

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)**

FINANCIAL STATEMENTS YEAR

ENDED SEPTEMBER 30, 2013

DRAFT

**HARDEE COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
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YEAR ENDED SEPTEMBER 30, 2013**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major funds and the aggregate remaining fund information of the Hardee County Industrial Development Authority (Authority), a component unit of Hardee County, Florida, as of and for the year ended September 30, 2013 and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds and the aggregate remaining fund information of the Authority as of ReportDate, and the respective changes in financial position and the budgetary comparisons for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated ReportDate, on our consideration of the Hardee County Industrial Development 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hardee County Industrial Development Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Lakeland, Florida
REPORT DATE

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER
30, 2013**

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, 2013. The information presented here should be considered in conjunction with the financial statements.

Financial Highlights

The Authority's net position is \$14,877,563, a decrease of \$170,932 over the previous year. During the current year the Economic Development Council met the criteria to be a blended component unit which resulted an increase in net position in the amount of \$57,851.

During the year, total expenses were \$5,601,267 versus total revenue of \$5,372,484.

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 position and changes in net position. Net position – the difference between assets and liabilities – is an important measure of the Authority's financial health.

Fund Financial Statements – These statements provide a detailed look at the Authority's general fund, special revenue funds for grant and ED C. The Authority, like all government entities, uses fund accounting to ensure and reflect compliance with finance related legal requirements. The Authority uses three governmental funds, a general fund and two special revenue funds, which focus 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 funds 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
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER
30, 2013**

Net Position

At September 30 2013, the Authority had total assets of \$15,378,391, total liabilities of \$500,828, and total net position of \$14,877,563.

**Industrial Development Authority
Net Position**

	<u>Governmental Activities</u>		Increase (Decrease)
	2013	2012	
ASSETS			
Cash	\$ 5,275,751	\$ 6,294,890	\$ (1,019,139)
Accounts Receivable	29,405	4,754	24,651
Due from Other Government	6,522	818,651	(812,129)
Inventories; Land Held for Resale	1,346,048	1,346,048	-
Capital Assets, Not Being Depreciated	2,803,660	965,983	1,837,727
Capital Assets, Net of Depreciation	<u>5,917,005</u>	<u>5,736,740</u>	180,265
Total Assets	<u>15,378,391</u>	<u>15,167,016</u>	211,375
LIABILITIES			
Accounts Payable	<u>500,828</u>	118,521	382,307
Total Liabilities	<u>500,828</u>	<u>118,521</u>	382,307
NET POSITION			
Invested in Capital Assets	8,720,665	6,702,673	2,017,992
Restricted for Economic Development Projects	3,634,399	5,754,234	(2,119,835)
Unrestricted	2,522,499	2,591,588	(69,089)
Total Net Position	<u>\$ 14,877,563</u>	<u>\$ 15,048,495</u>	<u>\$ (170,932)</u>

Changes in Net Position

Revenues for the Authority's activities totaled \$5,372,484, a decrease of \$684,360 from the previous year. The net decrease was attributable to grant revenue received from the Mosaic Fertilizer LLC Development Agreement.

Expenses of the Authority totaled \$5,601,267, an increase of \$2,307,076 from the previous year. This increase was due to grants awarded through the Mosaic Fertilizer LLC Development Agreement.

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER
30, 2013**

**Industrial Development Authority
Changes in Net Position**

	<u>Governmental Activities</u>		Increase (Decrease)
	2013	2012	
REVENUES			
Program Revenues:			
Operating Grants and Contributions	\$ 250,000	\$ -	\$ 250,000
Capital Grants and Contributions	1,327,873	1,243,704	84,169
Charges for Services	288,483	296,732	(8,249)
General Revenues:			
Mosaic Income	3,500,000	4,500,000	(1,000,000)
Interest Income	5,993	5,701	292
Miscellaneous	135	10,707	(10,572)
Total Revenues	<u>5,372,484</u>	<u>6,056,844</u>	<u>(684,360)</u>
EXPENSES			
General Government	<u>5,601,267</u>	<u>3,294,191</u>	<u>2,307,076</u>
Total Expenses	<u>5,601,267</u>	<u>3,294,191</u>	<u>2,307,076</u>
CHANGE IN NET POSITION	(228,783)	2,762,653	(2,991,436)
Net Position - Beginning of Year	15,106,346	10,296,828	4,809,518
NET POSITION - END OF YEAR	<u>\$ 14,877,563</u>	<u>\$ 15,048,495</u>	<u>\$ (170,932)</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.

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, as per Florida Statute and County resolution is to "foster and promote economic development" in Hardee County in concert 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.

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER
30, 2013**

Economic Factors (Continued)

At issue and the source of contentious, political and philosophical dispute has been the latitude and parameters authorized by State law for which the IDA could operate. Recently completed operational audits performed by the Auditor General had challenged the statutory authority afforded by Chapter 159, Florida Statutes and resulted in the IDA seeking and obtaining an opinion from the Attorney General of the State of Florida (13-12).

The IDA management and plurality of County elected leadership and appointed members, while concurring with the Attorney General opinion, remain uncomfortable with the Auditor General's lack of acknowledgment, either in agreement or disagreement with the Attorney General opinion. This circumstance creates a tentativeness or operational restraint that continues to nourish political contentiousness and also has a chilling effect on the ability of the IDA to maximize the Chapter 159 purpose of "fostering the economic development of the County."

Regardless, but with a consciousness and respect of these statutory interpretive differences, the IDA expects to move forward with every intention of "fostering and promoting economic development" of Hardee County with at least three sources of income. It will operate as a dependent special district, component unit of Hardee County Board of County Commissioners even though it was properly created under Chapter 159, FS by "resolution" other than "ordinance" as directed in Chapter 189, FS.

The income sources of the IDA, (which are anticipated to continue to be applied to accomplish the objectives set forth in the Chapter 159 and Hardee County Board of County Commissioners Resolution) and concurring Attorney General Opinion (13-12) are as follows:

- 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.

It should be noted that there are no traditional bond financing or refinancing sources of revenue utilized by the IDA to "foster and promote economic development." If these sources are ever utilized by the IDA the rules, procedures and parameters set forth in Chapter 159 FS and as defined for "projects" will be adhered to.

As previously stated, Hardee County's economic situation has not been as directly impacted by the general downturn in the National and State economy as those (situations/circumstances) recognized by the other local, State, National and international economic conditions. Neither is it expected to rebound similarly to regional or national recovery.

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER
30, 2013**

Economic Factors (Continued)

The County's 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. Its independence from subsidies and welfare payments through economic diversity opportunity for recipients and residents 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 and remains the primary focus and the objective of the income streams. While general conditions related to its local economy reveal cattle prices have been a significant contributor to the County's economy in recent months/years, the number of individual producers continues to decrease as the acreage of mining increases. Regardless, the perpetual use of the majority of post-mined land is anticipated, lacking some new technology or genetic crop advancement, to be vested in grazing of cattle on short term leases. The ultimate significance of this, relative to the local economy, is not recognized nor fully understood by the contemporary "body politic."

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 Lakeland Ledger article <http://www.theledger.com/article/20131212/newschief/131219791>

The Hardee County IDA faces many challenges and opportunities as a consequence of dynamic changes in citrus cultural practices (larger acreages surviving due to economies of scale, rather than smaller producers that generally make up the Hardee County citrus producer equation), 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 that enhance and mitigate current and future circumstances and consequences.

The IDA is active in the following projects for diversification:

- It has completed the "Hardee Broadband Project" which provides ubiquitous broadband coverage, both middle mile and last mile to the entire 600 square miles of rural/urban areas in the county. This newest infrastructure project effectuates competitiveness by affording Hardee County citizens opportunities and convenience that would otherwise be unavailable in much of rural Florida.

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER
30, 2013**

Economic Factors (Continued)

•The Hardee Commerce Park continues to be developed by the IDA:

1. One new 20,000 sq. ft. spec building is almost completed for the purpose of a robotic machinery technology manufacturing process complemented with grant/loan assistance from Space Florida and private investment.
(<http://www.spaceref.com/news/viewpr.html?pid=42207>)
2. A sewer pretreatment facility for park tenants continues in the planning process. This facility will allow increased versatility of effluent producing manufacturing processes in the Commerce Park.
3. A security building/sheriff's substation (Command Center) has been completed for added security in the Commerce Park and ancillary redundancy enhancing and assisting law enforcement. It also serves as a backup location for the County's 9 11 emergency/dispatch system.
4. Construction of a culvert/bridge replacement and 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) of Commerce Park development. The design of the entire 134 acre expansion is expected in the 1st quarter of 2014.
5. An approximate 80,000 square feet urea fertilizer "coating" and blending facility will be constructed during 2014 and 1st Quarter 2015 for Florikan fertilizer (<http://florikan.com/>).
6. Site and building designs and approvals for an additional 20,000 sq. ft. warehouse facility adjacent to the PFM facility will begin in early 2014.

The Industrial Development Authority has also initiated/sustained the following projects:

1. Broadband communications, rapid advances in technology and globalization of the world's economies have created an intense need to focus and develop the technology sector of our local economy. The Industrial Development Authority has provided over \$7 Million of funding to LifeSync/Continuum Labs (<http://www.caresync.com/>) as a part of this initiative.
2. 2014 will be a bellwether year for Continuum Labs and the Industrial Development Authority's efforts to impact the creation of a technology sector in the local economy. This company is funded and operationally subsidized at the Tech River tech center, a vacant office building acquired and retrofitted by the IDA for this type of economic development.

The Economic Development Office will continue to work with technology consultants and Continuum until sufficient economic successes have been attained at TechRiver, with the objective of establishing a technology park (Tech River) for recruitment and placement of appropriate companies related to such economic development.

3. The Mosaic Company and CFI continued mining operations throughout 2013, thus providing the third economic terms disbursement to the Authority for distribution related to "fostering and promoting" economic development and increases in funding for the Economic Development Authority to "solicit, rank and fund grants for Economic Development purposes.

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER
30, 2013**

Economic Factors (Continued)

The **Mosaic Company** jointly announced with **CF Industries** in October of 2013 a "definitive agreement" for Mosaic to acquire CF: (<http://www.floridatrend.com/article/16379/the-mosaic-company-to-acquire-florida-phosphate-business-from-cf-industries-for-12-billion>).

This acquisition will have direct and indirect impacts on Hardee County for decades to come. The approvals of this acquisition will provide for significant changes in our economy. A little over a decade ago Hardee County had five phosphate companies at various mining operation planning stages: Farmland, CF Industries, Cargill Fertilizer, IMC Phosphates and USS Agri-Chem. The creation of the Mosaic Company reduced phosphate ownership interests to these two remaining entities, CF Industries and the Mosaic Company. The rate and volume of mining has dramatically increased from two draglines in the county to seven, today. Regardless of one or two companies moving forward (pending necessary Federal approvals), phosphate mining will play a critical role in the future Hardee County economy.

The effect on the Mosaic Company's plans to initiate approvals of its Ona/Pioneer mine are uncertain at this time, but a delay in formal permitting seems imminent. Similarly, while the impact of Economic Mitigation agreements between CF and the County (administered by and thru the Hardee County Economic Development Authority) is expected to remain unaltered.

4. BioNitrogen is a startup company planned on 500 acres just north of the intersection of Vandolah Road and CR663. It proposes to produce Urea Nitrogen fertilizer from various sources of biomass available in the region. This project continues to develop engineering plans necessary for completion of financing and to begin construction. The IDA has approved \$1 million in grant funds awarded by the Hardee County Economic Development Authority and an additional \$1 million in Mosaic Agreement funding for the construction of rail spur "conditioned" upon BioNitrogen funding and pro-rata disbursement of funds to construct the facility. <http://www.bionitrogen.com/>
5. The Hardee County Economic Development Authority has funded the Hardee County Industrial Development Authority to acquire the Mid-Florida Hardware/ Scotty's building on US Hwy 17 S. in the city of Wauchula. This facility will be renovated, both the interior and exterior and retrofitted for production. This "fill line" capability will be used to accommodate and recruit existing food and cosmetic companies in addition to vetting and funding startups with similar needs. Other portions of the building, which has approximately 38,000 square feet under roof, will be partitioned for "incubation or acceleration" of other businesses.

The Economic Development Authority has appropriated monies (\$1.6 million) for the acquisition, retrofit of the building and the establishment and expansion of Peace River Paddle Boards and Cantu Apiaries to the Industrial Development Authority.

6. While National Solar has not formally withdrawn its proposal for a 200 megawatt solar facility in eastern Hardee County, recent increases in discovery of natural gas supplies, especially in the United States have created a general lack of competitiveness for solar projects. Time will tell...

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MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER
30, 2013**

Economic Factors (Continued)

7. Plans for a liquefied natural gas project (Ft. Green, LNG) continue to be developed. Its potential to significantly increase the County's tax base and to provide economic diversity for the County's economy has the greatest potential of providing significant economic impact for decades to come. This project has already created interest from various natural gas supplying entities in the region. As natural gas supply and distribution becomes available over a wider geographical area, regardless of supplier the general economic development potential is much greater.
8. This project (JDC Phosphates), located just west of Ft. Meade, as a pilot facility utilizes high magnesium phosphate ore, otherwise known as "reject rock" to produce phosphoric acid and a light weight construction aggregate. It may someday be built to scale in Hardee County both extending the amount of phosphate reserves and creating an aggregate supply industry for roads and construction. <http://jdcphosphate.com/>

Continuing forward

The IDA continues to face some citizen opposition to deployment and infusion of its resources into the economy. Political philosophy encouraging innovative ideas and diversification of investment opportunities may be the defining components of a successful, failing or mediocre outcome. Education of all interests is imperative in order to develop a sufficient progressive attitude or urgency with the populous. Consider these following questions accepting the positive economic impacts of the active mining economy:

- What is the empirical result of 40-50% of a small rural county's land mass acquired, permitted for mining, mined, reclaimed and inventoried for over a century?
- What is the economic impact of 40-50% of this land mass consequently resulting in perpetual clay settling areas or conservation/preservation easements for as long as "perpetuity in absence of new technological/economic applications for these areas?"
- What does the average citizen know and understand about reclamation definitions and final objectives?
- Does the interim (short term) mining economy offset the traditional land uses that would emerge from predictable development equations in rural areas adjacent to Manatee, Hillsborough and Polk Counties without artificial mitigation/intervention from economic development?
- What are the choices and opportunities readily available to Hardee County leadership to mitigate these circumstances of reclamation?
- Should all results or consequences be "market driven without formal "economic development" efforts creating alternatives in the post-mining scenario?"

State, national and international political and economic factors influence the Authority's revenues. It should be stated emphatically the sources of the IDA revenues are based in efforts to mitigate the circumstances created by the previously listed bullets and to produce compliance with the Hardee County "economic development element of its comprehensive plan."

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER
30, 2013**

Economic Factors (Continued)

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 majority of domestic future supplies and exports 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. There is an artificial "causal effect" creating the circumstances Hardee County faces that resonate artificial intervention.

Hopefully generating sufficient awareness to continue its efforts, the IDA is expected to give economic development, 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 cannot impede effective and expeditious stewardship of these income streams.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances and operating circumstances. 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
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 5,275,751
Accounts Receivable	29,405
Due from Other Government	6,522
Inventories; Land Held for Resale	1,346,048
Capital Assets, Not Being Depreciated	2,803,660
Capital Assets, Being Depreciated, Net	<u>5,917,005</u>
Total Assets	<u>15,378,391</u>
LIABILITIES	
Accounts Payable and Accrued Expenditures	<u>500,828</u>
Total Liabilities	<u>500,828</u>
NET POSITION	
Invested in Capital Assets	8,720,665
Restricted for Economic Development Projects	3,634,399
Unrestricted	<u>2,522,499</u>
Total Net Position	<u><u>\$ 14,877,563</u></u>

DRAFT

See accompanying Notes to Financial Statements.

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary Government:					
Governmental Activities:					
General Government; Economic Development	\$ 5,601,267	\$ 288,483	\$ 250,000	\$ 1,327,873	\$ (3,734,911)
Total Governmental Activities	\$ 5,601,267	\$ 288,483	\$ 250,000	\$ 1,327,873	(3,734,911)
General Revenues:					
					3,500,000 t r
					5,993 i
					135 l
					3,506,128
					(228,783)
					15,106,346
					\$ 14,877,563

See accompanying Notes to Financial Statements.

HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

ASSETS	<u>General Fund</u>	Special Revenue <u>Grant Fund</u>	EDC (Non-Major <u>Fund)</u>	<u>Total Governmental</u>
Cash	\$ 1,431,171	\$ 3,783,832	\$ 60,748	\$ 5,275,751
Accounts Receivable	29,405	-	-	29,405
Due from Other Fund	-	346,407	900	347,307
Due from Other Government	5,522	-	1,000	6,522
Inventories; Land Held for Resale	1,346,048	-	-	1,346,048
Total Assets	<u>\$ 2,812,146</u>	<u>\$ 4,130,239</u>	<u>\$ 62,648</u>	<u>\$ 7,005,033</u>
 LIABILITIES				
Accounts Payable and Accrued Expenditures	\$ 8,872	\$ 481,541	\$ 10,415	\$ 500,828
Due to Other Fund	346,407	900	-	347,307
Total Liabilities	<u>355,279</u>	<u>482,441</u>	<u>10,415</u>	<u>848,135</u>
 FUND BALANCE				
Nonspendable	1,346,048	-	-	1,346,048
Restricted for Economic Development Projects	-	3,634,399	-	3,634,399
Assigned	-	13,399	52,233	65,632
Unassigned	1,110,819	-	-	1,110,819
Total Fund Balance	<u>2,456,867</u>	<u>3,647,798</u>	<u>52,233</u>	<u>6,156,898</u>
Total Liabilities and Fund Balance	<u>\$ 2,812,146</u>	<u>\$ 4,130,239</u>	<u>\$ 62,648</u>	<u>\$ 7,005,033</u>

See accompanying Notes to Financial Statements.

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
RECONCILIATION OF THE GOVERNMENTAL ACTIVITIES BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION SEPTEMBER 30,
2013**

Total Fund Balance - Total Governmental Funds \$ 6,156,898

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds 8,720,665

Total Net Position - Governmental Activities \$ 14,877,563

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See accompanying Notes to Financial Statements.

HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

REVENUES	<u>General Fund</u>	<u>Special Revenue Grant Fund</u>	<u>EDC (Non-Major Fund)</u>	<u>Total Government Funds</u>
Intergovernmental	\$ 1,291,285	\$ -	\$ 250,000	\$ 1,541,285
Charges for Services	276,483	-	12,000	288,483
Other Revenue				
Mosaic Income	-	3,500,000	-	3,500,000
Interest Income	719	5,274	-	5,993
Miscellaneous	36,723	-	-	36,723
Total revenues	<u>1,605,210</u>	<u>3,505,274</u>	<u>262,000</u>	<u>5,372,484</u>
EXPENDITURES				
General Government	371,175	4,353,290	302,935	5,027,400
Capital Outlay	1,360,631	1,230,045	-	2,590,676
Total expenditures	<u>1,731,806</u>	<u>5,583,335</u>	<u>302,935</u>	<u>7,618,076</u>
Excess of revenues over expenditures	<u>(126,596)</u>	<u>(2,078,061)</u>	<u>(40,935)</u>	<u>(2,245,592)</u>
Other financing sources (uses)				
Transfers In	-	-	36,500	36,500
Transfers Out	-	(36,500)	-	(36,500)
Total other financing sources (uses)	<u>-</u>	<u>(36,500)</u>	<u>36,500</u>	<u>-</u>
Net change in fund balance	<u>(126,596)</u>	<u>(2,114,561)</u>	<u>(4,435)</u>	<u>(2,245,592)</u>
Fund Balances - Beginning of Year	<u>2,583,463</u>	<u>5,762,359</u>	<u>56,668</u>	<u>8,402,490</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,456,867</u>	<u>\$ 3,647,798</u>	<u>\$ 52,233</u>	<u>\$ 6,156,898</u>

See accompanying Notes to Financial Statements.

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
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 POSITION
YEAR ENDED SEPTEMBER 30, 2013**

Net Change in Fund Balance - Total Governmental Funds \$ (2,245,592)

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:

Capital Acquisitions	2,590,676	
Transfer out of Capital Assets as a Contribution	(360,804)	
Less: Depreciation	(213,063)	
		2,016,809

Change in Net Position of Governmental Activities \$ (228,783)

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See accompanying Notes to Financial Statements.

HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,000,000	\$ 2,150,200	\$ 1,291,285	\$ (858,915)
Charges for Services	235,500	275,500	276,483	983
Other Revenue				
Interest Income	3,000	3,000	719	(2,281)
Miscellaneous	-	-	36,723	36,723
Total revenues	<u>2,238,500</u>	<u>2,428,700</u>	<u>1,605,210</u>	<u>(823,490)</u>
EXPENDITURES				
General Government	252,091	370,691	371,175	(484)
Capital Outlay	2,000,000	2,434,000	1,360,631	1,073,369
Total expenditures	<u>2,252,091</u>	<u>2,604,691</u>	<u>1,731,806</u>	<u>1,072,885</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,591)</u>	<u>(375,991)</u>	<u>(126,596)</u>	<u>249,395</u>
Other financing sources (uses)				
Transfers In	174,182	174,182	-	(174,182)
Transfers Out	(74,182)	(74,182)	-	74,182
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Net change in fund balances	<u>(13,591)</u>	<u>(375,991)</u>	<u>(126,596)</u>	<u>249,395</u>
Fund Balances - Beginning of Year	<u>144,976</u>	<u>507,376</u>	<u>2,583,463</u>	<u>2,076,087</u>
FUND BALANCES - END OF YEAR	<u>\$ 131,385</u>	<u>\$ 131,385</u>	<u>\$ 2,456,867</u>	<u>\$ 2,832,858</u>

See accompanying Notes to Financial Statements.

HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL–
GRANT FUND
YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Other Revenue				
Mosaic Income	\$ 4,000,000	\$ 4,000,000	\$ 3,500,000	\$ (500,000)
Interest Income	2,602	2,602	5,274	2,672
Total revenues	<u>4,002,602</u>	<u>4,002,602</u>	<u>3,505,274</u>	<u>(497,328)</u>
EXPENDITURES				
General Government	1,264,081	6,241,461	4,353,290	1,888,171
Capital Outlay	300,000	2,688,200	1,230,045	1,458,155
Total expenditures	<u>1,564,081</u>	<u>8,929,661</u>	<u>5,583,335</u>	<u>3,346,326</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,438,521</u>	<u>(4,927,059)</u>	<u>(2,078,061)</u>	<u>2,848,998</u>
Other financing sources (uses)				
Transfers In	120,000	120,000	-	(120,000)
Transfers Out	(220,000)	(220,000)	(36,500)	183,500
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(36,500)</u>	<u>63,500</u>
Net change in fund balances	2,438,521	(4,927,059)	(2,114,561)	2,812,498
Fund Balances - Beginning of Year	-	-	5,762,359	5,762,359
FUND BALANCES - END OF YEAR	<u>\$ 2,438,521</u>	<u>\$(4,927,059)</u>	<u>\$ 3,647,798</u>	<u>\$ 8,574,857</u>

See accompanying Notes to Financial Statements.

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

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 no less than 9 and no more than 13 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.

Accounting principles generally accepted in the United States require that these financial statements include all entities for which the Authority is considered to be financially accountable (component units). The Authority is financially responsible if it appoints a voting majority of the organization's governing body and (a) is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Authority. The Authority may be financially accountable if an organization is fiscally dependent on the Authority regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board. If a component unit is, in substance, part of the government's operations, it should be reported as a blended component unit. Otherwise, a component unit should be discretely presented. Based on the criteria, the Authority management determined that the Authority has one blended component unit and no discretely presented component units.

These financial statements present only the funds and blended component unit of the Authority and are not meant to represent Hardee County, Florida, as a whole.

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Blended Component Unit

The Hardee County Economic Development Council, Inc. (EDC) is a separate legal entity that was created pursuant to the provisions of section 617.1006, Florida Statutes, *Florida Not for Profit Corporation*. The EDC's purpose is to provide for the orderly, progressive, economic diversification of Hardee County, which will insure a superior quality of life through public and private activities. The EDC provides services for the operations of the Authority. The financial information for this component unit is blended in these financial statements of the Authority statements because the Authority's board serves as the governing body of the EDC and approves the annual budget. The EDC is reported as a special revenue fund of the Authority.

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 position 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.

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:

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

Governmental 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.

Special Revenue Funds

- **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.
- **EDC Fund** – This fund accounts for the activity of the Hardee County Economic Development Council, Inc. (EDC), which is a separate legal entity that is reported as a blended component unit. The activity of the EDC is comprised of receipts and disbursements of grant monies received from the Board of County Commissioners and the Economic Development Authority for operations of the EDC.

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.

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.

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Requirements (Continued)

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 Position

Net position represents the difference between assets and liabilities. The Authority may report three categories of net position, as follows: invested in capital assets, restricted net position, and unrestricted net position. Invested in capital assets consist of net capital assets. Restricted net position 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 position consist of all other net position 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.
- 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.

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance and Spending Policy (Continued)

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 and Note Receivables

Accounts and note receivables 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.

New Adopted Accounting Pronouncements

For the year ended September 30, 2013, the financial statements include the impact of adoption of Governmental Accounting Standards Board Statement (GASBS) numbers 62 and 63.

GASBS 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, supersedes GASBS 20. GASBS 20 gave governments the choice to elect to follow only the authoritative literature of the Governmental Accounting Standards Board (GASB) or to follow Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements that did not conflict with GASB pronouncements. Upon adoption of GASBS 62, all governmental accounting guidance is codified into the GASB literature. The adoption of this standard had no impact on the Authority's financial statements.

GASBS 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides guidance on reporting deferred outflows and inflows of resources. It also renames the residual of all other amounts presented in the statement of financial position from "net assets" to "net position." The financial statements include the statement of net position, which reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Adoption of future GASB standards will include reporting of some items previously reported as assets and liabilities as deferred outflows and inflows of resources.

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
 (A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013**

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, 2013, the carrying amount of the Authority's deposits was \$5,275,751 and the balance per the bank was \$5,278,036.

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 NOTE RECEIVABLE

The Authority entered into a promissory note receivable with a private company. The sole purpose of the promissory note was to provide the Authority a security interest in possible litigation proceeds that could be received by the private company from a successful lawsuit. The amounts paid by the Authority to the private company represented the reimbursement of excess costs that were incurred by the private company and were the basis of its litigation. The terms and conditions of the note were such that the Authority would have a receivable based on a contingency of a successful lawsuit. Management has determined the amount of the receivable to be uncollectible.

General Fund:

Promissory Note Receivable	\$ 127,878
Allowance for Uncollectible	<u>(127,878)</u>
Note Receivable, Net	<u><u>\$ -</u></u>

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 4 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, 2012	Additions	Disposals	Contribution to BOCC	Balance September 30, 2013
Governmental Activities:					
Capital Assets Not Being Depreciated:					
Land	\$ 947,282	\$ -	\$ (51,910)	\$ -	\$ 895,372
Construction in Process	18,651	2,198,531	-	(308,894)	1,908,288
Total Capital Assets, Not Being Depreciated	965,933	2,198,531	(51,910)	(308,894)	2,803,660
Capital Assets Being Depreciated:					
Land Improvements	102,800	-	-	-	102,800
Buildings	3,126,404	324,679	(308,894)	308,894	3,451,083
Equipment	2,209,126	67,486	-	-	2,276,592
Roads and Bridges	776,474	-	-	-	776,474
Total Capital Assets, Being Depreciated	6,214,804	392,145	(308,894)	308,894	6,606,949
Less Accumulated Depreciation for:					
Land Improvements	(50,193)	(10,280)	-	-	(60,473)
Buildings	(90,914)	(80,476)	-	-	(171,390)
Equipment	(67,243)	(83,483)	-	-	(150,726)
Roads and Bridges	(268,531)	(38,824)	-	-	(307,355)
Total Accumulated Depreciation	(476,881)	(213,063)	-	-	(689,944)
Total Capital Assets, Being Depreciated, Net	5,737,923	179,082	(308,894)	308,894	5,917,005
Total Governmental Activities Capital Assets, Net	<u>\$ 6,703,856</u>	<u>\$ 2,377,613</u>	<u>\$ (360,804)</u>	<u>\$ -</u>	<u>\$ 8,720,665</u>

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 5 RELATED PARTY TRANSACTIONS

The Authority's Board of Directors includes representatives of the business community. During the year ended September 30, 2013, 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:

	Revenues	Expenditures	Accounts Payable
Continuum Labs, Inc.	\$ -	\$ 3,942,122	\$ 299,411
Other	5,993	5,141	-
Total Related Party Transactions	\$ 5,993	\$ 3,947,263	\$ 299,411

The Hardee County Board of County Commissioners (BOCC) awarded and paid a grant for operations of the Hardee EDC in the amount of \$100,000. Under the terms of the Mosaic agreement between Hardee County Board of County Commissioners and Mosaic Fertilizer LLC, the Authority transferred \$500,000 to the Hardee BOCC. This payment was reported as a contra revenue when paid. Upon completion of the construction project, the Authority transferred the Sheriff's Command Center asset to the Hardee BOCC in the amount of \$360,804. The Authority approved and expended the project for Hardee Lakes that benefits the Hardee BOCC in the amount of \$250,000.

One of the board members is employed at a financial institution where the Authority had \$5,275,751 cash held at September 30, 2013.

NOTE 6 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, 2013, the Authority received \$4,000,000 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 dependent upon annual contract payments from Mosaic Fertilizer LLC in order for the Authority to continue funding the economic development of Hardee County at current levels.

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 6 ECONOMIC DEPENDENCY (CONTINUED)

The Authority's future existence is not dependent upon future payments beyond the ten year period of the development agreement. For the year ended September 30, 2013, Mosaic provided approximately 65% of the Authority's total revenue.

For the year ended September 30, 2013, the Economic Development Authority provided approximately 24% of the Authority's total revenue.

NOTE 7 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.

NOTE 8 COMMITMENTS

The Authority has contracted with the vendors for the completion of three projects, two of which were funded by the general fund, one of which is funded by the grant fund. The contract amounts committed and outstanding at September 30, 2013 was \$478,371.

The Authority approved the budget for grants awarded for the year ended September 30, 2014. The budget includes additional revenues from Mosaic Fertilizer LLC in the amount of \$3,500,000, according to the Mosaic Agreement. The projects below were budgeted using the anticipated revenues received starting 2014 and the \$3,634,399 fund balance included in Restricted for Economic Development Projects. The Authority approved the budget to fund the following projects:

Florikan	\$ 1,500,000
BioNitrogen	1,000,000
Continuum Labs, Inc.	691,358
National Solar	250,000
JDC Phosphates	200,000
Broadband	80,316
IDA Marketing Program	60,545
Pacer Marine Job Creation	60,000
Communication Coordinator	36,500
	<hr/>
Total Approved for Grants	<u>\$3,878,719</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 Auditor General intends to return in 18 months to follow up on the findings and recommendations issued in their report.

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 9 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, 2013, consisted of the following:

Transfers to the EDC Fund from:	
Grant Fund	<u>\$ 36,500</u>

This transfer represents the payment of awarded grant funds to the EDC fund, a blended component unit.

NOTE 10 CHANGE IN REPORTING ENTITY

During the current year, the Authority's reporting entity changed for financial reporting purposes. This change occurred because during the year the Hardee County Economic Development Council, Inc.'s governing body voted to have the Authority become its governing body. This change in reporting entity resulted in a restatement of the Authority's beginning net position and fund balance of the EDC fund with a balance of \$15,048,495 and a zero balance, respectively, to \$15,106,336 and \$56,668, respectively, for an increase of \$57,851 and \$56,668, respectively.

NOTE 11 SUBSEQUENT EVENTS

On October 15, 2013, the Authority was awarded a grant for Incubator and Accelerator project which was funded by the Economic Development Authority. The total contract award was \$1,600,000. The Authority's Board also approved a request to grant the Incubator and Accelerator project in the amount of \$1,000,000.

On November 12, 2009, the Authority and Rapid Systems, Inc. entered into a joint application with the Hardee County Industrial 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, 2013. On October 15, 2013, Rapid Systems, Inc. met the contractual conditions and the assets were transferred to Rapid Systems, Inc.

**INDEPENDENT AUDITORS' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major funds and the aggregate remaining fund information of Hardee County Industrial Development Authority, a component unit of Hardee County, Florida, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Hardee County Industrial Development Authority's financial statements, and have issued our report thereon dated REPORT DATE.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hardee County Industrial Development Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hardee County Industrial Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Hardee County Industrial Development Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control as 2013-01 and 2013-02, described in the accompanying Schedule of Findings and Responses Current Year and Prior Years that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hardee County Industrial Development Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hardee County Industrial Development Authority's Response to Findings

Hardee County Industrial Development Authority's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses Current Year and Prior Years. Hardee County Industrial Development Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Lakeland, Florida

REPORT DATE

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
SCHEDULE OF FINDINGS AND RESPONSES –
CURRENT YEAR AND PRIOR YEARS
YEAR ENDED SEPTEMBER 30, 2013**

Current Year Findings

Significant Deficiencies

2013-01 – FORMAL WRITTEN POLICIES OVER INFORMATION TECHNOLOGY (IT)

Condition: There are no policies and procedures addressing IT general controls and application.

Criteria: Formal written policies are necessary to enhance the control structure.

Effect: Lack of controls over IT put the system to be at risk to unauthorized access.

Cause: The design of the IT structure is not adequate nor do any formal written policies exist.

Recommendation: We recommend the Authority establish and implement an information security policy that will define information security objectives, policies and procedures. In particular, we recommend that written procedures be developed concerning the assignment, modification, deletion, and periodic changing of user passwords. Written policies will help to ensure that password assignments, deletions and modifications are performed in a manner consistent with management's intentions and will provide for access to the system only by authorized users.

Response: Management agrees with the auditor finding and will adopt a written policy that will define information security objectives, policies and procedures.

2013-02 – TIMELY REPAYMENT OF DUE TO AND DUE FROM

Condition: The due to due from other funds consists of amounts relating to prior years that have not been repaid. The transactions originated from a cash management perspective. This is no longer the case since there is cash available to make repayment.

Criteria: Due to/Due From accounts are meant to be temporary loans between funds. In addition, due to the nature of the various revenue sources, certain funding should not be used for general operations. Even when the expenditures are consistent with restrictions, once adequate cash balances are received they should be reimbursed to the fund that originally made the loan.

Effect: The balance in the due to due from other funds will continue to grow and cash will not be reported in the proper fund.

Cause: The Authority did not repay the amount at year end because closing entries had not been performed and management was unsure of the proper balance to repay.

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
SCHEDULE OF FINDINGS AND RESPONSES –
CURRENT YEAR AND PRIOR YEARS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2013**

Significant Deficiencies (Continued)

**2013-02 – LACK OF INTERNAL CONTROL OVER THE DUE TO AND DUE FROM REPORTING
(Continued)**

Recommendation: We recommend the Authority repay to the special revenue fund amounts that were loaned to the general fund in 2012 to eliminate the Due To/Due From balances.

Response: Management agrees with the auditor finding and will repay the outstanding receivable and payable between the General Fund and Grant Fund.

Prior Years Findings

Prior Years Findings		Current Year Status			Reference
		Cleared	Partially Cleared	Not Cleared	
2012-01 Preparation of Financial Statements	Material Weakness	X			N/A
2012-02 Material Financial Statement Adjustments	Material Weakness	X			N/A
2012-03 Prior Period Restatement	Material Weakness	X			N/A
2011-01 Preparation of Financial Statements	Material Weakness	X			N/A
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			N/A
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

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 off and for the fiscal year ended September 30, 2013, and have issued our report thereon dated **REPORT DATE**.

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 Independent Auditors' Report on Internal Control over Financial Reporting, and 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 **REPORT DATE**, 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 auditors' 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 findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address the findings and recommendations made in the preceding financial audit report.

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)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we 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 have been corrected.

This report prepared by the Auditor General can be obtained on their website 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, 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. See Note 1 in the Notes to Financial Statements.

Section 10.554(1)(i)6.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.

Pursuant to Sections 10.554(1)(i)6.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 the 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, 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

REPORTDATE