

Report on the

Lauderdale County Agriculture Center Authority

Lauderdale County, Alabama
January 1, 2021 through December 31, 2021

Filed: January 13, 2023



Department of Examiners of Public Accounts

401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
P.O. Box 302251
Montgomery, Alabama 36130-2251
Website: www.examiners.alabama.gov

Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
Chief Examiner

State of Alabama
Department of
Examiners of Public Accounts

P.O. Box 302251, Montgomery, AL 36130-2251
401 Adams Avenue, Suite 280
Montgomery, Alabama 36104-4338
Telephone (334) 242-9200
FAX (334) 242-1775

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, 2021 through December 31, 2021, by Examiners John Posey and Steven Orr. I, John Posey, served as Examiner-in-Charge on the engagement, and 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, 2021 through December 31, 2021**

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, 2021.

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: Joseph Hackworth and William Roger Garner. Also in attendance were representatives from the Department of Examiners of Public Accounts: April Purser, Audit Manager; and John Posey and Steven Orr, Examiners 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 Audit of the Financial Statements

Opinions

We have audited 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, 2021, 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.

In our opinion, the accompanying 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, 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lauderdale County Agriculture Center Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lauderdale County Agriculture Center Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and ***Government Auditing Standards*** will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and ***Government Auditing Standards***, we:

- ◆ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ◆ Obtain an understanding of internal control relevant to the audit 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 Lauderdale County Agriculture Center Authority's internal control. Accordingly, no such opinion is expressed.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- ◆ Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lauderdale County Agriculture Center Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

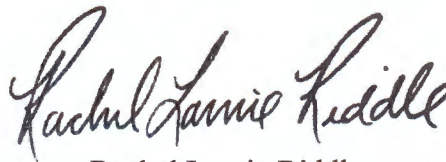
Required Supplementary Information

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 is the responsibility of management and, 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 December 16, 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

December 16, 2022

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Basic Financial Statements

Statement of Net Position
December 31, 2021

	Governmental Activities
<u>Assets</u>	
Cash	\$ 414,734.00
Restricted Cash with Fiscal Agent	32,152,378.00
Receivables	208,810.00
Capital Assets (Note 4):	
Nondepreciable	15,264,240.00
Depreciable, Net	556,601.00
Total Assets	<u>48,596,763.00</u>
<u>Liabilities</u>	
Accounts Payable	732,791.00
Accrued Interest Payable	697,899.00
Short Term Notes From Direct Borrowing	716,400.00
Long-Term Liabilities:	
Portion Due or Payable Within One Year:	
Notes From Direct Borrowing	155,631.00
Warrants Payable	475,000.00
Portion Due or Payable After One Year:	
Notes From Direct Borrowings	4,011,003.00
Warrants Payable	37,700,000.00
Total Liabilities	<u>44,488,724.00</u>
<u>Net Position</u>	
Net Investment in Capital Assets	3,254,577.00
Restricted for:	
Debt Service	237,638.00
Unrestricted	<u>615,824.00</u>
Total Net Position	<u>\$ 4,108,039.00</u>

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

Statement of Activities
For the Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Primary Government				
Governmental Activities				
General Government	\$ 300,843.00	\$	\$	\$ (300,843.00)
Interest and Fiscal Charges	1,577,812.00			(1,577,812.00)
Total Governmental Activities	\$ 1,878,655.00	\$	\$	(1,878,655.00)
General Revenues:				
Taxes:				
County Gasoline Sales Tax				943,476.00
Alcohol Taxes				84,153.00
TVA in Lieu of Taxes				1,256,143.00
Investment Earnings				3,469.00
Miscellaneous Revenue				160,429.00
Total General Revenues				2,447,670.00
Change in Net Position				569,015.00
Net Position - Beginning of Year				3,539,024.00
Net Position - End of Year				\$ 4,108,039.00

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

Balance Sheet
Governmental Funds
December 31, 2021

	General Fund	2019 Warrant Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash	\$ 414,734.00	\$	\$	\$ 414,734.00
Restricted Cash with Fiscal Agent		2,807,658.00	29,344,720.00	32,152,378.00
Receivables	208,810.00			208,810.00
Total Assets	<u>623,544.00</u>	<u>2,807,658.00</u>	<u>29,344,720.00</u>	<u>32,775,922.00</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	7,720.00		725,071.00	732,791.00
Short-Term Notes from Direct Borrowing	716,400.00			716,400.00
Total Liabilities	<u>724,120.00</u>		<u>725,071.00</u>	<u>1,449,191.00</u>
Fund Balances				
Restricted for:				
Debt Service		2,807,658.00		2,807,658.00
Capital Projects			28,619,649.00	28,619,649.00
Unassigned	(100,576.00)			(100,576.00)
Total Fund Balances	<u>(100,576.00)</u>	<u>2,807,658.00</u>	<u>28,619,649.00</u>	<u>31,326,731.00</u>
Total Liabilities and Fund Balances	<u>\$ 623,544.00</u>	<u>\$ 2,807,658.00</u>	<u>\$ 29,344,720.00</u>	<u>\$ 32,775,922.00</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, 2021***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 31,326,731.00

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	\$ 6,568,434.00	
Construction in Progress	8,695,806.00	
Land Improvements	19,083.00	
Buildings	544,805.00	
Accumulated Depreciation	<u>(7,287.00)</u>	
Total Capital Assets		15,820,841.00

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	\$ 475,000.00	\$ 37,700,000.00	
Notes From Direct Borrowing	155,631.00	4,011,003.00	
Accrued Interest Payable	697,899.00		
Total Long-Term Liabilities	<u>\$ 1,328,530.00</u>	<u>\$ 41,711,003.00</u>	<u>(43,039,533.00)</u>

Total Net Position - Governmental Activities (Exhibit 1) \$ 4,108,039.00

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, 2021

	General Fund	2019 Warrant Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Taxes	\$ 943,476.00	\$	\$	\$ 943,476.00
Intergovernmental	1,340,296.00			1,340,296.00
Interest and Dividend Revenues		220.00	3,249.00	3,469.00
Miscellaneous	160,429.00			160,429.00
Total Revenues	<u>2,444,201.00</u>	<u>220.00</u>	<u>3,249.00</u>	<u>2,447,670.00</u>
Expenditures				
Current:				
General Government	293,556.00			293,556.00
Capital Outlay	748,187.00		7,975,070.00	8,723,257.00
Debt Service:				
Principal Retirement	149,462.00	465,000.00		614,462.00
Interest and Fiscal Charges	177,365.00	1,405,098.00		1,582,463.00
Total Expenditures	<u>1,368,570.00</u>	<u>1,870,098.00</u>	<u>7,975,070.00</u>	<u>11,213,738.00</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,075,631.00</u>	<u>(1,869,878.00)</u>	<u>(7,971,821.00)</u>	<u>(8,766,068.00)</u>
Other Financing Sources (Uses)				
Transfers In		1,870,448.00		1,870,448.00
Transfers Out	(1,870,448.00)			(1,870,448.00)
Total Other Financing Sources (Uses)	<u>(1,870,448.00)</u>	<u>1,870,448.00</u>		
Net Changes in Fund Balances	(794,817.00)	570.00	(7,971,821.00)	(8,766,068.00)
Fund Balances - Beginning 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>
Fund Balances - End of Year	<u>\$ (100,576.00)</u>	<u>\$ 2,807,658.00</u>	<u>\$ 28,619,649.00</u>	<u>\$ 31,326,731.00</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, 2021

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ (8,766,068.00)

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

Governmental funds report capital outlay as an expenditure. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense differed from capital outlay in the current period.

Capital Outlay Expenditures	\$ 8,723,257.00	
Depreciation Expense	<u>(7,287.00)</u>	8,715,970.00

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.	614,462.00
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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 the governmental funds, such as the net change in Accrued Interest Payable.	<u>4,651.00</u>
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Change in Net Position of Governmental Activities (Exhibit 2)	<u><u>\$ 569,015.00</u></u>
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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, 2021

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.

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.

Notes to the Financial Statements

For the Year Ended December 31, 2021

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.

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

1. Deposits

Cash includes cash on hand and demand deposits.

Notes to the Financial Statements
For the Year Ended December 31, 2021

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. 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.

4. 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 their original historical cost, plus ancillary charges such as transportation, installation, and site preparation costs. Donated capital assets are valued at their acquisition value (plus any ancillary costs) at the acquisition date. 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.

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings and Improvements	\$ 50,000	20 – 50 years
Equipment and Furniture	\$ 5,000	5 – 10 years
Roads	\$250,000	20 years
Bridges	\$ 50,000	40 years
Water and Sewer Systems	\$100,000	25 years

Notes to the Financial Statements

For the Year Ended December 31, 2021

5. 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.

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

6. 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 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.

Notes to the Financial Statements

For the Year Ended December 31, 2021

- ◆ **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.
- ◆ **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

A. 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, 2021

B. Deficit Fund Balances/Net Position of Individual Funds

At December 31, 2021, the following governmental funds had a deficit fund balance:

General Fund	<u>\$100,576.00</u>
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The deficit in the General Fund was eliminated in January 2022 when a transfer from the Bank of New York Acquisition Fund was made to eliminate short term notes from direct borrowings.

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.

Notes to the Financial Statements
For the Year Ended December 31, 2021

As of December 31, 2021, 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	\$32,153,378.00	\$32,153,378.00	\$	\$

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. As of December 31, 2021, the Authority’s investments in the Fund 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.

Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 4 – Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

	Balance 01/01/2021	Additions	Deletions	Balance 12/31/2021
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$6,384,134.00	\$ 184,300.00	\$	\$ 6,568,434.00
Construction in Progress	720,735.00	7,975,071.00		8,695,806.00
Total Capital Assets, Not Being Depreciated	<u>7,104,869.00</u>	<u>8,159,371.00</u>		<u>15,264,240.00</u>
Capital Assets, Being Depreciated:				
Land Improvements		19,083.00		19,083.00
Buildings		544,805.00		544,805.00
Total Capital Assets, Being Depreciated		<u>563,888.00</u>		<u>563,888.00</u>
Less Accumulated Depreciation for:				
Land Improvements		(477.00)		(477.00)
Buildings		(6,810.00)		(6,810.00)
Total Accumulated Depreciation		<u>(7,287.00)</u>		<u>(7,287.00)</u>
Total Capital Assets Being Depreciated, Net		556,601.00		556,601.00
Total Governmental Activities Capital Assets, Net	<u>\$7,104,869.00</u>	<u>\$8,715,972.00</u>	\$	<u>\$15,820,841.00</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$7,287.00
Total Depreciation Expense – Governmental Activities	<u>\$7,287.00</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 first quarter of 2025. The completion date is subject to change depending on the projected schedule to be developed by the construction manager.

Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 6 – Short-Term Debt

During the year the Authority issued commercial promissory notes in order to purchase real estate for the agriculture center. The proceeds from the short-term debt were needed immediately to finance the project, and these notes will be paid off within twelve months. Short-term debt activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Proceeds	Repaid	Ending Balance
Notes From Direct Borrowings	\$	\$716,400	\$	\$716,400

Note 7 – Long-Term Debt

Revenue Bonds

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.

Direct Borrowing

The Authority has a long-term outstanding note from direct borrowing related to governmental activities totaling \$4,166,634.00. The outstanding note and transaction from direct borrowing is summarized in the following paragraph.

In May 2020, a Tax and Revenue Anticipation Note, Series 2020, 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, 2021

The following is a summary of long-term debt transactions for the Authority for the year ended December 31, 2021:

	Debt Outstanding 01/01/2021	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 12/31/2021	Amounts Due Within One Year
Governmental Activities:					
Tax and Revenue Anticipation Note, Series 2020 from Direct Borrowings	\$ 4,316,096.00	\$	\$(149,462.00)	\$ 4,166,634.00	\$155,631.00
Special Tax Revenue Bonds, Series 2019	38,640,000.00		(465,000.00)	38,175,000.00	475,000.00
Total Governmental Activities Long-Term Liabilities	<u>\$42,956,096.00</u>	\$	<u>\$(614,462.00)</u>	<u>\$42,341,634.00</u>	<u>\$630,631.00</u>

Payments on the debt issues are made by the General Fund or Debt Service 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, 2022	\$ 155,631.00	\$165,685.00	\$ 475,000.00	\$ 1,395,797.50	\$ 2,192,113.50
2023	162,045.00	159,271.00	485,000.00	1,386,297.50	2,192,613.50
2024	168,286.00	153,029.00	495,000.00	1,376,597.50	2,192,912.50
2025	3,680,672.00	6,119.00	515,000.00	1,351,847.50	5,553,638.50
2026			545,000.00	1,326,097.50	1,871,097.50
2027-2031			3,110,000.00	6,237,862.50	9,347,862.50
2032-2036			3,750,000.00	5,591,800.00	9,341,800.00
2037-2041			4,405,000.00	4,945,550.00	9,350,550.00
2042-2046			5,120,000.00	4,223,300.00	9,343,300.00
2047-2051			6,370,000.00	2,974,000.00	9,344,000.00
2052-2056			7,655,000.00	1,690,650.00	9,345,650.00
2057-2059			5,250,000.00	361,080.00	5,611,080.00
Total	<u>\$4,166,634.00</u>	<u>\$484,104.00</u>	<u>\$38,175,000.00</u>	<u>\$32,860,880.00</u>	<u>\$75,686,618.00</u>

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 \$71,035,880.00 are pledged to repay the principal and interest amounts on the warrant as of December 31, 2021. Proceeds of the special gasoline tax and TVA in lieu of taxes in the amount of \$2,283,772.00 were received by the Authority during the year ended December 31, 2021. The Series 2019 Special Tax Revenue Bonds will mature in calendar year 2059.

Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 8 – Risk Management

The Authority has Employment Practices Liability Insurance through Johnson and Johnson Insurance Brokers. The Authority paid a 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 period is from September 2021 through January 2022.

The Authority has General Liability Insurance through Johnson and Johnson Insurance Brokers. The Authority pays an annual premium of \$3,348. Coverage is provided up to \$2,000,000 per policy year. The policy period is from September 2021 through September 2022.

Note 9 – Interfund Transactions

Interfund Transfers

The amounts of interfund transfers during the year ended December 31, 2021, were as follows:

	<u>Transfers In</u> 2019	
	Warrant Fund	Totals
Transfers Out:		
General Fund	\$1,870,448.00	\$1,870,448.00
Totals	<u>\$1,870,448.00</u>	<u>\$1,870,448.00</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.

Note 10 – Subsequent Event

On January 13, 2022, the Authority issued Special Tax Revenue Bonds, Series 2022, in the amount of \$12,880,000.00. These warrants bear interest rates of 1.90% to 2.740% and will be paid in full in 2049. The proceeds will be used to 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, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues					
Taxes	\$ 780,000.00	\$ 780,000.00	\$ 943,476.00	\$	\$ 943,476.00
Intergovernmental	1,370,000.00	1,370,000.00	1,340,296.00		1,340,296.00
Miscellaneous	29,617.00	29,617.00	160,429.00		160,429.00
Total Revenues	2,179,617.00	2,179,617.00	2,444,201.00		2,444,201.00
Expenditures					
Current:					
General Government	196,600.00	196,600.00	293,556.00		293,556.00
Capital Outlay			748,187.00		748,187.00
Debt Service:					
Principal Retirement	148,976.00	148,976.00	149,462.00		149,462.00
Interest and Fiscal Charges			177,365.00		177,365.00
Total Expenditures	345,576.00	345,576.00	1,368,570.00		1,368,570.00
Excess (Deficiency) of Revenues Over Expenditures	1,834,041.00	1,834,041.00	1,075,631.00		1,075,631.00
Other Financing Sources (Uses)					
Transfers Out			(1,870,448.00)		(1,870,448.00)
Total Other Financing Sources (Uses)			(1,870,448.00)		(1,870,448.00)
Net Changes in Fund Balances	1,834,041.00	1,834,041.00	(794,817.00)		(794,817.00)
Fund Balances - Beginning of Year			694,241.00		694,241.00
Fund Balances - End of Year	\$ 1,834,041.00	\$ 1,834,041.00	\$ (100,576.00)	\$	\$ (100,576.00)

Additional Information

Authority Members
January 1, 2021 through December 31, 2021

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, 2021, 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 December 16, 2022.

Report on 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.

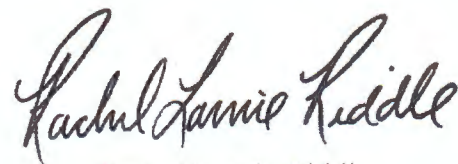
***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Report on 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

December 16, 2022