications of fund balance. The policy states when an expenditure is incurred in which restricted, committed, assigned, or unassigned amounts are available to be used, the Board will first use restricted amounts, then committed amounts, then assigned amounts, and finally unassigned amounts.

Due from/to Other Funds

During the course of operations, numerous transactions occur between funds for goods provided or services rendered. These receivables and payables are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheets.

Accounts Receivable

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

Inventory, Land Held for Resale

Land held for resale represents land acquired by the Primary Government for subsequent resale for redevelopment purposes. Land held for resale is reported at the lower of cost or estimated realizable value. These estimates have been based on estimated realizable sales proceeds net of selling expenses.

NOTE 2 DEPOSITS

Custodial credit risk is defined as the risk that, in the event of bank failure, the Authority's deposits may not be returned to it. At September 30, 2012, the carrying amount of the Authority's deposits was \$6,294,890 and the balance per the bank was \$6,299,888.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 2 DEPOSITS (CONTINUED)

The Authority's interest bearing bank balance is collateralized pursuant to Chapter 280, Florida Statutes. Under this Chapter, in the event of default by a participating financial institution, a qualified public depository, all participating institutions are obligated to reimburse the governmental entity for the loss.

NOTE 3 CAPITAL ASSETS

Capital assets are carried at historical cost. Minimum capitalization costs are \$1,000 for all asset categories. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life is not capitalized. Depreciation of capital assets is computed using the straight-line method over the estimated useful lives of the assets. Capital asset activity for the fiscal year is as follows:

	Balance October 1, 2011	Additions	Disposals	Transfers	Balance September 30, 2012
Governmental Activities:					
Capital Assets Not Being Depreciated:					
Land	\$ 910,659	\$ 105,623	\$ (69,000)	\$ -	\$ 947,282
Construction in Process	937,135	18,651	-	(937,135)	18,651
Total Capital Assets, Not Being Depreciated	1,847,794	124,274	(69,000)	(937,135)	965,933
Capital Assets Being Depreciated:					
Land Improvements	102,800	-	-	-	102,800
Buildings	1,371,562	1,478,851	(661,144)	937,135	3,126,404
Equipment	1,999,009	200,000	-	-	2,199,009
Roads and Bridges	776,474	-	-	-	776,474
Total Capital Assets, Being Depreciated	4,249,845	1,678,851	(661,144)	937,135	6,204,687
Less Accumulated Depreciation for:					
Land Improvements	(39,913)	(10,280)	-	-	(50,193)
Buildings	(77,649)	(51,144)	37,879	-	(90,914)
Equipment	(9,995)	(48,314)	-	-	(58,309)
Roads and Bridges	(229,707)	(38,824)	-	-	(268,531)
Total Accumulated Depreciation	(357,264)	(148,562)	37,879	-	(467,947)
Total Capital Assets, Being Depreciated, Net	3,892,581	1,530,289	(623,265)	937,135	5,736,740
Total Governmental Activities Capital Assets, Net	<u>\$ 5,740,375</u>	<u>\$ 1,654,563</u>	<u>\$ (692,265)</u>	<u>\$ -</u>	<u>\$ 6,702,673</u>

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 4 RELATED PARTY TRANSACTIONS

The Authority's Board of Directors includes representatives of the business community. During the year ended September 30, 2012, the Authority entered into several contracts with certain companies with which certain Board members and members of management are associated with either directly or members of his or her family are directly associated with, for the purpose of providing services or employment. Related party transactions for the year are as follows:

	Expenditures	Accounts Payable
Hardee County Board of County Commissioners	\$ 507,205	\$ -
Continuum Labs, Inc.	2,616,558	58,706
Other	14,560	-
	<u>\$ 3,138,323</u>	<u>\$ 58,706</u>
Total Related Party Transactions	<u>\$ 3,138,323</u>	<u>\$ 58,706</u>

One of the board members is employed at a financial institution where the Authority had \$6,294,890 cash held at September 30, 2012.

NOTE 5 ECONOMIC DEPENDENCY

The Hardee County Board of County Commissioners entered into a development agreement with Mosaic Fertilizer LLC (Mosaic) whereby Mosaic is to pay a minimum of \$42,000,000 over a ten year period as long as sufficient mining activity is occurring. The payment schedule has a minimum base amount which escalates, based on tonnage mined, during the contract and provides for \$500,000 per year to be allocated to the Hardee Board of County Commissioners' general fund. Payments are made directly to the Authority. During the year ended September 30, 2012, the Authority received \$5,000,000 from Mosaic and made a payment of \$500,000 to the Hardee County, Florida, Board of County Commissioners. According to the terms of the development agreement, amounts received from Mosaic are restricted for economic development, except for \$100,000 per year that can be used to pay administrative expenses.

The Authority is economically dependent upon annual contract payments from Mosaic Fertilizer LLC. For the year ended September 30, 2012, Mosaic provided approximately 74% of the Authority's total revenue.

NOTE 6 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Authority purchases commercial insurance coverage related to these risks. There have been no decreases in coverage nor have there been any settlements in excess of coverage in any of the prior three years.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 7 COMMITMENTS

The Authority has contracted with the vendors for the completion of two projects, which were funded through a grant awarded by the Economic Development Authority. The contract amount committed and outstanding at September 30, 2012 was \$1,231,349.

Of the \$5,754,234 fund balance included in Restricted for Economic Development Projects at September 30, 2012, the following amount is intended by the Board to be granted as awards:

Chamber Marketing Program	\$ 74,000
Broadband	500,000
Tourism Development	100,000
Pacer Marine Job Creation	60,000
Hardee Lakes	250,000
Spec Building	300,000
National Solar	250,000
Continuum Labs, Inc.	<u>30,081</u>
 Total Approved for Grants	 <u><u>\$ 1,564,081</u></u>

On November 12, 2009, the Authority and Rapid Systems, Inc. entered into a joint application with the Hardee County Economic Development Authority for a grant to fund construction and maintenance of broadband infrastructure and related equipment and services to serve Hardee County, Florida and the operation of affordable broadband services to residences, businesses and anchor institutions in Hardee County, Florida. The approved grant was awarded in the amount of \$2,000,000. The expenses incurred during the project were \$1,999,009. The grant specified, given that Rapid Systems, Inc. meets certain contractual conditions within a three year contract period, the assets are expected to be transferred to Rapid Systems, Inc. This has been reported in the government-wide financial statements as capital equipment of the Authority's as of September 30, 2012.

NOTE 8 TRANSFERS

Transfers are used to 1) move revenues from the fund that state law required to collect them to the fund that state law requires to expend them, 2) provide matching funds for grants, and 3) use unrestricted fund revenues to finance activities which must be accounted for in another fund.

Transfers during the year ended September 30, 2012, consisted of the following:

Transfers to the Grant Fund from:	
General Fund	<u><u>\$ 4,402,802</u></u>

This transfer was made to create the special revenue grant fund and to transfer amounts restricted for that purpose.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

NOTE 9 PRIOR PERIOD RESTATEMENT

During the current year, it was determined that prior years Economic Development Authority grant capital assets were understated and incorrectly recorded. To correct this error, the beginning fund balance of \$10,296,828, as originally reported, as been increased to \$12,285,842. Beginning equipment capital assets with a zero balance, has been increased to \$1,999,009. In addition, beginning accumulated depreciation for the capital asset of \$347,269, as originally reported, has been increased to \$357,264.

NOTE 10 SUBSEQUENT EVENT

Subsequent to September 30, 2012, the Authority's Board approved requests for grant contracts. The below listing was granted to the following entities subsequent to September 30, 2012:

JDC Phosphates	\$ 200,000
BioNitrogen	1,000,000
Continuum Labs, Inc.	<u>3,000,000</u>
 Total Approved for Grants	 <u><u>\$ 4,200,000</u></u>

The Auditor General conducted an operational audit for the period October 2010 through June 2012 and issued a report in February 2013 which contained certain findings. The Authority is currently seeking an Attorney General's position for the findings relating to the operation of the Authority under Florida Statute Chapter 159. The Auditor General intends to return in 18 months to follow up on the findings and recommendations issued in their report.



CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

**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***

Members of the Authority Board
Hardee County Industrial Development Authority
Hardee County, Florida

We have audited the financial statements of the governmental activities and the major fund of the Hardee County Industrial Development Authority (Authority), a component unit of Hardee County, Florida, as of and for the year ended September 30, 2012, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 13, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as 2012-01, 2012-02 and 2012-03 to be material weaknesses.


Compliance and Other Matters

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

We also noted certain other matters that we reported to management of the Hardee County Industrial Development Authority in a separate letter dated May 13, 2013

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management, and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Lakeland, Florida
May 13, 2013

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES –
CURRENT YEAR AND PRIOR YEARS
YEAR ENDED SEPTEMBER 30, 2012**

Current Year Findings

Material Weaknesses

2012-01: Preparation of Financial Statements
See 2009-01.

2012-02: Material Financial Statement Adjustments
See 2009-05.

2012-03 – PRIOR PERIOD RESTATEMENT

Condition: Our audit procedures disclosed equipment capital assets which were not reflected in the financial statement.

Criteria: Management is required to have an internal control process to identify capital assets maintained by the Authority that should be reported as a capital asset.

Effect: Equipment capital assets were understated by \$1,999,009. Accumulated depreciation was understated by \$9,995. Fund balance was understated by \$1,989,014.

Cause: The Authority's did not properly identify and record the capital asset transaction.

Recommendation: We recommend internal controls be implemented to insure proper reporting of capital assets.

Response: We concur.

Prior Years Findings

Material Weaknesses

2009-01 – PREPARATION OF FINANCIAL STATEMENTS

Condition: As part of the audit, management requested us to prepare a draft of the financial statements, including the related notes to the financial statements.

Criteria: The Authority's management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements in accordance with applicable accounting and reporting standards.

Effect: The design of the controls over the financial reporting process would affect the ability of the Authority to report their financial data consistently with the assertions of management in the financial statements.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES –
CURRENT YEAR AND PRIOR YEARS
YEAR ENDED SEPTEMBER 30, 2012**

Prior Years Findings (Continued)

Material Weaknesses (Continued)

2009-01 – PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Cause: The Authority has no employees and limited resources.

Recommendation: We recommend that Authority management be aware of the responsibilities regarding financial reporting and continue to evaluate the cost/benefit of outsourcing this function. If management chooses to undertake these financial reporting responsibilities, personnel with training and experience in financial statement preparation will need to be hired and a number of policies, procedures, and reviews will need to be developed and implemented.

Response: The Hardee County Industrial Development Authority has taken action to contract the services of a CPA firm with GASB competency to address 2009-01.

2009-05 – MATERIAL FINANCIAL STATEMENT ADJUSTMENTS

Condition: Our audit procedures disclosed material audit adjustments that were necessary in order for the financial statements to be in accordance with U.S. generally accepted accounting principles.

Criteria: The following audit adjustments were noted:

- Fund balance was not properly recorded from the prior year audit journal entries and necessary reversals.
- Accounts payable was not properly recorded at year end.
- Expenses relating to the Terrell Properties rental management agreement which were not properly recorded.
- The sale of the lot was not properly recorded.
- Reclassifications of expenses were necessary to properly report the balances on the financial statements.
- Due to and from funds were not properly recorded during the year.
- Inventory lots were not properly transferred to fixed assets for the construction of buildings on the lots.
- Current year depreciation expense was recorded on capital assets.

Effect: Fund balance, capital asset, receivables, inventory, accounts payable, revenue and expense balances were materially misstated.

Cause: Improper reporting of transactions.

Recommendation: We recommend internal controls be established and implemented to ensure proper reporting on the financial statements in accordance with U.S. generally accepted accounting principles.

Response: The Hardee County Industrial Development Authority has taken action to contract the services of a CPA firm with GASB competency to address 2009-05.

**HARDEE COUNTY
INDUSTRIAL DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES –
CURRENT YEAR AND PRIOR YEARS
YEAR ENDED SEPTEMBER 30, 2012**

Prior Years Findings (Continued)

Prior Years Findings		Current Year Status			
		Cleared	Partially Cleared	Not Cleared	Reference
2011-01 Preparation of Financial Statements	Material Weakness			X	2009-01
2011-02 Inadequate Segregation of Duties	Material Weakness	X			N/A
2011-03 Formal Documented Policies	Material Weakness	X			N/A
2011-04 Comply with Florida Statute Filing Requirements	Material Weakness	X			N/A
2011-05 Material Financial Statement Adjustments	Material Weakness			X	2009-05
2011-06 Lack of Supporting Documentation	Material Weakness	X			N/A
2011-07 Properly Record Transfers	Control Deficiency	X			N/A
2011-08 Property Owner's Association	Control Deficiency	X			N/A
2010-01 Preparation of Financial Statements	Material Weakness			X	2009-01
2010-02 Inadequate Segregation of Duties	Material Weakness	X			N/A
2010-03 Formal Documented Policies	Material Weakness	X			N/A
2010-04 Comply with Florida Statute Filing Requirements	Material Weakness	X			N/A
2010-05 Material Financial Statement Adjustments	Material Weakness			X	2009-05
2010-06 Lack of Supporting Documentation	Material Weakness	X			N/A
2010-07 Timely Deposits	Control Deficiency	X			N/A
2010-08 Properly Record Transfers	Control Deficiency	X			N/A
2010-09 Property Owner's Association	Control Deficiency	X			N/A



CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

MANAGEMENT LETTER

Members of the Authority Board
Hardee County Industrial Development Authority
Hardee County, Florida

We have audited the basic financial statements of the Hardee County Industrial Development Authority (Authority), a component unit of Hardee County, Florida, as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated May 13, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our 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*. Disclosures in that report, which is dated May 13, 2013, should be considered in conjunction with this Management Letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report:

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 significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations listed as 2011-02, 2011-03, 2011-04, 2011-06, 2011-07, 2011-08 in the schedule of findings and responses.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Hardee County Industrial Development Authority complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address any violations of provisions of laws, regulations, 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 more than inconsequential.

Members of the Authority Board
Hardee County Industrial Development Authority

In connection with our audit, we noted the Auditor General conducted an operational audit for the period October 2010 through June 2012 and issued a report in February 2013. The Authority had ten findings related to the operational audit. Any findings related to financial reporting are listed in our schedule of findings and responses as 2012-01, 2012-02 and 2012-03. This report prepared by the Auditor General can be obtained on their web site at www.myflorida.com/audgen; by telephone (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., 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. This information is disclosed as part of Note 1, to the basic financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is managements' responsibility to monitor the Central Florida Regional Planning Council'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.

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 applicable management and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.



CliftonLarsonAllen LLP

Lakeland, Florida
May 13, 2013