

Report on the

Lauderdale County Agriculture Center Authority

Lauderdale County, Alabama

January 1, 2020 through December 31, 2020

Filed: April 15, 2022



Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
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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, 2020 through December 31, 2020. 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,

John Posey
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Lauderdale County Agriculture Center Authority
January 1, 2020 through December 31, 2020**

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, 2020.

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. Individuals in attendance were: Tim Melson, Chairman; and Authority Members: William Roger Garner and Ronald Lane. Representing the Department of Examiners of Public Accounts were: April Purser, Audit Manager; and John Posey, 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, 2020, 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

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 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 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, 2020, 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

Required Supplementary Information

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 assurances 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 March 28, 2022 on our consideration of the Lauderdale County Agriculture Center Authority's internal control over financial reporting and 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 on 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

March 28, 2022

Basic Financial Statements

Statement of Net Position
December 31, 2020

| | Governmental Activities |
|-----------------------------------------|------------------------------------|
| <u>Assets</u> | |
| Cash | \$ 411,545.00 |
| Restricted Cash with Fiscal Agent | 39,596,541.00 |
| Receivables | 274,499.00 |
| Prepaid Asset | 25,000.00 |
| Capital Assets (Note 4): | |
| Nondepreciable | 7,104,869.00 |
| Total Assets | <u>47,412,454.00</u> |
| <u>Liabilities</u> | |
| Accounts Payable | 214,786.00 |
| Accrued Interest Payable | 702,548.00 |
| Long-Term Liabilities: | |
| Portion Due or Payable Within One Year: | |
| Notes from Direct Borrowings | 149,471.00 |
| Warrants Payable | 465,000.00 |
| Portion Due or Payable Within One Year: | |
| Warrants Payable | 38,175,000.00 |
| Notes from Direct Borrowings | 4,166,625.00 |
| Total Liabilities | <u>43,873,430.00</u> |
| <u>Net Position</u> | |
| Net Investment in Capital Assets | 2,612,190.00 |
| Restricted for: | |
| Debt Service | 232,593.00 |
| Unrestricted | <u>694,241.00</u> |
| Total Net Position | <u>\$ 3,539,024.00</u> |

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

Statement of Activities
For the Year Ended December 31, 2020

| Functions/Programs | Expenses | Program Revenues | | Net (Expenses) Revenues and Changes in Net Position Total Governmental Activities |
|----------------------------------|------------------------|-------------------------|---------------------------------------|--------------------------------------------------------------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | |
| Primary Government | | | | |
| Governmental Activities | | | | |
| General Government | \$ 193,866.00 | \$ | \$ | \$ (193,866.00) |
| Interest and Fiscal Charges | 944,612.00 | | | (944,612.00) |
| Total Governmental Activities | <u>\$ 1,138,478.00</u> | <u>\$</u> | <u>\$</u> | <u>(1,138,478.00)</u> |
| General Revenues: | | | | |
| Taxes: | | | | |
| County Gasoline Sales Tax | | | | 805,475.00 |
| Alcohol Taxes | | | | 93,538.00 |
| TVA in Lieu of Taxes | | | | 1,256,123.00 |
| Investment Earnings | | | | 191,877.00 |
| Miscellaneous Revenue | | | | 15,273.00 |
| Total General Revenues | | | | <u>2,362,286.00</u> |
| Change in Net Position | | | | 1,223,808.00 |
| Net Position - Beginning of Year | | | | <u>2,315,216.00</u> |
| Net Position - End of Year | | | | <u>\$ 3,539,024.00</u> |

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

Balance Sheet
Governmental Funds
December 31, 2020

| | General Fund | 2019 Warrant Fund | Capital Projects Fund | Total Governmental Funds |
|--------------------------------------------|----------------------|-------------------------|-----------------------------|--------------------------------|
| Assets | | | | |
| Cash | \$ 411,545.00 | \$ | \$ | \$ 411,545.00 |
| Restricted Cash with Fiscal Agent | | 2,807,088.00 | 36,789,453.00 | 39,596,541.00 |
| Receivables | 274,499.00 | | | 274,499.00 |
| Prepaid Asset | 25,000.00 | | | 25,000.00 |
| Total Assets | 711,044.00 | 2,807,088.00 | 36,789,453.00 | 40,307,585.00 |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts Payable | 16,803.00 | | 197,983.00 | 214,786.00 |
| Total Liabilities | 16,803.00 | | 197,983.00 | 214,786.00 |
| Fund Balances | | | | |
| Nonspendable: | | | | |
| Prepaid Items | 25,000.00 | | | 25,000.00 |
| Restricted for: | | | | |
| Debt Service | | 2,807,088.00 | | 2,807,088.00 |
| Capital Projects | | | 36,591,470.00 | 36,591,470.00 |
| Unassigned | 669,241.00 | | | 669,241.00 |
| Total Fund Balances | 694,241.00 | 2,807,088.00 | 36,591,470.00 | 40,092,799.00 |
| Total Liabilities and Fund Balances | \$ 711,044.00 | \$ 2,807,088.00 | \$ 36,789,453.00 | \$ 40,307,585.00 |

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, 2020***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 40,092,799.00

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 | | 720,735.00 | |
| Total Capital Assets | | 720,735.00 | 7,104,869.00 |

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 | |
|------------------------------|----|------------------------|---------------------------|-----------------|
| Warrants Payable | \$ | 465,000.00 | \$ 38,175,000.00 | |
| Notes from Direct Borrowings | | 149,471.00 | 4,166,625.00 | |
| Accrued Interest Payable | | 702,548.00 | | |
| Total Long-Term Liabilities | \$ | 1,317,019.00 | \$ 42,341,625.00 | (43,658,644.00) |

Total Net Position - Governmental Activities (Exhibit 1) \$ 3,539,024.00

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, 2020

| | General Fund | 2019 Warrant Fund | Capital Projects Fund | Total Governmental Funds |
|---------------------------------------------------|-----------------------|-------------------------|-----------------------------|--------------------------------|
| Revenues | | | | |
| Taxes | \$ 805,475.00 | \$ | \$ | \$ 805,475.00 |
| Intergovernmental | 1,349,661.00 | | | 1,349,661.00 |
| Interest and Dividend Revenues | | 11,047.00 | 180,830.00 | 191,877.00 |
| Miscellaneous | 15,273.00 | | | 15,273.00 |
| Total Revenues | <u>2,170,409.00</u> | <u>11,047.00</u> | <u>180,830.00</u> | <u>2,362,286.00</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 193,866.00 | | | 193,866.00 |
| Capital Outlay | | | 540,907.00 | 540,907.00 |
| Debt Service: | | | | |
| Principal Retirement | 183,904.00 | 555,000.00 | | 738,904.00 |
| Interest and Fiscal Charges | 174,538.00 | 1,089,686.00 | | 1,264,224.00 |
| Total Expenditures | <u>552,308.00</u> | <u>1,644,686.00</u> | <u>540,907.00</u> | <u>2,737,901.00</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 1,618,101.00 | (1,633,639.00) | (360,077.00) | (375,615.00) |
| Other Financing Sources (Uses) | | | | |
| Proceeds from Issuance of Debt | 4,400,000.00 | | | 4,400,000.00 |
| Transfers In | 79,600.00 | 2,017,861.00 | | 2,097,461.00 |
| Payment to Refunding Escrow Agent | (4,400,000.00) | | | (4,400,000.00) |
| Transfers Out | (2,017,861.00) | | (79,600.00) | (2,097,461.00) |
| Total Other Financing Sources (Uses) | <u>(1,938,261.00)</u> | <u>2,017,861.00</u> | <u>(79,600.00)</u> | |
| Net Changes in Fund Balances | (320,160.00) | 384,222.00 | (439,677.00) | (375,615.00) |
| Fund Balances - Beginning of Year | 1,014,401.00 | 2,422,866.00 | 37,031,147.00 | 40,468,414.00 |
| Fund Balances - End of Year | <u>\$ 694,241.00</u> | <u>\$ 2,807,088.00</u> | <u>\$ 36,591,470.00</u> | <u>\$ 40,092,799.00</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, 2020

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) | \$ (375,615.00) |
| Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because: | |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. | 540,907.00 |
| Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. | 738,904.00 |
| Payments to refunding escrow agent are recorded as expenditures in the governmental funds, but reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. | 4,400,000.00 |
| Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities. | (4,400,000.00) |
| 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 governmental funds. | |
| Net Increase in Accrued Interest Payable | \$ (320,961.00) |
| Amortization of Premiums on Debt Issued | 640,573.00 |
| | <u>319,612.00</u> |
| Change in Net Position of Governmental Activities (Exhibit 2) | <u>\$ 1,223,808.00</u> |

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

Notes to the Financial Statements

For the Year Ended December 31, 2020

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.

Notes to the Financial Statements

For the Year Ended December 31, 2020

Fund Financial Statements

The fund financial statements provide information about the Authority's funds. Statements for governmental activities are presented. 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.

Notes to the Financial Statements

For the Year Ended December 31, 2020

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.

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. Bonds/Warrants payable are reported at gross. Bond/Warrant issuance costs are reported as an expense in the period incurred.

Notes to the Financial Statements

For the Year Ended December 31, 2020

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 Equity

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 components of net position. Unrestricted net position is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Authority.

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

- ◆ **Nonspendable** – 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.
- ◆ **Restricted** – 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.

Notes to the Financial Statements
For the Year Ended December 31, 2020

- ◆ **Committed** – 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.

- ◆ **Assigned** – 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.

- ◆ **Unassigned** – 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.

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.

Notes to the Financial Statements

For the Year Ended December 31, 2020

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*, Section 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.

As of December 31, 2020, 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 | \$39,596,541.00 | \$39,596,541.00 | \$ | \$ |

Notes to the Financial Statements

For the Year Ended December 31, 2020

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. As of December 31, 2020, 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.

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.

Note 4 – Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

| | Balance 01/01/2020 | Additions/ Reclassifications | Deletions/ Reclassifications | Balance 12/31/2020 |
|-----------------------------------------------|-----------------------|---------------------------------|---------------------------------|-----------------------|
| Governmental Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$6,348,134.00 | \$ | \$ | \$6,384,134.00 |
| Construction in Progress | 179,828.00 | 540,907.00 | | 720,735.00 |
| Total Capital Assets, Not Being Depreciated | <u>6,563,962.00</u> | <u>540,907.00</u> | | <u>7,104,869.00</u> |
| Total Governmental Activities Capital Assets | <u>\$6,563,962.00</u> | <u>\$540,907.00</u> | <u>\$</u> | <u>\$7,104,869.00</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 2023. The completion date is subject to change depending on the projected schedule to be developed by the construction manager. The budget for the cost of work is \$42,000,001.

Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 – Long-Term Debt

In March 2018, a Tax and Revenue Anticipation Note, Series 2018, a direct borrowing from a financial institution, 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 the event of default which is defined as a failure to pay principal and interest when due, then and in every such case, the Noteholder may declare the principal of all the Note and the interest accrued thereon to be due and payable immediately, by notice to the other Financing Participants, and upon any such declaration such Debt Service shall become immediately due and payable. This debt issue was currently refunded during the 2020 year with Tax and Revenue Anticipation Note, Series 2020.

In March 2019, a Tax and Revenue Anticipation Note, Series 2019, a direct borrowing from a financial institution, 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 the event of default which is defined as a failure to pay principal and interest when due, then and in every such case, the Noteholder may declare the principal of all the Note and the interest accrued thereon to be due and payable immediately, by notice to the other Financing Participants, and upon any such declaration such Debt Service shall become immediately due and payable. This debt issue was currently refunded during the 2020 year with Tax and Revenue Anticipation Note, Series 2020.

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. Upon the occurrence of an Indenture Default and commencement of judicial proceedings by the Trustee to enforce any right under this Indenture, the Trustee shall be entitled, as against the Authority, without notice or demand and without regard to the adequacy of the security for the Series 2019 Bonds or the solvency of the Authority, to the appointment of a receiver for the Trust Estate, and of the rents, issues, profits, revenues and other income thereof, including the Pledged Project Revenues, but, notwithstanding the appointment of any receiver, the Trustee shall be entitled to retain possession and control of, and to collect and receive the income from, cash, securities and other personal property held by, or required to be deposited or pledged with, the Trustee hereunder.

In May 2020, a Tax and Revenue Anticipation Note, Series 2020, a direct borrowing from a financial institution, with an interest rate of 3.99 percent, was issued to provide funds for the refinancing of the Tax and Revenue Anticipation Note, Series 2018 and the Tax and Revenue Anticipation Note, Series 2019. In the event of default which is defined as a failure to pay principal and interest when due, then and in every such case, the Noteholder may declare the principal of all the Note and the interest accrued thereon to be due and payable immediately, by notice to the other Financing Participants, and upon any such declaration such Debt Service shall become immediately due and payable.

Notes to the Financial Statements
For the Year Ended December 31, 2020

The following is a summary of long-term debt transactions for the Authority for the year ended December 31, 2020:

| | Debt Outstanding 01/01/2020 | Issued/ Increased | Repaid/ Decreased | Debt Outstanding 12/31/2020 | Amounts Due Within One Year |
|--------------------------------------------------------------------------|-----------------------------------|-----------------------|-------------------------|-----------------------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| Tax and Revenue Anticipation Note, Series 2018 from Direct Borrowings | \$ 2,300,000.00 | \$ | \$(2,300,000.00) | \$ | \$ |
| Tax and Revenue Anticipation Note, Series 2019 from Direct Borrowings | 2,200,000.00 | | (2,200,000.00) | | |
| Tax and Revenue Anticipation Note, Series 2020 from Direct Borrowings | | 4,400,000.00 | (83,904.00) | 4,316,096.00 | 149,471.00 |
| Special Tax Revenue Bonds, Series 2019 | 39,195,000.00 | | (555,000.00) | 38,640,000.00 | 465,000.00 |
| Unamortized Premium | 640,573.00 | | (640,573.00) | | |
| Total Governmental Activities Long-Term Liabilities | \$44,335,573.00 | \$4,400,000.00 | \$(5,779,477.00) | \$42,956,096.00 | \$614,471.00 |

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

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

| Year Ending | 2020 Tax and Revenue Anticipation Note | | 2019 Special Tax Revenue Bonds | | Total Principal and Interest Requirements |
|-------------------|-------------------------------------------|---------------------|-----------------------------------|------------------------|-------------------------------------------------|
| | Principal | Interest | Principal | Interest | |
| December 31, 2021 | \$ 149,471.00 | \$171,845.00 | \$ 465,000.00 | \$ 1,405,098.00 | \$ 2,191,414.00 |
| 2022 | 155,631.00 | 165,685.00 | 475,000.00 | 1,395,798.00 | 2,192,114.00 |
| 2023 | 162,045.00 | 159,271.00 | 485,000.00 | 1,386,297.00 | 2,192,613.00 |
| 2024 | 168,286.00 | 153,029.00 | 495,000.00 | 1,376,597.00 | 2,192,912.00 |
| 2025 | 3,680,663.00 | 6,119.00 | 515,000.00 | 1,351,848.00 | 5,553,630.00 |
| 2026-2030 | | | 2,985,000.00 | 6,362,600.00 | 9,347,600.00 |
| 2031-2035 | | | 3,615,000.00 | 5,728,600.00 | 9,343,600.00 |
| 2036-2040 | | | 4,275,000.00 | 5,073,800.00 | 9,348,800.00 |
| 2041-2045 | | | 4,955,000.00 | 4,392,950.00 | 9,347,950.00 |
| 2046-2050 | | | 6,085,000.00 | 3,254,800.00 | 9,339,800.00 |
| 2051-2055 | | | 7,405,000.00 | 1,942,420.00 | 9,347,420.00 |
| 2056-2059 | | | 6,885,000.00 | 595,170.00 | 7,480,170.00 |
| Total | \$4,316,096.00 | \$655,949.00 | \$38,640,000.00 | \$34,265,978.00 | \$77,878,023.00 |

Notes to the Financial Statements

For the Year Ended December 31, 2020

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 \$72,905,977.50 are pledged to repay the principal and interest amounts on the warrant as of December 31, 2020. Proceeds of the special gasoline tax and TVA in lieu of taxes in the amount of \$2,155,136.23 were received by the Authority during the year ended December 31, 2020. The Series 2019 Special Tax Revenue Bonds will mature in calendar year 2059.

Defeased Debt

On May 20, 2020, the Authority issued \$4,400,000.00 to currently refund, Tax and Revenue Anticipation Note, Series 2018 and the Tax and Revenue Anticipation Note, Series 2019. The net proceeds of \$4,380,752.66 (after payment of \$23,331.11 in issuance costs) were used to refund the Tax and Revenue Anticipation Note, Series 2018 and the Tax and Revenue Anticipation Note, Series 2019. As a result, that portion of the Tax and Revenue Anticipation Note, Series 2018 and the Tax and Revenue Anticipation Note, Series 2019 are considered to be defeased and the liability for those notes has been removed.

The Authority decreased its total debt service payment by approximately \$643,457.13 which resulted in an economic gain (difference between present values of the debt service payments on the old and new debt) of \$132,841.88.

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, 2019 through September 5, 2021.

The Authority has General Liability Insurance through Johnson and Johnson Insurance Brokers. The Authority pays an annual premium of \$3,025. Coverage is provided up to \$2,000,000 per policy year. The policy ran from September 10, 2020 through September 10, 2021.

Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 8 – Interfund Transactions

Interfund Transfers

The amounts of interfund transfers during the year ended December 31, 2020, were as follows:

| | Transfers In | | Totals |
|-----------------------|-------------------------|--------------------|-----------------------|
| | 2019 Warrant Fund | General Fund | |
| Transfers Out: | | | |
| General Fund | \$2,017,861.00 | \$ | \$2,017,861.00 |
| Capital Projects Fund | | 79,600.00 | 79,600.00 |
| Totals | \$2,017,861.00 | \$79,600.00 | \$2,097,461.00 |

The Authority typically used transfers to transfer the portion from the General Fund to the 2019 Warrant Fund to service current-year debt requirements.

Note 9 – Subsequent Events

On September 3, 2021, the Authority entered into a Commercial Promissory Note in the amount of \$546,000. Interest on the Note shall accrue at the per annum rate of 3.99%. The proceeds shall be used for the purchase of commercial real estate.

On December 15, 2021, the Authority entered into a Bond Purchase Agreement to issue \$12.88 million of bonds to refund a portion of the Authority’s Special Tax Revenue Bonds, Series 2019.

On January 13, 2022, the Authority issued Special Tax Revenue Bonds, Series 2022, in the amount of \$12,880,000. These warrants bear interest rates of 1.72% to 3.25% and will be paid in full in 2049. The proceeds will be used to advance refund a portion of the Special Tax Revenue Bonds, Series 2019 and pay issuance expenses of the Series 2022 Bonds.

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended December 31, 2020

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Budget to GAAP Differences | Actual Amounts GAAP Basis |
|---------------------------------------------------|------------------------|------------------------|-----------------------------------|-------------------------------|------------------------------|
| | Original | Final | | | |
| Revenues | | | | | |
| Taxes | \$ 924,000.00 | \$ 924,000.00 | \$ 805,475.00 | \$ | \$ 805,475.00 |
| Intergovernmental | 1,347,066.00 | 1,347,066.00 | 1,349,661.00 | | 1,349,661.00 |
| Miscellaneous | 36,000.00 | 36,000.00 | 15,273.00 | | 15,273.00 |
| Total Revenues | <u>2,307,066.00</u> | <u>2,307,066.00</u> | <u>2,170,409.00</u> | | <u>2,170,409.00</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | 265,950.00 | 265,950.00 | 193,866.00 | | 193,866.00 |
| Debt Service: | | | | | |
| Principal Retirement | | | 183,904.00 | | 183,904.00 |
| Interest and Fiscal Charges | 214,350.00 | 214,350.00 | 174,538.00 | | 174,538.00 |
| Total Expenditures | <u>480,300.00</u> | <u>480,300.00</u> | <u>552,308.00</u> | | <u>552,308.00</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>1,826,766.00</u> | <u>1,826,766.00</u> | <u>1,618,101.00</u> | | <u>1,618,101.00</u> |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from Issuance of Debt | | | 4,400,000.00 | | 4,400,000.00 |
| Transfers In | | | 79,600.00 | | 79,600.00 |
| Payment of Refunding Escrow Agent | | | (4,400,000.00) | | (4,400,000.00) |
| Transfers Out | | | (2,017,861.00) | | (2,017,861.00) |
| Total Other Financing Sources (Uses) | | | <u>(1,938,261.00)</u> | | <u>(1,938,261.00)</u> |
| Net Changes in Fund Balances | 1,826,766.00 | 1,826,766.00 | (320,160.00) | | (320,160.00) |
| Fund Balances - Beginning of Year | | | 1,014,401.00 | | 1,014,401.00 |
| Fund Balances - End of Year | <u>\$ 1,826,766.00</u> | <u>\$ 1,826,766.00</u> | <u>\$ 694,241.00</u> | <u>\$</u> | <u>\$ 694,241.00</u> |

Additional Information

Authority Members
January 1, 2020 through December 31, 2020

| Authority Members | | Term Expires |
|--------------------------|---------------------|---------------------|
| 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 |

***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***

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, 2020, 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 March 28, 2022.

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) as a basis for designing 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 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.

***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***

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 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 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 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 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

March 28, 2022