

**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2010**

**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
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## 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, Hardee County, Florida (Authority) as of and for the year ended September 30, 2010, 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, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011, 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 7 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.

*Larson Allen LLP*  
**LarsonAllen LLP**

Lakeland, Florida  
December 22, 2011

**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2010**

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, 2010. The information presented here should be considered in conjunction with the financial statements.

**Financial Highlights**

The Authority's net assets are \$5,113,905, an increase of \$966,018 over the previous year.

During the year, total expenses were \$1,916,044 versus total revenue of \$2,882,062.

**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. The Authority, like all government entities, uses fund accounting to ensure and reflect compliance with finance related legal requirements. The Authority uses one fund, a governmental general 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 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, 2010**

**Net Assets**

The Authority's net assets increased to \$5,113,905. The Authority's assets exceeded its liabilities by \$5,113,905.

**Industrial Development Authority  
Net Assets**

	<u>Governmental Activities</u>		Increase (Decrease)
	<u>2010</u>	<u>2009</u>	
<b>ASSETS</b>			
Cash	\$ 3,348	\$ 529,699	\$ (526,351)
Accounts Receivable	4,754	4,754	-
Due From Other Government	461,687	-	461,687
Capital Assets, Not Being Depreciated	801,172	647,172	154,000
Capital Assets, Net of Depreciation	1,976,911	1,066,479	910,432
Inventories	1,663,947	1,663,947	-
Restricted Cash	202,086	235,836	(33,750)
Total Assets	<u>5,113,905</u>	<u>4,147,887</u>	<u>966,018</u>
<b>LIABILITIES</b>			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS</b>			
Invested in Capital Assets	2,778,083	1,713,651	1,064,432
Restricted	202,086	235,836	(33,750)
Unrestricted	<u>2,133,736</u>	<u>2,198,400</u>	<u>(64,664)</u>
Total Net Assets	<u>\$ 5,113,905</u>	<u>\$ 4,147,887</u>	<u>\$ 966,018</u>

**Changes in Net Assets**

Revenues for the Authority's activities totaled \$2,882,062, an increase of \$2,827,227 from the previous year. The increase was attributable to grant revenue received from the Hardee County Economic Development Authority (EDA).

Expenses of the Authority totaled \$1,916,044, an increase of \$1,301,008 from the previous year. This increase was due to economic development projects which are underway and reimbursed using the EDA grant funds.

**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2010**

**Industrial Development Authority  
Changes in Net Assets**

	<u>Governmental Activities</u>		Increase (Decrease)
	<u>2010</u>	<u>2009</u>	
<b>REVENUES</b>			
Program Revenue:			
Operating Grants and Contributions	\$ 1,641,967	\$ -	\$ 1,641,967
Capital Grants and Contributions	1,140,000	-	1,140,000
General Revenues:			
Fruit Income	58,774	33,273	25,501
Rental Income	37,841	11,653	26,188
Interest Income	2,664	7,986	(5,322)
Miscellaneous	816	1,923	(1,107)
Total Revenues	<u>2,882,062</u>	<u>54,835</u>	<u>2,827,227</u>
<b>EXPENSES</b>			
General Government	1,916,044	615,036	1,301,008
Total Expenses	<u>1,916,044</u>	<u>615,036</u>	<u>1,301,008</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	966,018	(560,201)	1,526,219
Net Assets - Beginning of Year	<u>4,147,887</u>	<u>4,708,088</u>	<u>(560,201)</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 5,113,905</u>	<u>\$ 4,147,887</u>	<u>\$ 966,018</u>

**Budgetary Highlights**

The IDA will amend its budget process to be inclusive of a separate operating budget combining the Commerce Park, rental properties, citrus grove and administrative/accounting/audit/compliance operations. By separate agreement, the Mosaic Economic Terms document has a mandatory budget process. Capital projects funded by grants or other sources of income will be budgeted once the IDA has approved application for such funding and amended when grant amounts are actually awarded or denied to reflect anticipated amounts. The contracted CPA will formalize, upon legal review, a budget format for presentation to the IDA commensurate with public notice compliance.

**Economic Factors**

Over a decade ago Hardee County was designated a Rural Area of Critical Economic Concern (RACEC) by the Governor of the State and the Florida legislature. This designation caused by factors such as perennial high unemployment, dubious pinnacle rankings in poverty and teen pregnancy was sufficient evidence to compel the legislature to create the Hardee County Economic Development Authority in 2004.

The legislative directive to the Hardee County Economic Development Authority was to solicit, rank and fund job creation and infrastructure projects in Hardee County.

**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2010**

**Economic Factors (Continued)**

This income stream, has been used to primarily fund infrastructure initially because rural Counties cannot compete with more sophisticated types of Economic Development that traditionally exist in urban Counties because of this lack of infrastructure. Simple issues that would be taken for granted in urban Counties such as "fire suppression" cannot generally occur in rural area because the infrastructure cost to provide "fire suppression" to an individual company without public infrastructure is cost ineffective.

As a result of this and other infrastructure issues the County was able to fund, in whole or in part, public infrastructure such as water for drinking, irrigation and fire suppression, waste water treatment and effluent disposal, a Commerce Park to recruit businesses and other ancillary attributes such as storm water systems and roads. This debt free, non-valorem investment has led to the recruitment of businesses and job creation that otherwise would not have occurred in the County, certainly not in the recent time frames of the last five years.

The modus operandi to implement much of this capability has been the Hardee County Industrial Development Authority. This "dependent special district", "non-component unit" of Hardee County, first created in 1984 and then again in 1996 has been and is expected to continue to be a primary conduit for the deployment of grant monies provided by the Hardee County Economic Development Authority.

Additionally, the Board of County Commissioners issued a Development Order (South Fort Meade Mine Extension) that includes a FS Chapter 163 Development Agreement. The basis for this agreement is predicated on the County's Comprehensive Plan to deal with previously recognized impacts from mining, both in the past and expected in the future.

This Comprehensive Plan, appropriate components and ensuing "elements" does not debate "pro mining" or "no mining" arguments. It simply states that the presence of mining must have economic alleviation for the impacts of mining. The County recognizes and welcomes the positive economic impacts from mining but also realizes the potential for a calamitous void in its economy when mining is complete.

Generally, environmental mitigation/restoration is easier to understand than economic mitigation for the average person. It is physical and tangible. Economic mitigation/replacement is far more subjective and less visible and possibly more difficult to achieve.

It is generally anticipated the footprint of mining will grow substantially, along with the necessity of "clay settling areas" over time and because of this, the traditional agricultural economy will grow weaker and weaker. It is imperative for many aspects of Hardee County's traditions, values and economic components to successfully mitigate for the post mining scenario prior to post-mining actually occurring. The necessity for various components does not intend on impugning the mining company as the sole cause of the potential for economic blight but certainly asserts mining has exacerbating effects, especially in the intermediate and long term scenario.

Property owner rights are a "double-edged sword." Comprehensive, un-mitigated approval of the mining process without consideration for the mine's impact on the adjacent owners and local economy can be just as unfair as unduly restricting the company(s) from mining reserves.



**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2010**

**Economic Factors (Continued)**

The Mosaic Company has entered into an agreement contained in the FS 163 agreement that assures funding for simultaneous development of economies and markets that replace those lost to the ultimate closing of the mines and it is this income stream, along, with the aforementioned grants from the Hardee County Economic Development Authority that Hardee County anticipates removing the RACEC (Rural Area of Critical Economic Concern) moniker. This stewardship of this agreement, inclusive of administrative costs, is delegated to the Hardee County Industrial Development Authority. It totals \$42 million dollars, will initiate once all permits and litigation are completed and will be disbursed over the life of the "South Fort Meade Extension" mine.

The Hardee County Industrial Development Authority continues implementing stewardship of grants from the Hardee County Economic Development Authority in order to prepare its economy and its citizens for "globalization".

The Hardee Broadband Project is being deployed to provide ubiquitous broadband coverage, both middle mile and last mile to the entire 600 square miles of rural area 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. Additionally, this project is being offered as an "in-kind" match to the Florida Rural Broadband Alliance to meet the requirements of a \$22 million dollar grant for "middle mile" broadband infrastructure in 15 rural Florida Counties.

This infrastructure investment will further advance Florida and America in our efforts to adjust to the new competitive dynamics created with globalization. Conventional urban intellect takes for granted, just as fire suppression and high speed internet issues, the "hurdles" created by lack of generally available urban infrastructure in rural areas.

The Hardee Commerce Park continues to develop with the assistance of Hardee County Economic Development Authority grants. The Mosaic Company continues to struggle with permitting issues with its South Fort Meade Mine Extension in Federal Court, thus delaying deployment of the Mosaic/IDA Economic Terms revenue. CF Industries continues to mine strong, thus providing the sole source of revenue for the Hardee County Economic Development Authority to provide grants. An excerpt from the EDA annual financial report states the following:

State, national and international economic factors influence the (Hardee County Economic Development) 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. for this reporting period and the next because there is no other company extracting a significant amount of phosphate rock in Hardee County. Mosaic was issued a Development Order by the Hardee County Board of County Commissioners to begin mining in the South Fort Meade Extension. The Army Corps of Engineers also issued a permit, but currently the expansion is held up due to litigation initiated by non-governmental agencies. Due to these proceedings, Mosaic will not mine any significant tonnage which will increase the severance tax which will be received in the coming year.

**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2010**

**Economic Factors (Continued)**

*The primary factors influencing the rate of mining are:*

- *Competition: The markets are intensely competitive and particularly sensitive to products sourced from regions of the world with low natural gas costs. Natural gas is the principal raw material, as well as the primary fuel source, used in the ammonia production process.*
- *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: At least for this period and future reporting periods, reserves for CF Industries, Inc. are not a limiting factor. The company's permitted, recoverable reserves are sufficient to meet their requirements, at current production rates, for approximately 13 years. CF has initiated the process to permit approximately 7,000 additional acres in Hardee County that would provide additional reserves for approximately ten years.*
- *Market conditions: Even though the North American markets continue to be weak, CF found attractive opportunities to export record volumes of di-ammonium phosphate (DAP) and mono-ammonium phosphate (MAP) to a record number of international markets. DAP is the product produced from phosphate which is the actual component used to make fertilizer.*

*At least through the next reporting period, it is believed that the rate of mining will not be reduced significantly due to any of the above factors. Therefore, the EDA should achieve the revenue projection for the '11 budget. The revenue projection is \$7,327,373 which is inclusive of an '10 restricted cash forward of \$3,603,473 and an unrestricted cash forward of \$3,723,900.*

General economic conditions related to the Hardee County Industrial Development Authority, while intensely involved with infrastructure projects are "soft" as they relate to business recruitment. While the portfolio of "projects" is full, expectation of fruition is low until possibly 2011 and changes in the National economic equation.

**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, CEO Designee  
107 East Main Street  
Wauchula, FL 33873

**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010**

**ASSETS**

Cash	\$ 3,348
Accounts Receivable	4,754
Due from Other Government	461,687
Capital Assets, Not Being Depreciated	801,172
Capital Assets, Net of Depreciation	1,976,911
Inventories; Land Held for Resale	1,663,947
Restricted Cash	202,086
Total Assets	<u>5,113,905</u>

**LIABILITIES**

-

**NET ASSETS**

Invested in Capital Assets	2,778,083
Restricted	202,086
Unrestricted	2,133,736
Total Net Assets	<u><u>\$ 5,113,905</u></u>

See accompanying Notes to Financial Statements.

**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2010**

	Program Revenues		Net (Expense)
	Operating	Capital	Revenue and
	Grants and	Grants and	Changes in
Expenses	Contributions	Contributions	Net Assets
<u>Functions/Programs</u>			
Primary Government:			
Governmental Activities:			
General Government; Economic			
Development	\$ 1,916,044	\$ 1,641,967	\$ 1,140,000
Total Governmental Activities	\$ 1,916,044	\$ 1,641,967	\$ 865,923
General Revenues:			
Fruit Income			58,774
Rental Income			37,841
Interest Income			2,664
Miscellaneous			816
Total General Revenues			100,095
Change in Net Assets			966,018
Net Assets - Beginning of Year			4,147,887
Net Assets - End of Year			\$ 5,113,905

See accompanying Notes to Financial Statements.

**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
BALANCE SHEET - GENERAL FUND  
SEPTEMBER 30, 2010**

**ASSETS**

Cash	\$ 3,348
Accounts Receivable	4,754
Due from Other Government	461,687
Inventories; Land Held for Resale	1,663,947
Restricted Cash	202,086
Total Assets	<u>\$ 2,335,822</u>

**LIABILITIES**

Deferred Revenue	\$ 168,951
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**FUND BALANCE**

Reserved for Inventories	1,663,947
Reserved for Board of County Commissioners	202,086
Unreserved	300,838
Total Fund Balance	<u>2,166,871</u>

Total Liabilities and Fund Balance	<u>\$ 2,335,822</u>
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**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
RECONCILIATION OF THE GENERAL FUND BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010**

Total Fund Balance - General Fund \$ 2,166,871

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. 2,778,083

Amounts due from other governments which is not collected within 60 days of the year end. In the General Fund deferred revenue is recorded because payments were not received in the timeframe to be considered available. 164,197

In the statement of net assets, revenue was reported in the prior year for amounts earned during the year and, therefore, no liabilities are presented. In the General Fund deferred revenue is recorded because payments were not received in the timeframe to be considered available. 4,754

Total Net Assets - Governmental Activities \$ 5,113,905

**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE –GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2010**

**REVENUES**

Intergovernmental	\$ 2,617,770
Other Revenue	
Fruit Income	58,774
Rental Income	37,841
Interest Income	2,664
Miscellaneous	816
Total Revenues	2,717,865

**EXPENDITURES**

General Government	1,839,914
Capital Outlay	1,140,562
Total Expenditures	2,980,476

**NET CHANGE IN FUND BALANCE**

(262,611)

Fund Balances - Beginning of Year

2,429,482

**FUND BALANCES - END OF YEAR**

\$ 2,166,871

**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE – GENERAL FUND TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2010**

Net Change in Fund Balance - Total General Fund \$ (262,611)

Capital outlays are reported as expenditures in the General Fund, however, in the statement of activities, the cost of assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital Acquisitions	1,140,562	
Less: Depreciation	<u>(76,130)</u>	
		1,064,432

In the statement of activities, revenue is reported by the amounts earned during the year. In the General Fund deferred revenue is recorded instead because payments were not received in the timeframe to be considered available.

164,197

Change in Net Assets of Governmental Activities \$ 966,018



**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**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. After completion of the initial staggered terms, each appointed member serves a term of four years.

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. Governmental activities are supported largely by intergovernmental revenues and proceeds received from the sale of inventory.

**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 a providing 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 Fund***

- **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.

**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, 2010**

**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.

For the year ended September 30, 2010, the Authority did not adopt a budget.

**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 Balances**

In the general fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balances (Continued)**

Fund balance in the general fund is classified as follows:

- **Unreserved** – portion of total fund balance available for appropriation that is uncommitted at year-end.
- **Reserved for Inventories** – portion of total fund balance which is held in inventory and which does not constitute a spendable resource.
- **Reserved for Board of County Commissioners** – portion of total fund balance which the Board of County Commissioners has reserved funding for only approved expenditures.

**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. Fair value 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, 2010, the carrying amount of the Authority's deposits was \$205,434 and the balance per the bank was \$205,488. 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.

At September 30, 2010, cash was restricted for the Hardee County Board of County Commissioners in the amount of \$202,086. This restricted cash is reported as restricted net assets and reserved fund balance.

**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 3 CAPITAL ASSETS**

Capital assets are carried at historical costs. 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, 2009	Additions	Disposals	Balance September 30, 2010
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 647,172	\$ 154,000	\$ -	\$ 801,172
Capital Assets Being Depreciated:				
Land Improvements	91,838	-	-	91,838
Buildings	385,000	986,562	-	1,371,562
Roads and Bridges	776,474	-	-	776,474
Total Capital Assets Being Depreciated	1,253,312	986,562	-	2,239,874
Less Accumulated Depreciation for:				
Land Improvements	(19,535)	(9,184)	-	(28,719)
Buildings	(15,239)	(28,122)	-	(43,361)
Roads and Bridges	(152,059)	(38,824)	-	(190,883)
Total Accumulated Depreciation	(186,833)	(76,130)	-	(262,963)
Total Capital Assets Being Depreciated, Net	1,066,479	910,432	-	1,976,911
Total Governmental Activities Capital Assets, Net	<u>\$ 1,713,651</u>	<u>\$ 1,064,432</u>	<u>\$ -</u>	<u>\$ 2,778,083</u>

**NOTE 4 NOTE RECEIVABLE**

In 2005, the Authority executed a performance based real estate mortgage on Lot 21 of the Hardee County Commerce Park. Under the terms of the agreement, the \$102,000 no interest loan, is payable on demand only in the event of a breach of performance covenants. This balance was never deemed collectible and was forgiven during 2010.

**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010**

**NOTE 5 INVENTORIES**

Inventories are valued at cost of land and land improvements, and, for donated property, the fair market value at the date of donation. Governmental fund inventories are offset by a reserve of fund balance which indicates that the fund balance does not constitute available spendable resources.

**NOTE 6 RELATED PARTY TRANSACTIONS**

The Authority's Board of Directors includes representatives of the business community. During the year ended September 30, 2010, the Authority entered into several contracts with certain companies, with which certain Board members are associated, for the purpose of providing services. Total payments to these organizations during the year were \$26,093. Total revenues from these organizations received during the year were \$14,089.

Two of the board members are employed at a financial institution where the Authority had \$214,512 cash held at September 30, 2010.

**NOTE 7 ECONOMIC DEPENDENCY**

The Authority is economically dependent upon annual grant reimbursements from the Hardee County Economic Development Authority (EDA). For the year ended September 30, 2010, EDA provided approximately 77% of the Authority's total revenue and 100% of the Authority's program revenues.

**NOTE 8 ISSUED BUT NOT EFFECTIVE PROFESSIONAL STANDARD**

The Government Accounting Standards Board ("GASB") has issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which will be effective for the Authority for the fiscal year beginning October 1, 2010. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources in governmental funds.

Management has not yet completed its assessment of the above statement but does not believe that the statement will have a material effect on the financial statements of the Authority.

**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) as of and for the year ended September 30, 2010, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 22, 2011. 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 the internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore 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 weakness.

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, 2010-1, 2010-2, 2010-3, 2010-4, 2010-5 and 2010-6 described in the accompanying schedule of findings and responses 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, and 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 disclose an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2010-4.

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.

*Larson Allen LLP*  
**LarsonAllen LLP**

Lakeland, Florida  
December 22, 2011



**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2010**

**Material Weaknesses**

**2010-01 – 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.

**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, 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 2010-01.

**2010-02 – INADEQUATE SEGREGATION OF DUTIES**

**Condition:** The duties within the accounting function are not adequately segregated. The same individual opens the mail, initiates, prepares and disburses checks and also prepares the bank deposits and bank reconciliations. There is also a lack of audit trail, as monthly bank reconciliations are not printed.

**Criteria:** The Authority is required to have a system of internal control over accounting and financial reporting in place that will allow management in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. Such controls should be designed to segregate duties. Individuals with responsibility for recording QuickBooks transactions should not also have access to assets.

**Effect:** Cash accounts are subject to irregularities.

**Cause:** Management has not adopted formal processes and has limited staffing resources.

**Recommendation:** Segregate the accounting duties among management.

**Response:** We concur and have instituted office procedure/accounting procedure changes to segregate the duties.

**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2010**

**Material Weaknesses (Continued)**

**2010-03 – FORMAL DOCUMENTED POLICIES**

**Condition:** The Authority does not have formally documented accounting policies or procedures. This includes the following:

- Procedures for review processes, including journal entries
- Documentation of year end closing procedures to adjust for accrual based accounting
- Procedures for fraud risk assessment or monitoring process
- Utilization of the Uniform Accounting Code for Governments
- Investment of funds
- Capitalization Policy

**Criteria:** Management is responsible for maintaining adequate internal control over accounting and financial reporting.

**Effect:** The financial statements are susceptible to material misstatement.

**Cause:** Management has limited staffing resources.

**Recommendation:** We recommend that management adopt and implement formal accounting policies and procedures.

**Response:** The contracted CPA will immediately complete formally documented accounting policies and procedures for approval by the IDA and implementation by management.

**2010-04 – COMPLY WITH FLORIDA STATUTE FILING REQUIREMENTS**

**Condition:** Annual reporting requirements were not completed on a timely basis.

**Criteria:** Management is responsible for filing the following:

- An annual financial report in accordance with Section 218.32 of the Florida State Statutes
- An annual financial audit report in accordance with Section 218.39 of the Florida State Statutes
- An adopted budget by resolution in accordance with Section 189.418(3) of the Florida State Statutes.
- Preparation of Qualified Public Depository Forms
- Oath or Affirmation

**Effect:** The Authority has received correspondence from the Florida Legislature Joint Legislative Auditing Committee requiring these reports be filed no later than December 31, 2011.

**Cause:** Management only recently became aware of these requirements.

**Recommendation:** We recommend implementing procedures and policies to ensure the annual reporting requirements are met.

**Response:** We concur.

**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2010**

**Material Weaknesses (Continued)**

**2010-05 – 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:

- Prior year accumulated depreciation and current year depreciation expense was recorded on capital assets.
- Activity for the Property Owners Association cash accounts that were not recorded properly.
- Expenses relating to the Terrell Properties rental management agreement which were not properly recorded.
- Revenues were recorded on a cash basis, therefore the 10% retainage on the EDA grants were recorded as revenue in the year it was received, instead of the year it was earned for construction projects over multiple years.

**Effect:** Fund balance, capital asset, inventory, 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:** We concur.

**HARDEE COUNTY  
INDUSTRIAL DEVELOPMENT AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2010**

**Material Weaknesses (Continued)**

**2010-06 – LACK OF SUPPORTING DOCUMENTATION**

**Condition:** Our audit procedures disclosed areas where supporting documentation was not able to be located causing a deficiency in the audit trail.

**Criteria:** The following items were noted:

- Monthly bank reconciliations are not printed.
- Monthly bank reconciliations were not performed on all bank accounts held.
- Several minutes did not include a listing of attendees.
- No support could be located for a deposit that was made during the year.

**Effect:** The financial statements are vulnerable to a scope limitation when information is unable to be located.

**Cause:** Management has limited staffing resources and has seen recent turnover.

**Recommendation:** We recommend the Authority maintain and file all documentation which supports any and all activity within the entity.

**Response:** Accounting and policy procedures have been instituted to remedy this situation.

## 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), as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated December 22, 2011.

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 December 22, 2011, 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. There is no preceding annual financial audit report, therefore, there are no corrective actions to address.

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 did not have any such findings.

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 noted the following:

### **Timely Deposits**

During our audit, we noted cash receipts which were held at the office for more than a few days before being deposited in the bank. We recommend that deposits be made timelier in order to avoid checks from being misplaced.

Members of the Authority Board  
Hardee County Industrial Development Authority

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. In connection with our audit, we did not have any such findings.

Sections 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 noted the following:

**Properly Record Transfers**

During our audit, we noted that cash is borrowed from bank accounts and later replenished when cash is available. Since these were not properly recorded as transfers, this causes revenues and expenses to be inflated. We recommend the Authority implement a pooled cash system to maintain cash balances within the general ledger.

**Property Owner's Association**

During our audit, we noted the general ledger contained property owner's association accounts which were created with the idea that there is a property owner's association in place. However, there have been no filings with the IRS to properly establish an association. These accounts are merely additional bank accounts with the Authority at this time. We recommend the appropriate reports be filed to create a property owner's association, when it is deemed necessary.

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.

Section 10.554(1)(i)7.b, Rules of the Auditor General, require that we determine whether the annual financial report for the Authority for the fiscal year ended September 30, 2010 filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Authority'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 management. We completed the financial condition assessment procedures as of the fiscal year end.

Members of the Authority Board  
Hardee County Industrial Development Authority

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*Larson Allen LLP*  
**LarsonAllen LLP**

Lakeland, Florida  
December 22, 2011