

THE COOPERATIVE DISTRICT OF THE CITY OF
SPANISH FORT- HIGHWAY 181 PUBLIC FACILITIES

GENERAL PURPOSE FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2023

THE COOPERATIVE DISTRICT OF THE
CITY OF SPANISH FORT- HIGHWAY 181 PUBLIC FACILITIES

GENERAL PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

TABLE OF CONTENTS

	Page
FINANCIAL SECTION	
Independent auditors' report	1
BASIC FINANCIAL STATEMENTS	
Government - Wide Financial Statements	
Statement of Net Position	2
Statement of Activities	3
Fund Financial Statements	
Governmental Fund Financial Statement	
Fund Balance Sheet	4
Reconciliation of Governmental Fund Balances to Net Position of Governmental Activities	5
Statement of Revenues, Expenditures and Changes in Fund Balances	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Notes to the Financial Statements	8 - 15

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Directors
Cooperative District of the
City of Spanish Fort
Highway 181 Public Facilities
Spanish Fort, Alabama

Opinions

We have audited the accompanying financial statements of the governmental activities of The Cooperative District of the City of Spanish Fort – Highway 181 Public Facilities as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise The Cooperative District of the City of Spanish Fort – Highway 181 Public Facilities' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Cooperative District of the City of Spanish Fort – Highway 181 Public Facilities, as of September 30, 2023, 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Cooperative District of the City of Spanish Fort – Highway 181 Public Facilities, 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.

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.

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 Cooperative District of the City of Spanish Fort – Highway 181 Public Facilities' 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.

Auditors' Responsibility

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 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, 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 Cooperative District of the City of Spanish Fort – Highway 181 Public Facilities' 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 Cooperative District of the City of Spanish Fort – Highway 181 Public Facilities' 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.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the 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.

Certified Public Accountants

April 17, 2024
Fairhope, Alabama

BASIC FINANCIAL STATEMENTS

THE COOPERATIVE DISTRICT OF THE
CITY OF SPANISH FORT- HIGHWAY 181 PUBLIC FACILITIES

STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

ASSETS

Investments	\$ 1,939,092
Receivable	123,375
Capital assets, net	<u>11,740,700</u>
Total assets	<u><u>\$ 13,803,167</u></u>

NET POSITION

Net investment in capital assets	\$ 11,740,700
Unrestricted	<u>2,062,467</u>
Total net position	<u><u>\$ 13,803,167</u></u>

THE COOPERATIVE DISTRICT OF THE
CITY OF SPANISH FORT- HIGHWAY 181 PUBLIC FACILITIES

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

REVENUES

Charges for services- district license fees	\$ 1,629,931
Interest	69,424
Total revenues	<u>1,699,355</u>

GENERAL GOVERNMENTAL EXPENSES

Depreciation	313,969
Trustee and professional fees	8,118
General expenses	647
Total general governmental expenses	<u>322,734</u>

Change in net position 1,376,621

Net position, beginning of year 12,426,546

Net position, end of year \$ 13,803,167

THE COOPERATIVE DISTRICT OF THE
CITY OF SPANISH FORT- HIGHWAY 181 PUBLIC FACILITIES

FUND BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

ASSETS	
Investments	\$ 1,939,092
Receivables	<u>123,375</u>
TOTAL ASSETS	<u><u>\$ 2,062,467</u></u>
FUND BALANCES	
Fund Balance - unassigned	<u>\$ 2,062,467</u>
TOTAL FUND BALANCES	<u><u>\$ 2,062,467</u></u>

THE COOPERATIVE DISTRICT OF THE
CITY OF SPANISH FORT- HIGHWAY 181 PUBLIC FACILITIES

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION OF
GOVERNMENTAL ACTIVITIES

SEPTEMBER 30, 2023

Fund balances as reported on page 4	\$ 2,062,467
Net Position reported for governmental activities in the Statement of Net Position (page 2) are different from Fund Balances for governmental activities because:	
Capital assets used in governmental activities are financial resources and are not reported in fund financial financial statements	18,859,053
Depreciation is provided for the above capital assets in government-wide reporting, but not in fund financial statements	<u>(7,118,353)</u>
Net Position of Governmental Activities as reported on page 2	<u><u>\$ 13,803,167</u></u>

THE COOPERATIVE DISTRICT OF THE
CITY OF SPANISH FORT- HIGHWAY 181 PUBLIC FACILITIES

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

REVENUES

License fees	\$ 1,629,931
Interest	69,424
Total Revenue	<u>1,699,355</u>

EXPENDITURES

Capital outlay	3,233,004
Utility expense	647
General government	8,118
Total expenditures	<u>3,241,769</u>

NET CHANGE IN FUND BALANCES (1,542,414)

Fund balances, beginning of year 3,604,881

FUND BALANCES, END OF YEAR \$ 2,062,467

THE COOPERATIVE DISTRICT OF THE
CITY OF SPANISH FORT- HIGHWAY 181 PUBLIC FACILITIES

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net change in fund balances - total governmental funds, page 6 \$ (1,542,414)

Amounts reported for governmental activities in the Statement of Activities are different from the Statements of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation and amortization expense to allocate those expenditures over the life of the assets.

Capital outlays	3,233,004
Depreciation	<u>(313,969)</u>

Change in Net Position of Governmental Activities, page 3 \$ 1,376,621

NOTES TO THE FINANCIAL STATEMENTS

THE COOPERATIVE DISTRICT OF THE
CITY OF SPANISH FORT- HIGHWAY 181 PUBLIC FACILITIES

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cooperative District of the City of Spanish Fort - Highway 181 Public Facilities, (the District), was incorporated on July 31, 2003. The District operates under an agreement with The Commercial Development Authority of the City of Spanish Fort, (the Authority), and the City of Spanish Fort, Alabama. The Authority has a board of directors appointed by the Mayor of the City of Spanish Fort.

The District approved a percentage of certain taxes collected by the City in the Cooperative District to be remitted monthly from the City to the District (1.5% of sales taxes).

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to municipal governments. The following is a summary of the more significant policies.

A. REPORTING ENTITY

The financial statements of the District have been prepared in conformity with the accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB). In June 1999, GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the District prepares and presents financial information. The Statement was developed to make annual reports easier to understand and more useful to the people who use government financial information to make decisions.

B. BASIS OF PRESENTATION – GOVERNMENT-WIDE AND FUND LEVEL

The basic financial statements include government-wide and fund financial statements. The previous reporting model emphasized fund types, while the new model focuses on the District as a whole and major funds. Government-wide and fund financial statements categorize primary activities as governmental or business type.

Government-wide

Government-wide financial statements (statement of net position and statement of activities) report information on all activities of the District. The statement of net position, is (a) presented on a consolidated basis, and (b) reflects, full accrual accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. The statement of activities reflects the degree to which direct expenses are offset by program revenues and then presents general revenues (license fees and investment earnings) to support remaining direct and indirect expenses.

(continued)

THE COOPERATIVE DISTRICT OF THE
CITY OF SPANISH FORT- HIGHWAY 181 PUBLIC FACILITIES

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Level

The governmental fund level financial statements are presented on a current financial resource and modified accrual basis of accounting. Since governmental fund level financial statements are presented on a different basis of accounting and measurement focus than governmental activities in the government-wide presentation, a summary is presented to explain adjustments necessary to reconcile fund level statements to the government-wide presentation.

A single General Fund is used to account for all revenues and expenditures applicable to the general operations of the District.

C. CAPITAL ASSETS

In government-wide reporting, all capital assets are reported as capital assets. The District has not established a minimum capitalization threshold at this time. Depreciation is provided on all capital assets at the government-wide level.

In fund level reporting, capital assets are reported as expenditures by governmental funds.

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated acquisition value at the date of donation.

All assets relating to the construction in the District are considered assets of the District. The Warrant documents specifically state that all infrastructure be maintained by the District, thus giving full ownership of those assets to the District. All payments made by the City for those assets have been treated as contributions to the District.

Depreciation is allocated as an expense in the Statement of Activities (government-wide level) and accumulated depreciation is reflected in the Statement of Net Position (government-wide level). Depreciation has been provided over the estimated useful lives using the straight line rates as follows:

Streets and Drainage	40 years
Electrical Components	40 years
Landscaping	15 years
Traffic Equipment	15 years

(continued)

THE COOPERATIVE DISTRICT OF THE
CITY OF SPANISH FORT- HIGHWAY 181 PUBLIC FACILITIES

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (current and noncurrent) are included in the statement of net position and the operating statements present the changes in total net position. Accrual basis accounting recognizes revenues when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are presented using current financial resources measurement focus and are accounted for under the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual, when they become both "measurable" and "available" to finance expenditures of the current period. License fees collected by an intermediary are considered "measurable" when in the hand of the intermediary collecting governments and may be recognized as revenue at that time. Expenditures other than interest on general long-term debt are recorded at the time liabilities are incurred. Revenues susceptible to accrual are those which are measurable and available to finance expenditures of the current period.

E. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

Recently Issued and Adopted Accounting Principles

GASB Statement No. 86, *Subscription-Based Information Technology Arrangements*, was issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability, (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) note disclosures regarding a SBITA. The requirements of GASB Statement No. 96 are effective for the fiscal year 2023. The District implemented GASB 96 in fiscal year 2023 with no significant impact to its financial statements.

(continued)

THE COOPERATIVE DISTRICT OF THE
CITY OF SPANISH FORT- HIGHWAY 181 PUBLIC FACILITIES

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Principles

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62, was issued to define *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes, along with the accounting, reporting, and disclosures relating to these changes. The requirements of GASB Statement No. 100 are effective for the reporting periods beginning after June 15, 2023. The District is currently evaluating the impact that this statement may have on its financial statements.

F. DEBT ISSUE COST

In the government-wide financial statements, bond discounts and premiums are deferred and amortized over the term of the bonds using the bonds outstanding method. Bond discounts and premiums are presented as a reduction or addition to the face amount of the bonds payable whereas issuance costs are expensed as incurred. Deferred losses associated with the issuance of long-term debt are presented as Deferred Outflows of Resources and are amortized on the straight-line method over the term of the bond.

G. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. NET POSITION AND EQUITY CLASSIFICATIONS

Government-wide Financial Statements

Equity is classified as net position and displayed in three components:

- Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) the District's own laws through its enabling legislation and other provisions of its laws and regulations.
- Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

(continued)

THE COOPERATIVE DISTRICT OF THE
CITY OF SPANISH FORT- HIGHWAY 181 PUBLIC FACILITIES

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

The fund equity of the governmental fund financial statements is classified as fund balance.

Fund balance is classified into one of the following four components:

- Restricted fund balance - Consists of fund balances with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) the District's own laws through its enabling legislation and other provisions of its laws and regulations.
- Committed fund balance - Consists of fund balances that are useable only for specific purposes by formal action of the government's highest level of decision making authority. The District's highest level of decision making lies with the board. In order to establish, modify or rescind a fund balance commitment, the board must pass a law by formal action committing the funds, by passage of a resolution.
- Assigned fund balance - Consists of fund balances that are intended to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (1) the governing body itself, or (2) a subordinate high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. The District has the power to assign fund balance amounts to specific purposes. The District must vote to grant authorization of assigned fund balances to specific purposes.
- Unassigned fund balance - All other fund balances that do not meet the definition of "restricted, committed or assigned fund balances."

The District considers restricted fund balances to have been spent when both restricted and unrestricted fund balances are available. Also, the District considers assigned and committed fund balances to have been spent when unassigned or unrestricted amounts are available.

THE COOPERATIVE DISTRICT OF THE
CITY OF SPANISH FORT- HIGHWAY 181 PUBLIC FACILITIES

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 2 CAPITAL ASSETS

Changes in the District's capital assets are as follows at September 30, 2023:

Governmental Activities	Balance 10/1/22	Additions	Reclassifications/ Retirements	Balance 9/30/23
Capital assets not subject to depreciation				
Land	\$ 1,121,358	\$ -	\$ -	\$ 1,121,358
Construction in progress	792,982	3,233,004	-	4,025,986
Capital assets not depreciated	1,914,340	3,233,004	-	5,147,344
Capital assets subject to depreciation				
Electrical	653,340	-	-	653,340
Landscape	1,070,000	-	-	1,070,000
Streets and drainage	11,905,435	-	-	11,905,435
Traffic equipment	82,934	-	-	82,934
Capital assets subject to depreciation at cost	13,711,709	-	-	13,711,709
Less accumulated depreciation for:				
Electrical	(294,006)	(16,333)	-	(310,339)
Landscape	(1,069,998)	-	-	(1,069,998)
Streets and drainage	(5,357,446)	(297,636)	-	(5,655,082)
Traffic equipment	(82,934)	-	-	(82,934)
Total accumulated depreciation	(6,804,384)	(313,969)	-	(7,118,353)
Capital assets subject to depreciation, net	6,907,325	(313,969)	-	6,593,356
 Total capital assets, net	\$ 8,821,665	\$ 2,919,035	\$ -	\$ 11,740,700
 Depreciation was charged to governmental activities as follows:				
General Government				\$ 313,969

THE COOPERATIVE DISTRICT OF THE
CITY OF SPANISH FORT- HIGHWAY 181 PUBLIC FACILITIES

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 3 DEPOSIT AND INVESTMENT RISK

At September 30, 2023, the District had investments in U. S. Treasury money market mutual funds through its trustee agreement for debt reserve and sinking funds. The fair value was \$1,939,092.

Investment Risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes authorize the District’s investments. The District is authorized to invest in U.S. Government obligations and its agencies or instrumentalities; direct obligations of the state, SEC registered mutual funds holding like securities. The District has no investment policy that further limits investment choices. The District’s mutual fund investments were rated AAA by Standard & Poor’s.

Custodial Credit Risk - The District may participate in the Security for Alabama Funds Enhancement (SAFE) Program, a multiple financial institution collateral pool, administered by the State of Alabama. The program, by law, provides administration of pledged collateral coverage for all governments and agencies in the state and requires qualified financial institutions to provide collateral to the administrator adequate to secure all deposits of public funds in that financial institution. The State guarantees deposits identified as “public funds” will be adequately secured by insurance or collateral. Any collateral shortages of one financial institution are assessed to other member financial institutions.

NOTE 4 FAIR VALUE DISCLOSURES

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation input used to measure as asset’s fair value. Level 1 inputs are quoted prices in the active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments’ fair value measurements are as follows at September 30, 2023:

(continued)

THE COOPERATIVE DISTRICT OF THE
CITY OF SPANISH FORT- HIGHWAY 181 PUBLIC FACILITIES

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 4 FAIR VALUE DISCLOSURES (CONTINUED)

Investments	Fair Value	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt Securities:				
U.S. Treasuries Money Market	\$ 1,939,092	\$ 1,939,092	\$ -	\$ -
	<u>\$ 1,939,092</u>	<u>\$ 1,939,092</u>	<u>\$ -</u>	<u>\$ -</u>

Debt securities categorized as Level 1 are based on prices quoted in active markets for those securities. There are no Level 2 or 3 investments.

NOTE 5 SUBSEQUENT EVENTS

The District board has evaluated subsequent events through the date which the financial statements were available to be issued. There were no material subsequent events which require disclosure at September 30, 2023.