

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
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YEAR ENDED SEPTEMBER 30, 2016**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and the major fund of the Hardee County Economic Development Authority, as of and for the year ended September 30, 2016, 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 controls 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 and the major fund of the Authority as of September 30, 2016, and the respective changes in financial position and the budgetary comparison 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 3–6 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 May 22, 2017, on our consideration of the Hardee County Economic 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 Economic Development Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Lakeland, Florida
May 22, 2017

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

As management of the Hardee County Economic Development Authority (Authority), we offer the readers of the Authority's financial statement this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2016. The financial reporting model and the financial statements associated with it are described in the following narrative as well as in the Notes to the Financial Statements.

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.

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. The net position – the difference between assets and liabilities – are an important measure of the Authority's financial health.

Fund Financial Statements – The fund financial 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 (or non-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.

Financial Analysis

As noted above, net position may serve, over time, as a useful indicator of a government's financial position. The assets of the Authority at September 30, 2016 total \$7,581,957 which was an increase from the previous year of \$897,757. The liabilities of the Authority at September 30, 2016 are \$1,912,420, which was an increase from the previous year of \$884,796. The net position at September 30, 2016 was \$5,669,537.

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

The following schedules provide a summary of assets, liabilities, and net position and changes in net position of the Authority:

**Economic Development Authority
Net Position**

	2016	2015	Increase (Decrease)
Total Assets	\$ 7,581,957	\$ 6,684,200	\$ 897,757
Total Liabilities	1,912,420	1,027,624	884,796
Total Net Position	<u>\$ 5,669,537</u>	<u>\$ 5,656,576</u>	<u>\$ 12,961</u>

**Economic Development Authority
Changes in Net Position**

	Governmental Activities		Increase (Decrease)
	2016	2015	(Decrease)
EXPENSES			
Economic Environment	\$ 2,486,643	\$ 3,763,136	\$ (1,276,493)
GENERAL REVENUE			
Intergovernmental	2,320,804	2,350,727	(29,923)
Other Revenue			
Mosaic Income	159,150	160,756	(1,606)
Interest	19,650	14,650	5,000
Total General Revenue	<u>2,499,604</u>	<u>2,526,133</u>	<u>(26,529)</u>
CHANGE IN NET POSITION	12,961	(1,237,003)	1,249,964
Net Position - Beginning of Year	<u>5,656,576</u>	<u>6,893,579</u>	<u>(1,237,003)</u>
NET POSITION - END OF YEAR	<u>\$ 5,669,537</u>	<u>\$ 5,656,576</u>	<u>\$ 12,961</u>

Total revenue decreased from the prior year by \$26,529 and total expenses decreased by \$1,276,493. The key element contributing to the decrease in revenue was a reduction in the state's percentage to distribute to the rural counties. The percentage dropped from 10% to 8.9%. The decrease in expenses was due to a decrease in reimbursable expenses.

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

Budgetary Highlights

Budget and actual comparison schedules are provided in the Basic Financial Statements for the General Fund. The budget and actual comparison schedule shows the original adopted budget, the final revised budget, actual results, and variance between final budget and actual results. After the original budget is approved, it may be revised for a variety of reasons such as unforeseen circumstances or unanticipated revenues such as the effects of a lawsuit. The budget was amended to reflect projects that commenced during the fiscal year.

Economic Factors and Next Year's Budgets and Rates

State, national and international economic factors influence the Authority's revenues. The Authority's revenues are totally dependent upon the volume of phosphate rock extractions in the state of Florida and a distribution formula that allocates the severance tax proceeds to the eligible counties according to each county's pro-rata share of phosphate rock extractions. 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 do not materially impact the results of a particular year.
- **Reserves:** At least for this period and future reporting periods, reserves for Mosaic are not a limiting factor. The company's permitted, recoverable reserves from their South Pasture Mine are sufficient to meet their requirements, at current production rates, for approximately 9 years. The South Pasture Extension which includes approximately 7,000 additional acres in Hardee County will provide additional reserves for approximately ten years for a total of approximately 19 years of reserves.

Through the next reporting period, it is believed that the rate of mining will not be significantly reduced due to any of the above. The Authority should achieve the revenue projection for the 2017 budget.

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

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 Economic Development Authority
c/o County Commissioners Office
Lex Albritton, County Manager
412 West Orange Street, Room 103
Wauchula, FL 33873

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

ASSETS

Cash	\$ 7,581,957
Total Assets	<u>7,581,957</u>

LIABILITIES

Accounts Payable	249,400
Due to Other Government	1,663,020
Total Liabilities	<u>1,912,420</u>

NET POSITION

Restricted	5,116,794
Unrestricted	552,743
Total Net Position	<u>\$ 5,669,537</u>

See accompanying Notes to Financial Statements.

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016**

EXPENSES	
Economic Environment	\$ 2,486,643
GENERAL REVENUES	
Intergovernmental	2,320,804
Other Revenue	
Mosaic Income	159,150
Interest	19,650
Total General Revenues	<u>2,499,604</u>
CHANGE IN NET POSTION	12,961
Net Position - Beginning of Year	<u>5,656,576</u>
NET POSITION - END OF YEAR	<u><u>\$ 5,669,537</u></u>

See accompanying Notes to Financial Statements.

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
BALANCE SHEET - GENERAL FUND
SEPTEMBER 30, 2016**

ASSETS

Cash	\$ 7,581,957
Total Assets	<u>7,581,957</u>

LIABILITIES

Accounts Payable	249,400
Due to Other Governments	1,663,020
Total Liabilities	<u>1,912,420</u>

FUND BALANCE

Restricted for Economic Development	5,116,794
Unassigned	552,743
Total Fund Balance	<u>5,669,537</u>

Total Liabilities and Fund Balance	<u>\$ 7,581,957</u>
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See accompanying Notes to Financial Statements.

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,300,000	\$ 2,300,000	\$ 2,320,804	\$ 20,804
Other Revenue				
Mosaic Income	160,000	160,000	159,150	(850)
Interest	12,000	12,000	19,650	7,650
Total Revenues	<u>2,472,000</u>	<u>2,472,000</u>	<u>2,499,604</u>	<u>27,604</u>
EXPENDITURES				
General Government - Operations	35,200	35,200	32,036	3,164
Economic Environment - Grants	3,605,103	4,362,928	2,454,607	1,908,321
	<u>3,640,303</u>	<u>4,398,128</u>	<u>2,486,643</u>	<u>1,911,485</u>
NET CHANGE IN FUND BALANCE	(1,168,303)	(1,926,128)	12,961	1,939,089
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>5,656,576</u>	<u>5,656,576</u>
FUND BALANCES - END OF YEAR	<u><u>\$ (1,168,303)</u></u>	<u><u>\$ (1,926,128)</u></u>	<u><u>\$ 5,669,537</u></u>	<u><u>\$ 7,595,665</u></u>

See accompanying Notes to Financial Statements.

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

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 Hardee County Economic Development Authority (Authority) was established in 2004 in accordance with Section 211.3103 of the Florida Statutes. Florida legislation created the Authority through the adoption of Senate Bill 3110. The Authority is composed of 9 members as designated in Senate Bill 3110. After completion of the initial staggered terms, each appointed member serves a term of three years.

The Authority, as authorized by Section 211.3103 of the Florida Statutes, was created to solicit, rank, and fund projects that provide economic development opportunities and infrastructure within the geographic boundaries of Hardee County and to otherwise maximize the use of federal, local, and private resources as provided by Section 211.3103, Florida Statutes. The Authority's financial statements include only the funds of the Authority. 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, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and a statement of activities and 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 largely by an excise tax upon the severance of phosphate rock.

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. Other items not properly included as program revenues are reported as general revenues.

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Authority is a single program government devoted to economic development. It is comprised of a General Fund only and has no other governmental, proprietary, or fiduciary funds. The General Fund is the general operating fund and accounts for all the resources of the Authority.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Budgetary Requirements

The Authority follows 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 and are based upon the final amended amounts.
- Appropriations lapse at year-end to the extent that they have not been expended. Budget appropriations may not be legally exceeded on a fund basis, which is the legal level of control.
- Final budget amounts reported are based upon the final amended budget.

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position represents the difference between assets and liabilities. The Authority may report three categories of net position, as follows: investment in capital assets, restricted net position, and unrestricted net position. Investment in capital assets consists of net capital assets. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute. Unrestricted net position consists of all other net position that does not meet the definition of the other two components and are available for general use by the 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.

Other Revenue

Other revenues consist of annual contract payments from Mosaic Fertilizer LLC.

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.

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 – includes amounts restricted by enabling legislation s. 211.3103(3)(b)3., F.S.
- 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
ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

NOTE 2 DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it.

At September 30, 2016, the carrying amount of the Authority's deposits was \$7,581,957 and the balance per the bank was \$7,632,600. 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 ECONOMIC DEPENDENCY

The Authority received 92.8% of its total revenue from the phosphate severance tax remitted by the State of Florida.

NOTE 4 COMMITMENTS

As of September 30, 2016, the Authority has entered into various grant agreements with businesses within Hardee County to fund projects that provide economic development opportunities, job creation and infrastructure within the geographic boundaries of the County. As of September 30, 2016, the various grant agreements total \$1,137,892 in committed funding.

Hardee County Industrial Development Authority - Incubator (Cycle 11 &12)	\$ 245,419
Hardee County Industrial Development Authority - Bees & Botanicals, LLC	221,325
Hardee County Industrial Development Authority - Stream2Sea	187,565
Ag Outdoor World, Inc./Lexan Properties, LLC/Heartland Events, LLC	121,759
Hardee County Industrial Development Authority - Debut Development, LLC	119,200
Hardee County Industrial Development Authority - Sewer Water Corridor	116,433
Hardee County Industrial Development Authority - Peace River Paddle Sports	52,191
Utilitech, Inc.	44,000
Hardee County Economic Development Council, Inc.	30,000
Total Commitments	<u>\$ 1,137,892</u>

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 5 RELATED PARTIES

The Authority granted contracts to certain entities that have representation on its board. During the year ended September 30, 2016, the Authority expensed \$2,106,366 related to grant contracts awarded to the Hardee County Industrial Development Authority. At September 30, 2016, the Authority had committed funding for grants to the Hardee County Industrial Development Authority in the amount of \$942,133.

During the year ended September 30, 2016, the Authority expensed \$120,000 related to grant contracts awarded to the Hardee County Economic Development Council. At September 30, 2016, the Authority had committed funding for grants to the Hardee County Industrial Development Authority in the amount of \$30,000.

The Authority's accounting function is provided by the Hardee County Clerk of Courts office. The Authority's operation function is provided by the Hardee County Board of County Commissioners. For the year ended September 30, 2016, the expense for services provided for accounting and operation totaled \$18,685.

During the year ended September 30, 2016, the Authority recognized \$159,150 in revenue from Mosaic Fertilizer LLC.

**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 Economic 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, and the major fund of Hardee County Economic Development Authority (Authority), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements, and have issued our report thereon dated May 22, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 identified a deficiency in internal control, described in the accompanying Schedule of Findings and Responses – Current Year that we consider to be a significant deficiency – 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 Economic Development Authority’s Response to Findings

The Authority’s response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses – Current Year. The 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
May 22, 2017

MANAGEMENT LETTER

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

Honorable Board Members of Hardee County Economic Development Authority, Florida

Report on the Financial Statements

We have audited the financial statements of the Hardee County Economic Development Authority (Authority), Florida, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated May 22, 2017.

Auditor's Responsibility

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; and Chapter 10.550; Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 22, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been partially taken to address findings and recommendations made in the preceding annual financial audit report, see the Schedule of Findings and Responses.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Authority was established by Section 211.3103 of the Florida Statutes.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) 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)5.c. and 10.556(8), 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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2016, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d, Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that the special district is not a component unit.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., 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 did not have any such findings.

Members of the Authority Board
Hardee County Economic Development Authority

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Authority's Board, 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Lakeland, Florida
May 22, 2017

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES –
CURRENT YEAR
YEAR ENDED SEPTEMBER 30, 2016**

Significant Deficiencies

2016-001 – TIMELY PAYMENT OF REIMBURSEMENT REQUESTS

Condition: The Authority entered into a grant agreement with the Hardee County Industrial Development Authority for the Incubator project. The Authority is responsible for establishing and maintaining internal controls over those grant funds. These funds are designated for the building, improvements, equipment and operations of companies in the Incubator. The IDA paid for certain expenses and submitted the documentation to the Authority for reimbursement that lacked proper supporting documentation.

Criteria: Best practice and proper safeguarding of public funds.

Effect: Lack of supporting documentation can cause a delay in making timely payments.

Cause: Incomplete supporting documentation was received in certain reimbursement packages.

Recommendation: We recommend the Authority implement policies and procedures to ensure proper documentation is received timely that will not result in unpaid invoices dating over the span of a year. We recommend a process be established for return and resolution of questioned documentation.

Response: Management agrees and has and will structure future operational grants in this manner.

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES –
PRIOR YEAR
YEAR ENDED SEPTEMBER 30, 2016**

Significant Deficiencies

2015-001 – TIMELY PAYMENT OF REIMBURSEMENT REQUESTS

Status: Partially cleared.

Reason for finding's recurrence: We recommended the Authority implement policies and procedures to ensure proper documentation is received timely that will not result in unpaid invoices dating over the span of a year. We recommended a process be established for return and resolution of questioned documentation.

Corrective Action: As of January 31, 2017, the Authority has moved away from operational expenditure grants. The new agreements are now written to include procedures and timelines for resolving a lack of supporting documentation. The grants are more specific to each business entity, and not under the Incubator with multiple projects within an agreement as was done in the past. See finding 2016-001.

INDEPENDENT ACCOUNTANTS' REPORT

To the Members of the Authority Board
Hardee County Economic Development Authority
Hardee County, Florida

We have examined the Hardee County Economic Development Authority's, compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2016. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether Hardee County Economic Development Authority complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Hardee County Economic Development Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on Hardee County Economic Development Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

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



CliftonLarsonAllen LLP

Lakeland, Florida
May 22, 2017