

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY**

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
TABLE OF CONTENTS
YEAR ENDED SEPTEMBER 30, 2011**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	7
STATEMENT OF ACTIVITIES	8
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GENERAL FUND	9
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	10
NOTES TO FINANCIAL STATEMENTS	11
SUPPLEMENTAL INFORMATION	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	16
SCHEDULE OF FINDING AND RESPONSE	18
MANAGEMENT LETTER	19



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and the major fund of the Hardee County Economic Development Authority, Hardee County, Florida (Authority) as of and for the year ended September 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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, 2011, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, as of and for the year ended September 30, 2011. This statement results in the Authority reporting restricted and committed fund balances in its governmental fund types.

Members of the Authority Board
Hardee County Economic Development Authority

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2012, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 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.



CliftonLarsonAllen LLP

Lakeland, Florida
February 7, 2012

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011**

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, 2011.

Overview of the Financial Statements

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

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

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

The statement of net assets presents information on all assets, liabilities and net assets. Over time, increases or decreases in net assets may serve as an indicator of whether the financial condition of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011**

Financial Analysis

As noted above, net assets may serve, over time, as a useful indicator of a government's financial position. The assets of the Authority at September 30, 2011 total \$5,432,543, which was a decrease from the previous year of \$78,830. The liabilities of the Authority at September 30, 2011 are \$827,085, which was an increase from the previous year of \$528,413. The net assets at September 30, 2011 were \$4,605,458.

**Economic Development Authority
Net Assets**

	2011	2010	Increase (Decrease)
Total Assets	\$ 5,432,543	\$ 5,511,373	\$ (78,830)
Total Liabilities	827,085	298,672	528,413
Total Net Assets	<u>\$ 4,605,458</u>	<u>\$ 5,212,701</u>	<u>\$ (607,243)</u>

**Economic Development Authority
Changes in Net Assets**

	Governmental Activities		Increase (Decrease)
	2011	2010	
EXPENSES			
Economic Environment	\$ 2,811,313	\$ 3,850,855	\$ (1,039,542)
GENERAL REVENUE			
Intergovernmental	2,190,154	1,951,164	238,990
Interest	13,916	16,827	(2,911)
Total General Revenue	<u>2,204,070</u>	<u>1,967,991</u>	<u>236,079</u>
CHANGE IN NET ASSETS	(607,243)	(1,882,864)	1,275,621
Net Assets - Beginning of Year	<u>5,212,701</u>	<u>7,095,565</u>	<u>(1,882,864)</u>
NET ASSETS - END OF YEAR	<u>\$ 4,605,458</u>	<u>\$ 5,212,701</u>	<u>\$ (607,243)</u>

Total revenue increased from the prior year by \$236,079 and total expenses decreased by \$1,039,542. The key element contributing to the increase in revenue was an increase in phosphate production which resulted in an increase in the Authority's allocation of phosphate severance tax. The decrease in expenses was due to the decrease in reimbursable expenses.

At September 30, 2011, the Authority had no net assets classified as capital assets, net of related debt.

The Authority has no long-term debt.

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011**

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 affects of the 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. More specifically, Hardee County is primarily dependent upon the phosphate rock extractions of CF Industries, Inc. for this reporting period. Mosaic was issued a Development Order by the Hardee County Board of County Commissioners to begin mining in the South Fort Meade Extension. The Army Corps of Engineers also issued a permit, but currently the expansion is held up due to litigation initiated by non-governmental agencies. Mosaic did begin mining in the South Fort Meade Extension for approximately four months but another stay was issued by the Federal Judge and mining ceased. Due to these proceedings, Mosaic will not mine any significant tonnage which will decrease the severance tax which will be received in the coming year.

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. To some degree, this problem has been minimized by CF's acquisition of Terra. Through this acquisition CF obtained a stake in the Point Lisas Nitrogen plan in Trinidad. CF is now supplying most of their ammonia needs in Florida from Point Lisas, lowering the enterprise-wide cost of the ammonia used.
- **Seasonality:** Climatic conditions can cause weather related shifts in planting schedules and purchasing patterns. Typically, these patterns average out over a given year and primarily impact quarterly activities and not materially impact the results of a particular year.
- **Reserves:** At least for this period and future reporting periods, reserves for CF Industries, Inc. are not a limiting factor. The company's permitted, recoverable reserves are sufficient to meet their requirements, at current production rates, for approximately 12 years. CF has initiated the process to permit approximately 7,000 additional acres in Hardee County that would provide additional reserves for approximately ten years.

Through the next reporting period, it is believed that the rate of mining will not be reduced significantly due to any of the above factors. Therefore, the EDA should achieve the revenue projection for the '12 budget. The revenue projection is \$5,585,569 which is inclusive of cash balances carried forward.

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011**

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 ASSETS
SEPTEMBER 30, 2011**

ASSETS

Cash	\$ 5,432,543
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LIABILITIES

Accounts Payable	256,268
Due to Other Government	570,817
Total Liabilities	<u>827,085</u>

NET ASSETS

Restricted	1,714,451
Unrestricted	2,891,007
Total Liabilities	<u>\$ 4,605,458</u>

See accompanying Notes to Financial Statements.

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2011**

EXPENSES

Economic Environment \$ 2,811,313

GENERAL REVENUES

Intergovernmental 2,190,154

Interest 13,916

Total General Revenues 2,204,070

CHANGE IN NET ASSETS

(607,243)

Net Assets - BEGINNING OF YEAR

5,212,701

NET ASSETS - END OF YEAR

\$ 4,605,458

See accompanying Notes to Financial Statements.

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
BALANCE SHEET
GENERAL FUND
SEPTEMBER 30, 2011**

ASSETS

Cash	\$ 5,432,543
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LIABILITIES

Accounts Payable	\$ 256,268
Due to Other Governments	570,817
Total Liabilities	<u>827,085</u>

FUND BALANCE

Restricted	1,714,451
Committed	2,417,110
Unassigned	473,897
Total Fund Balance	<u>4,605,458</u>

Total Liabilities and Fund Balance	<u>\$ 5,432,543</u>
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**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,800,000	\$ 1,800,000	\$ 2,190,154	\$ 390,154
Interest	16,000	16,000	13,916	(2,084)
Total Revenues	<u>1,816,000</u>	<u>1,816,000</u>	<u>2,204,070</u>	<u>388,070</u>
EXPENDITURES				
Economic Environment	<u>6,744,217</u>	<u>7,327,373</u>	<u>2,811,313</u>	<u>4,516,060</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(4,928,217)	(5,511,373)	(607,243)	(4,127,990)
Fund Balances - Beginning of Year	<u>4,928,217</u>	<u>5,511,373</u>	<u>5,212,701</u>	<u>(298,672)</u>
FUND BALANCES - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,605,458</u></u>	<u><u>\$ (4,426,662)</u></u>

See accompanying Notes to Financial Statements.

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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 as amended, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the Authority. The Authority reports only governmental activities; it does not have any business-type activities. 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. Payments of other items not properly included as program revenues are reported as general revenues.

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

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 a providing separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The 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 90 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.

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Requirements (Continued)

- 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.

Net Assets

Net assets represent the difference between assets and liabilities. The Authority may report three categories of net assets, as follows: invested in capital assets, restricted net assets, and unrestricted net assets. Invested in capital assets consist of net capital assets. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute. Unrestricted net assets consist of all other net assets that do not meet the definition of the other two components and are available for general use by the Authority. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted as needed.

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.

New Pronouncements for Financial Reporting

GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, which was implemented by the Economic Development Authority for the year ended September 30, 2011

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, 2011, the carrying amount of the Authority's deposits was \$5,432,543 and the balance per the bank was \$5,442,485. 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.

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011**

NOTE 3 ECONOMIC DEPENDENCY

The Authority received 99% of its total revenue from the phosphate severance tax remitted by the State of Florida.

NOTE 4 COMMITMENTS

As of September 30, 2011, 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, 2011, the various grant agreements total \$2,417,110 in committed funding.

NOTE 5 FUND BALANCE AND SPENDING POLICY

In accordance with GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, which was implemented by the Economic Development Authority for the year ended September 30, 2011, 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, 2011**

NOTE 5 FUND BALANCE AND SPENDING POLICY (CONTINUED)

The General Fund is classified as follows:

Restricted:		
Economic Development	\$	1,714,451
Committed:		
Hardee County Industrial Development Authority - Spec Building 3		800,000
Hardee County Industrial Development Authority - Spec Building		519,147
City of Wauchula Peace River Explorations		400,000
Hardee County Board of County Commissioners - Three		150,000
Zolfo Springs		144,814
Alane Academy		100,000
Hardee County Board of County Commissioners - Two		96,460
Zolfo Springs		64,304
Hardee County Board of County Commissioners - One		59,245
Center for Great Apes		50,000
City of Bowling Green		32,150
Hardee County Industrial Development Authority - Broadband		991
Total Committed		2,417,110
Unassigned Funds		473,897
Total Fund Balance	\$	4,605,458

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 6 RELATED PARTIES

The Authority granted contracts to certain entities that have representation on its board. The following list represents the amounts expensed during the year ended September 30, 2011: Hardee County Board of County Commissioners in the amount of \$1,267,107, City of Bowling Green in the amount of \$47,611, and Hardee County Industrial Development Authority in the amount of \$1,462,188. In addition, the Authority also incurred a liability in the amount of \$570,817 to be paid to the Hardee County Industrial Development Authority. The Authority's accounting function is provided by the Hardee 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, 2011, the services provided for accounting and operation were in the amount of \$9,582.



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**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 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, 2011, which collectively comprise the Authority's basic financial statements and we have issued our report thereon dated February 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

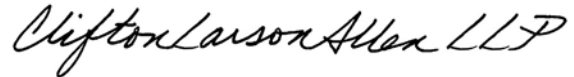
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of finding and response as item 2011-01.

We also noted certain other matters that we reported to management of Hardee County Economic Development Authority in a separate letter dated February 7, 2012.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of finding and response. We did not audit Hardee County Economic Development Authority's responses and, accordingly, we express no opinion on them.

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



CliftonLarsonAllen LLP

Lakeland, Florida
February 7, 2012

**HARDEE COUNTY
ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF FINDING AND RESPONSE
SEPTEMBER 30, 2011**

Material Weaknesses

2011-01 – IMPROPER APPROVAL OF BUDGET

Condition: The Authority adopted the budget at the board meeting; however, it was not formally adopted through resolution.

Criteria: Florida Statute 189.418 (3) states the governing body of each special district shall adopt a budget by resolution each fiscal year.

Cause: The board was not aware that the budget had to adopt by resolution.

Effect: The Authority's budget may not be in compliance with Florida Statutes.

Recommendation: We recommend that the board of the Authority confer with counsel to prepare a resolution that reaffirms and ratifies the 2011 and 2012 budgets. We also recommend the board reaffirm and ratify all expenditures made for the fiscal year ended September 30, 2011 and expenditures made to date for the fiscal year ended September 30, 2012.

Response: We concur.

MANAGEMENT LETTER

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

We have audited the basic financial statements of the Hardee County Economic Development Authority (Authority), as of and for the fiscal year ended September 30, 2011, and have issued our report thereon dated February 7, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*. Disclosures in that report, which is dated February 7, 2012, should be considered in conjunction with this management letter.

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

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. There were no recommendations made in the preceding audit report.

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

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

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address any violations of provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Members of the Authority Board
Hardee County Economic Development Authority

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

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. See Note 1 in the Notes to Financial Statements.

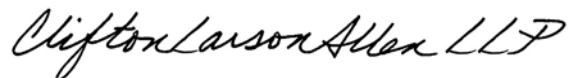
Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our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

Section 10.554(1)(i)7.b, Rules of the Auditor General, requires that we determine whether the annual financial report for the Authority for the fiscal year ended September 30, 2011 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, 2011. In connection with our audit, we determined that these two reports were in agreement.

Section 10.554(1)(i)7.c and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

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

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



CliftonLarsonAllen LLP

Lakeland, Florida
February 7, 2012