

Report on the  
**Lauderdale County Agriculture  
Center Authority**

Lauderdale County, Alabama

January 1, 2019 through December 31, 2019

Filed: June 18, 2021



**Department of  
Examiners of Public Accounts**

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*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

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Honorable Rachel Laurie Riddle  
Chief Examiner of Public Accounts  
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on the Lauderdale County Agriculture Center Authority, Lauderdale County, Alabama, for the period January 1, 2019 through December 31, 2019. Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Briana Hannah  
Examiner of Public Accounts

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Department of  
**Examiners of Public Accounts**

**SUMMARY**

**Lauderdale County Agriculture Center Authority  
January 1, 2019 through December 31, 2019**

The Lauderdale County Agriculture Center Authority (the “Authority”) is governed by a seven-member body appointed by a combination of the county commission and the legislative delegation, with the legislative delegation appointing the majority. The members in charge of governance of the Authority are listed on Exhibit 8. The Authority is a governmental entity that provides the construction and operation of facilities to promote agricultural businesses, operations, commodities, workforce development, and economic development to the citizens of Lauderdale County. The Authority was established in 2017 and operates under the provisions of the *Code of Alabama 1975*, Section 11-20-70. Revenue sources for the Authority are provided by the *Code of Alabama 1975*, Sections 45-39-90, 45-39-92.53 and 45-39-246.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Authority complied with applicable laws and regulations. The audit was conducted 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 as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

An unmodified opinion was issued on the financial statements, which means that the Authority’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the year ended December 31, 2019.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

**EXIT CONFERENCE**

Authority members, as reflected on Exhibit 8, were invited to discuss the results of this report at an exit conference via phone conference. Individuals in attendance were: Tim Melson, Chairman; and Authority Members: Joseph Hackworth and William Roger Garner. Representing the Department of Examiners of Public Accounts were: April Purser, Audit Manager; and Briana Hannah, Examiner of Public Accounts.

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*Independent Auditor's Report*

## **Independent Auditor's Report**

Members of the Lauderdale County Agriculture Center Authority  
Florence, Alabama

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lauderdale County Agriculture Center Authority, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Lauderdale County Agriculture Center Authority's basic financial statements as listed in the table of contents as Exhibits 1 through 6.

### **Management's Responsibility for the Financial Statements**

The management of the Lauderdale County Agriculture Center Authority 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 respective financial position of the governmental activities and each major fund of the Lauderdale County Agriculture Center Authority, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

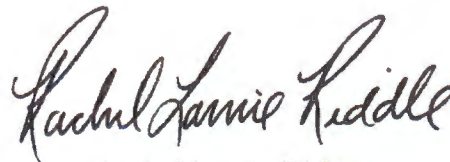
**Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibit 7), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2021, on our consideration of the Lauderdale County Agriculture Center 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 solely 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 effectiveness of the Lauderdale County Agriculture Center Authority's 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 Lauderdale County Agriculture Center Authority's internal control over financial reporting and compliance.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

June 2, 2021

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# *Basic Financial Statements*

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***Statement of Net Position***  
***December 31, 2019***

	<b>Governmental Activities</b>
<b><u>Assets</u></b>	
Cash	\$ 656,646.00
Cash with Fiscal Agent	39,554,242.00
Taxes Receivable	298,201.00
Prepaid Assets	25,000.00
Capital Assets (Note 4):	
Nondepreciable	<u>6,563,962.00</u>
Total Assets	<u>47,098,051.00</u>
<b><u>Liabilities</u></b>	
<b><u>Current Liabilities</u></b>	
Account Payable	65,675.00
Accrued Interest Payable	381,587.00
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Warrant Payable	555,000.00
Notes Payable	4,500,000.00
Unamortized Premium	<u>16,217.00</u>
Total Current Liabilities	<u>5,518,479.00</u>
<b><u>Noncurrent Liabilities</u></b>	
Portion Due or Payable After One Year:	
Warrant Payable	38,640,000.00
Unamortized Premium	<u>624,356.00</u>
Total Noncurrent Liabilities	<u>39,264,356.00</u>
Total Liabilities	<u>44,782,835.00</u>
<b><u>Net Position</u></b>	
Net Investment in Capital Assets	1,134,173.00
Restricted for:	
Debt Service	166,642.00
Unrestricted	<u>1,014,401.00</u>
Total Net Position	<u>\$ 2,315,216.00</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Statement of Activities**  
**For the Year Ended December 31, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Primary Government</b>				
<b>Governmental Activities</b>				
General Government	\$ 223,787.00	\$	\$	\$ (223,787.00)
Interest and Fiscal Charges	1,463,556.00			(1,463,556.00)
Total Governmental Activities	<u>\$ 1,687,343.00</u>	<u>\$</u>	<u>\$</u>	<u>(1,687,343.00)</u>
<b>General Revenues:</b>				
Taxes:				
County Gasoline Sales Tax				916,131.00
TVA in Lieu of Taxes				1,375,331.00
Investment Earnings				59,416.00
Miscellaneous				11,804.00
Total General Revenues				<u>2,362,682.00</u>
Change in Net Position				675,339.00
Net Position - Beginning of Year				<u>1,639,877.00</u>
Net Position - End of Year				<u>\$ 2,315,216.00</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Balance Sheet**  
**Governmental Funds**  
**December 31, 2019**

	General Fund	2019 Warrant Fund	Capital Projects Fund	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 656,646.00	\$	\$	\$ 656,646.00
Cash with Fiscal Agent		2,422,866.00	37,131,376.00	39,554,242.00
Taxes Receivable	298,201.00			298,201.00
Due from Other Funds	100,229.00			100,229.00
Prepaid Assets	25,000.00			25,000.00
Total Assets	<u>1,080,076.00</u>	<u>2,422,866.00</u>	<u>37,131,376.00</u>	<u>40,634,318.00</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Account Payable	65,675.00			65,675.00
Due to Other Funds			100,229.00	100,229.00
Total Liabilities	<u>65,675.00</u>		<u>100,229.00</u>	<u>165,904.00</u>
<b>Fund Balances</b>				
Nonspendable:				
Prepaid Expense	25,000.00			25,000.00
Restricted for:				
Debt Service		2,422,866.00		2,422,866.00
Capital Projects			37,031,147.00	37,031,147.00
Unassigned	989,401.00			989,401.00
Total Fund Balances	<u>1,014,401.00</u>	<u>2,422,866.00</u>	<u>37,031,147.00</u>	<u>40,468,414.00</u>
Total Liabilities and Fund Balances	<u>\$ 1,080,076.00</u>	<u>\$ 2,422,866.00</u>	<u>\$ 37,131,376.00</u>	<u>\$ 40,634,318.00</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

***Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position  
December 31, 2019***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 40,468,414.00

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1)  
are different because:

Capital assets used in governmental activities are not financial resources and, therefore,  
are not reported as assets in governmental funds. These assets consist of:

Land	\$ 6,384,134.00	
Construction in Progress	179,828.00	
		6,563,962.00

Certain liabilities are not due and payable in the current period and, therefore, are not  
reported as liabilities in the governmental funds. These liabilities at year-end consist of:

	Current Liabilities	Noncurrent Liabilities	
Notes Payable	\$ 4,500,000.00	\$	
Warrant Payable	555,000.00	38,640,000.00	
Unamortized Premium	16,217.00	624,356.00	
Accrued Interest Payable	381,587.00		
Total Liabilities	\$ 5,452,804.00	\$ 39,264,356.00	(44,717,160.00)

Total Net Position - Governmental Activities (Exhibit 1) \$ 2,315,216.00

The accompanying Notes to the Financial Statements are an integral part of this statement.

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2019**

	General Fund	2019 Warrant Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 916,131.00	\$	\$	\$ 916,131.00
Intergovernmental	1,375,331.00			1,375,331.00
Miscellaneous	7,751.00	3,040.00	56,376.00	67,167.00
Total Revenues	<u>2,299,213.00</u>	<u>3,040.00</u>	<u>56,376.00</u>	<u>2,358,629.00</u>
<b>Expenditures</b>				
Current:				
General Government	223,787.00			223,787.00
Capital Outlay	3,540,440.00		100,229.00	3,640,669.00
Debt Service:				
Principal Retirement	1,100,000.00			1,100,000.00
Interest and Fiscal Charges	188,939.00			188,939.00
Debt Issuance Costs		893,030.00		893,030.00
Total Expenditures	<u>5,053,166.00</u>	<u>893,030.00</u>	<u>100,229.00</u>	<u>6,046,425.00</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,753,953.00)</u>	<u>(889,990.00)</u>	<u>(43,853.00)</u>	<u>(3,687,796.00)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Issuance of Debt	3,000,000.00	39,195,000.00		42,195,000.00
Premiums on Long-Term Debt Issued		644,627.00		644,627.00
Transfers In		548,229.00	37,075,000.00	37,623,229.00
Transfers Out	(548,229.00)	(37,075,000.00)		(37,623,229.00)
Total Other Financing Sources (Uses)	<u>2,451,771.00</u>	<u>3,312,856.00</u>	<u>37,075,000.00</u>	<u>42,839,627.00</u>
Net Change in Fund Balance	(302,182.00)	2,422,866.00	37,031,147.00	39,151,831.00
Fund Balances - Beginning of Year	<u>1,316,583.00</u>			<u>1,316,583.00</u>
Fund Balances - End of Year	<u>\$ 1,014,401.00</u>	<u>\$ 2,422,866.00</u>	<u>\$ 37,031,147.00</u>	<u>\$ 40,468,414.00</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2019***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 39,151,831.00

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:

The governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. 3,640,669.00

Repayment of debt 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. 1,100,000.00

Proceeds from the issuance of debt are reported as financing sources in the governmental funds and thus contribute to the change in fund balances. Issuing long-term debt increases liabilities in the Statement of Net Position. (42,195,000.00)

Premiums on debt issuance are recorded as other financing sources in the governmental funds, but are amortized in the Statement of Activities. (644,627.00)

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. These items consist of:

Net Increase in Accrued Interest Payable	\$	(381,587.00)	
Amortization of Premiums on Debt Issued		4,053.00	
Total Additional Expenditures		(377,534.00)	(377,534.00)

Change in Net Position of Governmental Activities (Exhibit 2) \$ 675,339.00

The accompanying Notes to the Financial Statements are an integral part of this statement.

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## *Notes to the Financial Statements*

### *For the Year Ended December 31, 2019*

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#### **Note 1 – Summary of Significant Accounting Policies**

The financial statements of the Lauderdale County Agriculture Center Authority (the “Authority”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

#### **A. Reporting Entity**

The Authority is a specific purpose local government entity governed by separately appointed members. Generally accepted accounting principles (GAAP) require that the financial statements present the funds of the Authority. The accompanying financial statements reflect the activity of the Authority only. There were no component units which would be included as part of the financial reporting entity. The Authority was formed based upon enabling legislation on June 17, 2017.

#### **B. Government-Wide and Fund Financial Statements**

##### **Government-Wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the Authority. These statements include the financial activities of the Authority. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a function. The Authority does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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## *Notes to the Financial Statements*

### *For the Year Ended December 31, 2019*

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#### **Fund Financial Statements**

The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Authority reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Authority. It is used to account for all financial resources except for those required to be accounted for in another fund. The Authority primarily received revenues from collections of TVA in lieu of taxes and special gasoline tax revenues.
- ◆ **2019 Warrant Fund** – This fund is used to account for the principal and interest payments of the 2019 Warrant.
- ◆ **Capital Projects Fund** – This fund is used to account for the payments made for the construction of the event center.

#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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 at the time liabilities are incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Authority will give (or receive) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current 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 of the current period. For this purpose, the Authority considers revenues to be available if they are collected within sixty (60) days of the end of the current year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which is recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued is reported as other financing sources.



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***Notes to the Financial Statements***  
***For the Year Ended December 31, 2019***

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**D. Assets, Liabilities, and Net Position/Fund Balances**

**1. Deposits**

Cash includes cash on hand and demand deposits.

**2. Receivables**

Receivables are based on the amounts collected within 60 days after year-end.

Receivables consist of taxes that have been paid in December but are remitted in the subsequent month. This tax is normally remitted to the Authority within the next 60 days.

**3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**4. Restricted Assets**

Certain resources set aside for the repayment of debt included in cash with fiscal agent on the financial statements are considered restricted assets because they are maintained separately, and their use is limited. The Capital Projects Fund is used to report proceeds that are restricted for use in the construction of the event center. The 2019 Warrant Fund is used to report resources set aside to pay the principal and interest on debt as it becomes due.

**5. Capital Assets**

Capital assets, which include property, equipment, and other assets, are reported in the governmental activities column in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets will be valued at their acquisition value on the date of acquisition. Additions, improvements and other capital outlays that significantly extend the useful life of an asset will be capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

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## *Notes to the Financial Statements*

### *For the Year Ended December 31, 2019*

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#### **6. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond/Warrant premiums are deferred and amortized over the life of the warrants. Bonds/Warrants payable are reported gross, with the applicable warrant premium reported separately. Bond/Warrant issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental funds recognize premiums, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

#### **7. Net Position/Fund Balances**

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following net position categories:

- ◆ **Net Investment in Capital Assets** – Capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt related to the acquisition, construction, or improvements of those assets. Any significant unspent related debt proceeds related to capital assets are not included in this calculation. Debt proceeds at the end of the reporting period should be included in the same net position amount (restricted, unrestricted) as the unspent amounts.
- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – The net amount of assets and liabilities that are not included in the determination of net investment in capital assets or the restricted portion of net position. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

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***Notes to the Financial Statements***  
***For the Year Ended December 31, 2019***

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Fund balance is reported in governmental funds in the fund financial statements under the following five categories:

- A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories and prepaid items.
- B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Authority, which is the highest level of decision-making authority, before the end of the year and that require the same level of formal action to remove or modify the constraint.
- D. Assigned fund balances consist of amounts that are intended to be used by the Authority for specific purposes. The Authority authorized the Chairman to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- E. Unassigned fund balances include all spendable amounts not contained in the other classifications. The portion of the total fund balance in the General Fund is available to finance operating expenditures.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The Authority has not established a minimum fund balance policy which recognizes that the establishment and maintenance of adequate fund reserves is necessary to avoid disruption in the operation of the Authority.

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## *Notes to the Financial Statements*

### *For the Year Ended December 31, 2019*

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#### *Note 2 – Stewardship, Compliance, and Accountability*

##### *Budgets*

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund. All annual appropriations lapse at year-end.

Budgets may be adjusted during the year when approved by the Authority. Any changes must be within the revenues and reserves estimated to be available.

#### *Note 3 – Deposits and Investments*

##### *A. Deposits*

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Authority's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

##### *B. Investment of Cash with Fiscal Agent*

The *Code of Alabama 1975*, Sections 11-8-11 and 11-81-20, authorizes the Authority to invest in obligations of the U. S. Treasury and federal agency securities along with certain prefunded public obligation such as bonds or other obligations of any state of the United States of America or any agency, instrumentality or local government of any such state.

The Authority categorizes its fair value measurements within the fair value hierarchy established by the Governmental Accounting Standards Board (GASB) Statement Number 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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**Notes to the Financial Statements**  
**For the Year Ended December 31, 2019**

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As of December 31, 2019, the Authority had the following investments in Cash with Fiscal Agent accounts:

Investment Type	Total	Fair Market Value Hierarchies		
		Level 1	Level 2	Level 3
Dreyfus Treasury Prime Cash Management Fund	\$39,554,242.00	\$39,554,242.00	\$	\$

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. GASB Statement Number 40 requires that governments provide information about the credit risk associated with their investments by disclosing the credit quality ratings of investment in debt securities as described by nationally recognized statistical rating organizations such as Standard & Poor’s, Moody’s Investors Service, and Fitch Ratings, rating agencies, as of the date of the financial statements. The Authority does not have a formal investment policy requiring investments to be rated in the highest category rating. As of December 31, 2019, the Authority’s investments in the Money Market Funds were rated A1 by Moody’s.

**Custodial Credit Risk** – For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a formal investment policy that limits the amount of securities that can be held by counterparties.

**Concentrations of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Authority does not have a formal investment policy that limits the amount of securities that can be held by counterparties.

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***Notes to the Financial Statements***  
***For the Year Ended December 31, 2019***

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**Note 4 – Capital Assets**

Capital asset activity for the year ended December 31, 2019, was as follows:

	Balance 01/01/2019	Additions/ Reclassifications	Deletions/ Reclassifications	Balance 12/31/2019
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$2,843,694.00	\$3,540,440.00	\$	\$6,384,134.00
Construction in Progress	79,600.00	100,228.00		179,828.00
Total Capital Assets, Not Being Depreciated	<u>2,923,294.00</u>	<u>3,640,668.00</u>		<u>6,563,962.00</u>
Total Governmental Activities Capital Assets	<u>\$2,923,294.00</u>	<u>\$3,640,668.00</u>	<u>\$</u>	<u>\$6,563,962.00</u>

**Note 5 – Construction and Other Significant Commitments**

The Authority is in the beginning stages of the construction of an event center. The projected completion date for Phase 1 is the fourth quarter of 2022. The completion date is subject to change depending on the projected schedule to be developed by the construction manager. The amount is unknown at this time.

**Note 6 – Long-Term Debt**

In March 2018, a Tax and Revenue Anticipation Note, Series 2018, with an interest rate of 3.96 percent, was issued to provide funds for the financing of the acquisition of certain real property on which to construct facilities.

In March 2019, a Tax and Revenue Anticipation Note, Series 2019, with an interest rate of 4.46 percent, was issued to provide funds for the financing of the acquisition of certain real property on which to construct facilities.

In September 2019, the Authority issued Special Tax Revenue Bonds, Series 2019, in the amount of \$39,195,000, with interest rates of 2.00 to 5.00 percent, to provide funds for the construction of the event center.

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***Notes to the Financial Statements***  
***For the Year Ended December 31, 2019***

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The following is a summary of long-term debt transactions for the Authority for the year ended December 31, 2019:

	Debt Outstanding 01/01/2019	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 12/31/2019	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Tax and Revenue Anticipation Note, Series 2018	\$2,600,000.00	\$	\$ (300,000.00)	\$ 2,300,000.00	\$2,300,000.00
Tax and Revenue Anticipation Note, Series 2019		3,000,000.00	(800,000.00)	2,200,000.00	2,200,000.00
Special Tax Revenue Bonds, Series 2019		39,195,000.00		39,195,000.00	555,000.00
Unamortized Premium		644,626.00	(4,053.00)	640,573.00	16,217.00
Total Governmental Activities Long-Term Liabilities	<u>\$2,600,000.00</u>	<u>\$42,839,626.00</u>	<u>\$(1,104,053.00)</u>	<u>\$44,335,573.00</u>	<u>\$5,071,217.00</u>

Payments on the debt issues are made by the General Fund.

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***Notes to the Financial Statements***  
***For the Year Ended December 31, 2019***

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The following is a schedule of debt service requirements to maturity:

Year Ending	2018 Tax and Revenue Anticipation Note		2019 Tax and Revenue Anticipation Note	
	Principal	Interest	Principal	Interest
December 31, 2020	\$2,300,000.00	\$33,950.00	\$2,200,000.00	\$37,058.00
2021				
2022				
2023				
2024				
2025-2029				
2030-2034				
2035-2039				
2040-2044				
2045-2049				
2050-2054				
2055-2059				
<b>Total</b>	<b>\$2,300,000.00</b>	<b>\$33,950.00</b>	<b>\$2,200,000.00</b>	<b>\$37,058.00</b>

**Premiums**

The Authority reports premiums in connection with the issuance of its Series 2019 Special Tax Revenue Bonds. The premiums are being amortized using a straight-line method over the term of the related debt.

	Premiums
Total Premiums	\$644,626.00
Amount Amortized Prior Years	
Balance Premiums	644,626.00
Current Year Reductions	(4,053.00)
Balance Premiums	<u>\$640,573.00</u>



***Notes to the Financial Statements***  
***For the Year Ended December 31, 2019***

2019 Special Tax Revenue Bonds		Total Principal and Interest Requirements
Principal	Interest	
\$ 555,000.00	\$ 1,089,685.00	\$ 6,215,693.00
465,000.00	1,405,098.00	1,870,098.00
475,000.00	1,395,798.00	1,870,798.00
485,000.00	1,386,297.00	1,871,297.00
495,000.00	1,376,597.00	1,871,597.00
2,860,000.00	6,487,488.00	9,347,488.00
3,475,000.00	5,867,600.00	9,342,600.00
4,150,000.00	5,198,300.00	9,348,300.00
4,810,000.00	4,537,250.00	9,347,250.00
5,795,000.00	3,544,550.00	9,339,550.00
7,165,000.00	2,184,020.00	9,349,020.00
8,465,000.00	882,980.00	9,347,980.00
<b>\$39,195,000.00</b>	<b>\$35,355,663.00</b>	<b>\$79,121,671.00</b>

**Pledged Revenues**

The Authority issued Series 2019 Special Tax Revenue Bonds for the purpose of constructing an event center. The Authority pledged to repay the principal and interest on the warrant from the future revenues of the special gasoline tax and TVA in lieu of taxes. Future revenues of \$74,550,662.80 are pledged to repay the principal and interest amounts on the warrant as of December 31, 2019. Proceeds of the special gasoline tax and TVA in lieu of taxes in the amount of \$2,291,462.84 were received by the Authority during the year ended December 31, 2019. The Series 2019 Special Tax Revenue Bonds will mature in calendar year 2059.

**Note 7 – Risk Management**

The Authority has Employment Practices Liability Insurance through Johnson and Johnson Insurance Brokers. The Authority pays an annual premium of \$2,426. Coverage is provided up to \$5,000,000 per policy year for all claims other than claims for employment practices wrongful acts, up to \$10,000 per policy year for donor data loss crisis fund sublimit of liability, up to \$5,000,000 per policy year for all claims for employment practices wrongful acts, and up to \$500,000 per policy year for FLSA defense sublimit of liability. The policy ran from September 5, 2017 through September 5, 2019, and was renewed through September 5, 2021.

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***Notes to the Financial Statements***  
***For the Year Ended December 31, 2019***

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**Note 8 – Interfund Transactions**

**Interfund Receivables and Payables**

The interfund receivables and payables at December 31, 2019, were as follows:

	Interfund Receivables General Fund
<u>Interfund Payables:</u>	
Capital Projects Fund	\$100,229.00
Total	<u>\$100,229.00</u>

**Interfund Transfers**

The amounts of interfund transfers during the year ended December 31, 2019, were as follows:

	Transfers In		Totals
	2019 Warrant Fund	Capital Projects Fund	
<u>Transfers Out:</u>			
General Fund	\$548,229.00	\$	\$ 548,229.00
2019 Warrant Fund		37,075,000.00	37,075,000.00
Totals	<u>\$548,229.00</u>	<u>\$37,075,000.00</u>	<u>\$37,623,229.00</u>

The Authority typically used transfers to transfer the portion from the General Fund to the 2019 Warrant Fund to service current-year debt requirements and to transfer the portion from the 2019 Warrant Fund to the Capital Projects Fund to fund the construction of the event center.

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***Notes to the Financial Statements***  
***For the Year Ended December 31, 2019***

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**Note 9 – Subsequent Events**

On May 1, 2020, the Authority entered into a Tax and Revenue Anticipation Note, Series 2020, in the amount of \$4,400,000. Interest on the Note shall accrue at the per annum rate of 3.99%. The proceeds are to be used to currently refund the Tax and Revenue Anticipation Note, Series 2018, and the Tax and Revenue Anticipation Note, Series 2019.

On May 1, 2020, the Authority entered into a contract with a construction management company as adviser only to oversee the construction of the event center.

The United States encountered a COVID-19 pandemic which adversely affected the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments including educational institutions were modified to ensure the safety of citizenry as well as employees. The Authority anticipates the potential impact on its financial operations to be minimal by this pandemic; however, the severity of its effects is indeterminable at this time and revenues nor expenses have not been affected thus far.

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*Required Supplementary Information*

***Schedule of Revenues, Expenditures and Changes in Fund Balances***  
***Budget and Actual - General Fund***  
***For the Year Ended December 31, 2019***

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<b>Revenues</b>					
Taxes	\$ 927,750.00	\$ 927,750.00	\$ 916,131.00	\$	\$ 916,131.00
Intergovernmental	1,266,980.00	1,266,980.00	1,375,331.00		1,375,331.00
Miscellaneous	7,751.00	7,751.00	7,751.00		7,751.00
Total Revenues	2,202,481.00	2,202,481.00	2,299,213.00		2,299,213.00
<b>Expenditures</b>					
Current:					
General Government	220,849.00	220,849.00	223,787.00		223,787.00
Capital Outlay			3,540,440.00		3,540,440.00
Debt Service:					
Principal Retirement			1,100,000.00		1,100,000.00
Interest and Fiscal Charges	176,910.00	176,910.00	188,939.00		188,939.00
Total Expenditures	397,759.00	397,759.00	5,053,166.00		5,053,166.00
Excess (Deficiency) of Revenues Over Expenditures	1,804,722.00	1,804,722.00	(2,753,953.00)		(2,753,953.00)
<b>Other Financing Sources (Uses)</b>					
Proceeds from Issuance of Debt			3,000,000.00		3,000,000.00
Transfers Out			(548,229.00)		(548,229.00)
Total Other Financing Sources (Uses)			2,451,771.00		2,451,771.00
Net Change in Fund Balances	1,804,722.00	1,804,722.00	(302,182.00)		(302,182.00)
Fund Balances - Beginning of Year			1,316,583.00		1,316,583.00
Fund Balances - End of Year	\$ 1,804,722.00	\$ 1,804,722.00	\$ 1,014,401.00	\$	\$ 1,014,401.00

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## *Additional Information*

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***Authority Members***  
***January 1, 2019 through December 31, 2019***

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<b>Authority Members</b>		<b>Term Expires</b>
Tim Melson	Chairman	2023
Lynn Greer	Vice-Chairman	2023
J. Edward Tease	Secretary/Treasurer	2023
Joseph Hackworth	Member	2023
Phillip Pettus	Member	2023
William Roger Garner	Member	2023
Ronald Lane	Member	2023



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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***

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**Independent Auditor's Report**

Members of the Lauderdale County Agriculture Center Authority  
Florence, Alabama

We have audited, 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, the financial statements of the governmental activities and each major fund of the Lauderdale County Agriculture Center Authority, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Lauderdale County Agriculture Center Authority's basic financial statements, and have issued our report thereon dated June 2, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Lauderdale County Agriculture Center 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 Lauderdale County Agriculture Center Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lauderdale County Agriculture Center 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.

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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***

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**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Lauderdale County Agriculture Center Authority's financial statements are free from material misstatement, we performed test 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 financial statements. 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 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle  
Chief Examiner  
Department of Examiners of Public Accounts

Montgomery, Alabama

June 2, 2021