

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

ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016**

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

**ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hardee County Industrial Development Authority (the "Authority") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority'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.

Auditor's 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 auditor's 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority as of September 30, 2016, 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 through 8) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Bradenton, Florida
March 7, 2017

Mauldin & Jenkins, LLC

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Hardee County Industrial Development Authority (the "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 ended September 30, 2016. The information presented here should be considered in conjunction with the financial statements.

Financial Highlights

At the close of fiscal year 2016, the Authority's assets exceed its liabilities, resulting in net position of \$24,476,360. The Authority's net position increased \$1,997,177 or 8.9%, in comparison to the prior year. Total revenues decreased \$1,233,760 or 16.5%, in comparison to the prior year. The decrease in revenues is primarily due to decreased grant revenues from the Hardee County Economic Development Authority (EDA). Total expenses increased \$2,473,267 or 140.6%, in comparison to the prior year. The majority of this increase in expenses is the result of the hospital relocation project.

Overview of the Financial Statements

The basic financial statements consist of three components: (1) government-wide financial statements providing information related to 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 full accrual basis of accounting. This means that all of the current year revenues and expenses are taken into account regardless of when cash is received or paid.

The government-wide statements report the Authority's net position and changes in net position. Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and 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 Grant Fund and the Economic Development Council (EDC) Fund. The Authority, like all governmental 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 into cash, flow in and out and (2) the balances left at year end that are available for spending. Consequently, the fund level financial 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the Financial Statements – The notes to the financial statements explain in detail some of the data contained in the preceding statements. These notes are essential to a full understanding of data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements were designed so that the user could determine if the Authority is in a better or a worse financial condition from the prior year.

The following is a condensed summary of net position for the Authority.

Statement of Net Position As of September 30, 2016 and 2015

	2016	2015	Increase (Decrease)
Current and other assets	\$ 10,125,448	\$ 9,783,864	\$ 341,584
Capital assets	14,911,055	13,090,489	1,820,566
Total assets	25,036,503	22,874,353	2,162,150
Other liabilities	556,200	386,161	170,039
Long-term liabilities	3,943	9,009	(5,066)
Total liabilities	560,143	395,170	164,973
Net position:			
Net investment in capital assets	14,907,112	13,081,480	1,825,632
Restricted	8,425,142	7,331,806	1,093,336
Unrestricted	1,144,106	2,065,897	(921,791)
Total net position	24,476,360	22,479,183	1,997,177
Total liabilities and net position	\$ 25,036,503	\$ 22,874,353	\$ 2,162,150

Current and other assets represent 40.4% of total assets. The majority of the Authority's current assets are comprised of cash and cash equivalents of \$7,480,879, amounts due from the EDA in the amount of \$1,794,928, and inventory (land held for resale) of \$798,908. The increase in assets is the result of increased cash and cash equivalents and due from other governments offset by a decrease in inventory as a result of a write down of the property held for resale which occurred during the current year.

Other liabilities represent the majority of the Authority's total liabilities. The Authority's other liabilities consist of accounts payable in the amount of \$489,655 and unearned revenue in the amount of \$66,545. The increase in other liabilities is the result of increased accounts payable due to ongoing projects at year end.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following schedule reports the revenues, expenses and changes in net position for the Authority:

Statement of Activities As of September 30, 2016 and 2015

	2016	2015	Increase (Decrease)
Revenues:			
Program revenues:			
Charges for services	\$ 328,228	\$ 204,805	\$ 123,423
Operating grants and contributions	258,000	1,074,479	(816,479)
Capital grants and contributions	2,131,033	2,674,069	(543,036)
General revenues:			
Mosaic income	3,500,000	3,500,000	-
Interest income	9,354	8,743	611
Miscellaneous	3,061	1,340	1,721
Total revenues	<u>6,229,676</u>	<u>7,463,436</u>	<u>(1,233,760)</u>
Operating Expenses:			
General government	502,120	1,759,232	(1,257,112)
Economic development	3,730,095	-	3,730,095
Interest	284	-	284
Total operating expenses	<u>4,232,499</u>	<u>1,759,232</u>	<u>2,473,267</u>
Change in net position	1,997,177	5,704,204	(3,707,027)
Net position, beginning	22,479,183	16,774,979	5,704,204
Net position, ending	<u>\$ 24,476,360</u>	<u>\$ 22,479,183</u>	<u>\$ 1,997,177</u>

Total revenues decreased \$1,233,760 or 16.5%, in comparison to the prior year. Total expenses increased \$2,473,267 or 140.6%, in comparison to the prior year. As mentioned previously, the decrease in revenues is primarily due to decreased grant revenues from the Hardee County Economic Development Authority (EDA) and the increase in expenses is primarily the result of the hospital relocation project.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Depreciable assets included land, construction in progress, land improvements, buildings, equipment and roads and bridges. The following is a schedule of the Authority's capital assets as of September 30, 2016:

Capital Assets, Net of Accumulated Depreciation As of September 30, 2016 and 2015

	2016	2015
Land	\$ 1,960,605	\$ 1,389,462
Construction in progress	809,877	330,738
Land improvements	315,017	148,307
Buildings	11,391,602	10,698,269
Equipment	81,307	132,242
Roads and bridges	352,647	391,471
Total capital assets	<u>\$ 14,911,055</u>	<u>\$ 13,090,489</u>

Capital assets increased primarily due to additions related to the Will Duke road extension project, Spec Building 7/MOBO project, and improvements to the Incubator property.

Additional information on the Authority's capital assets can be found in Note 4.

Debt

Debt of the Authority includes a note payable to a financial institution obtained for the purpose of funding a forklift. The Authority paid \$5,066 of principal during the year. The remaining amount due on the note as of year-end amounted to \$3,943.

Additional information on the Authority's note payable can be found in Note 5.

Budgetary Highlights

Budget and actual comparison schedules are provided in the basic financial statements for the general and special revenue (grant) funds. The budget and actual comparison schedules show the original adopted budget, the final revised budget, actual results, and the variance between the final budget and actual results for the general and special revenue (grant) 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors

The Authority is a dependent special district, created by Chapter 159 FS and activated by original citizen petition through resolution by the Hardee County Board of 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 Commissioners, Hardee County Economic Development Council (EDC), the Hardee County Chamber of Commerce and Enterprise Florida.

The Hardee County Industrial Development Authority (IDA) and the Hardee County Economic Development Council (EDC) operate as separate legal entities having dual membership of their respective board members. The IDA is a dependent special district of the State of Florida.

The EDC is a 501c3 non-profit but operates as to its membership as a public “sunshine law” governed body with certain operational latitudes exempt or operational procedures performed by staff. Both entities are charged with the directive to “foster and promote economic development” within and outside the definition of “projects” established in Florida Statute Chapter 159.

The IDA is managed by the Economic Development Council staff. Additionally, the sources of the IDA money for its initiatives are:

1. Grant money from the Hardee County Economic Development Authority (EDA) (an independent special district created by local bill SB 3110).
2. A Chapter 163 Development Agreement with the Hardee County Board of County Commissioners for which the IDA is receiving \$42 million (over at least 10 years) expressly for the purpose of economic development as described in the “Economic Development Terms” section of the FS 163 agreement.
3. Income derived or produced from its own operations.

Hardee County’s economic situation continues to be negatively impacted by a reduction in citrus volume due to the ravages of citrus greening. Traditional economic drivers derived from citrus industry segments of growing, harvesting and caretaking, have been severely weakened by Huanglongbing, HLB otherwise more commonly referred to as citrus greening. The disease is generally thought to be caused by the bacterium, *Candidatus Liberibacter asiaticus*.

Unfortunately, efforts to halt the spread of the greening bacterium (generally transmitted by an insect, the Asian Citrus Psyllid) or to provide treatment for infected groves has been ineffective thus far. Citrus greening may radically change the demographic and economic infrastructure of much of “inland” south central Florida and the respective communities’ dependent upon the Citrus economy. The most significant impact on the local economy results from the reduction in “multiplier effect” of the citrus industry revenue stream with negative influences on virtually all sectors of the local economy.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors (Continued)

The IDA expects to continue management and deployment of income from the Mosaic Agreement, grants from the Hardee EDA, or revenues produced from its operation with a continued deployment of capital directed at diversifying local economic drivers.

The County's traditional economy is vested in citrus, vegetable crops and cattle. Additionally, support industries for citrus and cattle, general commerce ancillary to an agrarian economy, phosphate mining from the perspective of land acquisition prices and local payrolls and increasingly significant, government payrolls and subsidies contribute correspondingly to the overall community wealth. Ultimately, to macro objective (of the economic development effort) is independence from subsidies and welfare payments through economic diversity by the creation of entrepreneurial and job placement opportunity for recipients and residents.

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

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

STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 7,480,879
Accounts receivables, net	9,924
Due from other governments	1,794,928
Prepaid items	40,809
Inventories: Land held for resale	798,908
Capital assets	
Non-depreciable	2,770,482
Depreciable, net	12,140,573
Total assets	\$ 25,036,503
Liabilities	
Accounts payable and accrued liabilities	\$ 489,655
Unearned revenue	66,545
Noncurrent liabilities	
Due within one year	3,943
Total liabilities	560,143
Net position	
Net investment in capital assets	14,907,112
Restricted for economic development projects	8,425,142
Unrestricted	1,144,106
Total net position	24,476,360
Total liabilities and net position	\$ 25,036,503

The accompanying notes to financial statements are an integral part of this statement.

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

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

Functions/programs	<u>Expenses</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities					
General government	\$ 502,120	\$ 328,228	\$ -	\$ -	\$ (173,892)
Economic development	3,730,095	-	258,000	2,131,033	(1,341,062)
Interest on long-term debt	284	-	-	-	(284)
Total governmental activities	4,232,499	328,228	258,000	2,131,033	(1,515,238)
		General revenues			
					3,500,000
					9,354
					3,061
					3,512,415
					Change in net position
					1,997,177
					Net position, beginning of year
					22,479,183
					Net position, end of year
					\$ 24,476,360

The accompanying notes to financial statements are an integral part of this statement.

HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	<u>General Fund</u>	<u>Special Revenue Grant Fund</u>	<u>EDC Fund (Non Major)</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 58,609	\$ 7,375,202	\$ 47,068	\$ 7,480,879
Accounts receivable, net	9,924	-	-	9,924
Due from other funds	-	1,082,523	9,159	1,091,682
Due from other governments	1,749,928	-	45,000	1,794,928
Prepaid items	40,809	-	-	40,809
Inventory - land held for resale	798,908	-	-	798,908
Total assets	<u>\$ 2,658,178</u>	<u>\$ 8,457,725</u>	<u>\$ 101,227</u>	<u>\$ 11,217,130</u>
Liabilities, deferred inflows of resources and fund balances				
Liabilities				
Accounts payable and accrued expenditures	\$ 452,069	\$ 23,424	\$ 14,162	\$ 489,655
Unearned revenue	66,545	-	-	66,545
Due to other funds	1,082,523	9,159	-	1,091,682
Total liabilities	<u>1,601,137</u>	<u>32,583</u>	<u>14,162</u>	<u>1,647,882</u>
Deferred inflows of resources				
Unavailable revenue	<u>1,197,773</u>	<u>-</u>	<u>-</u>	<u>1,197,773</u>
Fund balances				
Nonspendable	839,717	-	-	839,717
Restricted for economic development projects	-	8,425,142	-	8,425,142
Assigned	-	-	87,065	87,065
Unassigned	(980,449)	-	-	(980,449)
Total fund balances	<u>(140,732)</u>	<u>8,425,142</u>	<u>87,065</u>	<u>8,371,475</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,658,178</u>	<u>\$ 8,457,725</u>	<u>\$ 101,227</u>	<u>\$ 11,217,130</u>

The accompanying notes to financial statements are an integral part of this statement.

**HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
RECONCILIATION OF THE BALANCE SHEET–
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

Fund Balances, total governmental funds	\$ 8,371,475
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 the funds.	
Governmental capital assets	16,435,202
Accumulated depreciation	(1,524,147)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
	1,197,773
Noncurrent liabilities, are not due and payable in the current period and therefore, are not reported in the funds.	
Note payable	(3,943)
Net position of governmental activities	<u>\$ 24,476,360</u>

The accompanying notes to financial statements are an integral part of this statement.

HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>General Fund</u>	<u>Special Revenue Grant Fund</u>	<u>EDC Fund (Non Major)</u>	<u>Total Governmental Funds</u>
Revenues				
Intergovernmental	\$ 1,820,273	\$ -	\$ 258,000	\$ 2,078,273
Charges for services	316,228	-	12,000	328,228
Mosaic income	-	3,500,000	-	3,500,000
Interest income	116	9,238	-	9,354
Miscellaneous	3,061	-	-	3,061
Total revenues	<u>2,139,678</u>	<u>3,509,238</u>	<u>270,000</u>	<u>5,918,916</u>
Expenditures				
Current				
General government	502,120	-	-	502,120
Economic development	1,353,879	924,223	323,055	2,601,157
Capital outlay	1,616,637	1,332,867	-	2,949,504
Debt service				
Principal retirement	1,665	3,401	-	5,066
Interest	118	166	-	284
Total expenditures	<u>3,474,419</u>	<u>2,260,657</u>	<u>323,055</u>	<u>6,058,131</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,334,741)</u>	<u>1,248,581</u>	<u>(53,055)</u>	<u>(139,215)</u>
Other financing sources (uses)				
Transfers in	143,068	-	40,110	183,178
Transfers out	-	(183,178)	-	(183,178)
Total other financing sources (uses)	<u>143,068</u>	<u>(183,178)</u>	<u>40,110</u>	<u>-</u>
Change in fund balances	(1,191,673)	1,065,403	(12,945)	(139,215)
Fund balances, beginning of year	<u>1,050,941</u>	<u>7,359,739</u>	<u>100,010</u>	<u>8,510,690</u>
Fund balances (deficit), end of year	<u>\$ (140,732)</u>	<u>\$ 8,425,142</u>	<u>\$ 87,065</u>	<u>\$ 8,371,475</u>

The accompanying notes to financial statements are an integral part of this statement.

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
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Net Change in Fund Balances – Total Governmental Funds	\$ (139,215)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is depreciated over their estimated useful lives.</p>	
Capital outlay	\$ 2,949,504
Less current year depreciation	<u>(417,144)</u> 2,532,360
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	310,760
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>	
<p>Debt repayments:</p>	
Notes payable	5,066
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Capital contributions to the City of Wauchula	<u>(711,794)</u>
Change in net position of governmental activities	<u><u>\$ 1,997,177</u></u>

The accompanying notes to financial statements are an integral part of this statement.

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
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental	\$ 2,450,000	\$ 3,423,145	\$ 1,820,273	\$ (1,602,872)
Charges for services	320,480	338,480	316,228	(22,252)
Interest income	200	200	116	(84)
Miscellaneous	-	-	3,061	3,061
Total revenues	<u>2,770,680</u>	<u>3,761,825</u>	<u>2,139,678</u>	<u>(1,622,147)</u>
Expenditures				
Current				
General government	534,790	564,190	502,120	62,070
Economic development	1,425,000	2,534,395	1,353,879	1,180,516
Capital Outlay	1,025,000	1,694,350	1,616,637	77,713
Debt service				
Principal	-	1,700	1,665	35
Interest	-	200	118	82
Total expenditures	<u>2,984,790</u>	<u>4,794,835</u>	<u>3,474,419</u>	<u>1,320,416</u>
Deficiency of revenues under expenditures	<u>(214,110)</u>	<u>(1,033,010)</u>	<u>(1,334,741)</u>	<u>(301,731)</u>
Other financing sources (uses)				
Transfers in	200,000	181,100	143,068	(38,032)
Transfers out	(11,000)	(11,000)	-	11,000
Total other financing sources (uses)	<u>189,000</u>	<u>170,100</u>	<u>143,068</u>	<u>(27,032)</u>
Change in fund balance	(25,110)	(862,910)	(1,191,673)	(328,763)
Fund balance, beginning of year	1,050,941	1,050,941	1,050,941	-
Fund balance (deficit), end of year	<u>\$ 1,025,831</u>	<u>\$ 188,031</u>	<u>\$ (140,732)</u>	<u>\$ (328,763)</u>

The accompanying notes to financial statements are an integral part of this statement.

HARDEE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF HARDEE COUNTY, FLORIDA)
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES—BUDGET AND ACTUAL
SPECIAL REVENUE GRANT FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Mosaic income	\$ 3,500,000	\$ 3,500,000	\$ 3,500,000	\$ -
Interest income	6,000	6,000	9,238	3,238
Miscellaneous	127,828	127,828	-	(127,828)
Total revenues	<u>3,633,828</u>	<u>3,633,828</u>	<u>3,509,238</u>	<u>(124,590)</u>
Expenditures				
Current				
Economic development	2,950,000	3,301,056	924,223	2,376,833
Capital outlay	3,050,000	2,820,475	1,332,867	1,487,608
Debt service				
Principal	-	-	3,401	(3,401)
Interest	-	-	166	(166)
Total expenditures	<u>6,000,000</u>	<u>6,121,531</u>	<u>2,260,657</u>	<u>3,860,874</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,366,172)</u>	<u>(2,487,703)</u>	<u>1,248,581</u>	<u>3,736,284</u>
Other financing uses				
Transfers out	(200,000)	(221,300)	(183,178)	38,122
Total other financing uses	<u>(200,000)</u>	<u>(221,300)</u>	<u>(183,178)</u>	<u>38,122</u>
Change in fund balance	(2,566,172)	(2,709,003)	1,065,403	3,774,406
Fund balance, beginning of year	<u>7,359,739</u>	<u>7,359,739</u>	<u>7,359,739</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,793,567</u>	<u>\$ 4,650,736</u>	<u>\$ 8,425,142</u>	<u>\$ 3,774,406</u>

The accompanying notes to financial statements are an integral part of this statement.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Hardee County Industrial Development Authority (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 5 members with an ideal number of 7 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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

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.

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 the financial statements of the Authority 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 from 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.

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

NOTES TO FINANCIAL STATEMENTS

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, deferred inflows of resources, fund balance, 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:

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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Requirements

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

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of certain assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority had no items that qualified for reporting in this category.

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has only one item that qualified for reporting in this category. Unavailable revenue, which arises only under the modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The General Fund reports unavailable revenue from grants, and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

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

NOTES TO FINANCIAL STATEMENTS

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: invested in capital assets, restricted net position, and unrestricted net position. Invested in capital assets consist of net capital assets less any related debt. Restricted net position represent constraints on resources that are either externally imposed by creditors, granters, 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 FINANCIAL STATEMENTS

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 Authority 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.

Capital Assets

Capital assets, which include infrastructure, construction in progress, equipment, and machinery, are reported in the government-wide statement of net position at cost. Capital assets are defined by the Authority as assets with an initial, individual cost of \$1,000 and an estimated useful life in excess of one year. Expenditures for maintenance, repairs and minor renewals and betterments are expensed as incurred. Major renewals and betterments are treated as property additions. Maintenance and repairs of capital assets are charged to operations and major improvements are capitalized.

Upon retirement, sale or other disposition of capital assets, the cost and accumulated depreciation is eliminated from the accounts and gain or loss is recognized.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Depreciation commences when a project is ready for its intended use or when equipment is placed in service, and is computed using the straight-line method over the following estimated useful lives of assets.

Land improvements	10 to 20 years
Buildings	10 to 40 years
Infrastructure	7 to 30 years
Equipment	3 to 10 years

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, 2016, the carrying amount of the Authority's deposits was \$7,480,879 and the balance per the bank was \$7,504,831. 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. The note receivable balance for the year ended September 30, 2016, is as follows:

General Fund	
Promissory note receivable	\$ 127,878
Allowance for doubtful account	(127,878)
Note receivable, net	\$ -

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

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, is as follows:

	<u>Balance October 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Balance September 30</u>
Capital assets, not being depreciated:					
Land	\$ 1,389,462	\$ 271,143	\$ -	\$ 300,000	\$ 1,960,605
Construction in progress	330,738	1,996,934	(711,794)	(806,001)	809,877
Total capital assets, not being depreciated	<u>1,720,200</u>	<u>2,268,077</u>	<u>(711,794)</u>	<u>(506,001)</u>	<u>2,770,482</u>
Capital assets, being depreciated:					
Land improvements	241,474	141,475	-	46,653	429,602
Buildings	11,166,661	539,952	-	459,348	12,165,961
Equipment	292,683	-	-	-	292,683
Roads and bridges	776,474	-	-	-	776,474
Total capital assets, being depreciated	<u>12,477,292</u>	<u>681,427</u>	<u>-</u>	<u>506,001</u>	<u>13,664,720</u>
Less accumulated depreciation for:					
Land improvements	(93,167)	(21,418)	-	-	(114,585)
Buildings	(468,392)	(305,967)	-	-	(774,359)
Equipment	(160,441)	(50,935)	-	-	(211,376)
Roads and bridges	(385,003)	(38,824)	-	-	(423,827)
Total accumulated depreciation	<u>(1,107,003)</u>	<u>(417,144)</u>	<u>-</u>	<u>-</u>	<u>(1,524,147)</u>
Total capital assets, being depreciated, net	<u>11,370,289</u>	<u>264,283</u>	<u>-</u>	<u>506,001</u>	<u>12,140,573</u>
Total capital assets, net	<u>\$ 13,090,489</u>	<u>\$ 2,532,360</u>	<u>\$ (711,794)</u>	<u>\$ -</u>	<u>\$ 14,911,055</u>

Depreciation expense for the year ended September 30, 2016, was \$417,144 and was charged to economic development expense.

NOTE 5. NOTE PAYABLE

The Authority entered into a note payable agreement with a financial institution in July 2014 with an original principal amount of \$15,100 to finance equipment. Payments on the note are due monthly in the amount of \$446 and the note bears interest at a rate of 4.234%. The beginning balance of \$9,009 was reduced during the year by current year principal payments of \$5,066. The remaining amount due related to the note as of September 30, 2016, was \$3,943 and is due in 2017.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RELATED PARTY TRANSACTIONS

The Hardee County Board of County Commissioners (BOCC) awarded and paid a grant for operations of the Hardee EDC in the amount of \$150,000. 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.

One of the board members is employed at a financial institution where the Authority had \$7,480,879 cash held at September 30, 2016. Additionally, these accounts earned interest revenues in the amount of \$9,354 for the year ended September 30, 2016.

NOTE 7. 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, 2016, the Authority, which is in its seventh year of the ten year contract, 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.

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, 2016, Mosaic provided approximately 59% of the Authority's total revenue.

For the year ended September 30, 2016, the Economic Development Authority provided approximately 35% of the Authority's total revenue.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. 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 9. COMMITMENTS AND CONTINGENCIES

The Authority has contracted with a vendor for the completion of one project funded by the General Fund. The contract amount committed at September 30, 2016, was \$276,669.

The Authority approved the budget for grants awarded for the year ended September 30, 2017. 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 revenues anticipated to be received during 2017 and the \$8,425,142 fund balance included in Restricted for Economic Development Projects. The Authority approved the budget to fund the following projects:

Florida Hospital Relocation	\$ 1,315,000
Spec Building 7	650,000
Project Olive	100,000
Commerce Park Expansion	750,000
Commerce Park Pretreatment Facility	250,000
Project Housing	200,000
Innovation Place	300,000
City of Wauchula CRA	550,000
IDA Marketing Program	150,000
Water/Sewer Extension	<u>200,000</u>
Total approved for grants	<u><u>\$ 4,465,000</u></u>

NOTE 10. 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.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. TRANSFERS (CONTINUED)

Transfers during the year ended September 30, 2016, consisted of the following:

Transfers to the General Fund from:

Special Revenue Grant Fund	<u>\$ 143,068</u>
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Transfers to the EDC Fund from:

Special Revenue Grant Fund	<u>\$ 40,110</u>
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This transfer from the Special Revenue Grant Fund represents the payment of awarded grant funds to the EDC fund, a blended component unit, and reimbursement to the General Fund for administrative and other expenditures paid.

NOTE 11. DEFICIT FUND BALANCE

At September 30, 2016, the General Fund reported a deficit fund balance of 140,732. This deficit will be eliminated through receipt of amounts due from the Hardee County Economic Development Authority.

NOTE 12. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through March 7, 2017, the date which the financial statements were available to be issued and has determined that no material transactions have occurred that would warrant additional disclosure in the financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Authority Board
Hardee County Industrial Development Authority
Wauchula, 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, each major fund, and the aggregate remaining fund information of the Hardee County Industrial Development Authority (the "Authority"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 7, 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bradenton, Florida
March 7, 2017

Mauldin & Jenkins, LLC



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Hardee County Industrial Development Authority (the "Authority") as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated March 7, 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 on Compliance and Other Matters Based on an Audit of 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, which are dated March 7, 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. Finding 2015-001 was resolved during the fiscal year ended September 30, 2016.

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. See Note 1 in the notes to the financial statements.

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 same.

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 Hardee County Industrial Development Authority component unit provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

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.

Purpose of this Letter

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

Bradenton, Florida
March 7, 2017

Mauldin & Jenkins, LLC

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

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**SECTION I
SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting:
Material weaknesses identified?

___ yes X no

Significant deficiencies identified not considered
to be material weaknesses?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal and State Financial Assistance

Federal and state single audits were not required as the Authority did not expend greater than \$750,000 of federal or state funds during its fiscal year ended September 30, 2016.

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

None reported.

**SECTION III
FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS**

Not applicable.

STATUS OF PRIOR YEAR AUDIT FINDINGS

2015-001 Material Financial Statement Adjustments

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

Cause: Advances paid to sub-grantees were initially recorded as expenditures instead of being recorded as accounts receivable from sub-grantees. In addition, the system did not detect certain expenses that should not have been reimbursed.

Status: Resolved.



INDEPENDENT AUDITOR'S REPORT

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

We have examined the Hardee County Industrial Development Authority's (the "Authority") 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 and, accordingly, included examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the 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.

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC".

Bradenton, Florida
March 7, 2017