

Prestonwood Public Improvement District

Financial Statements and
Independent Auditors' Report
December 31, 2018 and 2017

Malnory, McNeal & Company, PC

Certified Public Accountants

Mark W. Malnory, CPA
Johnna W. McNeal, CPA
Beverly Smith, CPA
James R. Smith, CPA

Members of
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants
AICPA Governmental Audit Quality Center

Elizabeth Hamm, CPA
E.J. Musharbash, CPA
Les S. Malnory, CPA

PRESTONWOOD PUBLIC IMPROVEMENT DISTRICT

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Independent Auditors' Report

Board of Directors
Prestonwood Homeowners' Association, Inc.

We have audited the accompanying statements of cash receipts and disbursements of Prestonwood Public Improvement District (the "District") for the years ended December 31, 2018 and 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the statement of cash receipts and disbursements of Prestonwood Public Improvement District for the years ended December 31, 2018 and 2017, in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

A handwritten signature in blue ink, reading "Wally McPherson CPA PC". The signature is written in a cursive style with a large initial "W" and "M".

Dallas, Texas
March 14, 2019

PRESTONWOOD PUBLIC IMPROVEMENT DISTRICT
 STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
 YEARS ENDED DECEMBER 31, 2018 AND 2017,

	2018	2017
Cash receipts		
Net service plan year tax receipts	\$ 160,368	\$ 154,827
Restricted tax receipts released	219,062	198,331
Total available receipts	379,430	353,158
Cash disbursements		
Public safety	313,378	307,105
PID Renewal	-	17,500
Insurance	10,000	7,800
Audit	4,422	4,494
Administrative expenses	1,750	1,690
Total cash disbursements	329,550	338,589
Restricted tax receipts received	-	219,062
Restricted tax receipts released	(219,062)	(198,331)
Increase (decrease) in cash	(169,182)	35,300
Cash at beginning of year	266,853	231,553
Cash at end of year	\$ 97,671	\$ 266,853

See accompanying notes and Independent Auditors' Report.

PRESTONWOOD PUBLIC IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Prestonwood Homeowners' Association, Inc. ("PHA") is a nonprofit corporation, incorporated in the State of Texas. PHA was organized to assure the beauty, safety, and stability of an area known as Prestonwood and the surrounding community, all located in the City of Dallas, Texas.

Prestonwood Public Improvement District

On March 5, 1997, the owners of real property within the proposed Prestonwood Public Improvement District ("the District") delivered to the City of Dallas (the "City") a petition to create the District. On May 14, 1997, the City Council of the City of Dallas approved the petition and authorized the creation of the District. On May 23, 2018, the District was renewed for another seven years by the City. The District shall automatically dissolve December 31, 2025 unless the District is renewed through the petition and approval process, or the District is sooner terminated as provided by law.

The purpose of the District is to provide enhanced security within the District, primarily through the use of a supplemental twenty-four hour police patrol. The patrol is provided by the Dallas Police Department ("DPD") under an arrangement pursuant to the DPD's Expanded Neighborhood Patrol ("ENP") program whereby DPD officers patrol the District in a DPD patrol car and the District pays the officers directly while reimbursing the DPD for the use of the patrol car. The funding of operations, approved by the City of Dallas, will be paid from assessments on the real property in the District. The assessment levied for 2018 and 2017 was .08 and .08, respectively, per \$100 of appraisal value. Future assessment rates and levies, as proposed by the PHA Board, will be set by the Dallas City Council subject to a maximum assessment rate of \$.15 per \$100 of appraisal value and according to procedures stipulated by Chapter 372 of the Texas Local Development Code.

Management Contract

On December 1, 1997, PHA entered into a contract with the City of Dallas whereby PHA provides management, accounting, and other services for the District. This contract as renewed and authorized by the City Council on September 12, 2018, will terminate December 31, 2025, or upon dissolution of the district.

PRESTONWOOD PUBLIC IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

All tax assessment revenue is considered as revenue when received from the taxing authorities. Revenue recognized during the year ended December 31, 2018 and 2017 includes \$0 and \$219,062, respectively, in collections related to the current tax year assessment period, to be used for subsequent service plan disbursements.

Basis of Accounting

The District prepares its financial statements on the cash basis of accounting. Under this basis, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred. The accompanying statements of cash receipts and disbursements include only the accounts of the District and do not include any accounts related to the activities of PHA.

Cash & Concentration of Credit Risk

The District deposits its cash primarily with a major bank in Dallas, Texas. Accounts at the Institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. All deposits were adequately insured at December 31, 2018. The District has not incurred losses related to its cash and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Federal Income Tax

The PHA, a party to the management contract described above, is exempt from Federal income tax under Section 501(c)(4) of the Internal Revenue Code. Accordingly, no provision for Federal income taxes has been recorded in the accompanying financial statements. In addition, PHA has been determined by the Internal Revenue Service ("IRS") not to be a "private foundation" within the meaning of section 509(a) of the Internal Revenue Service Code. There was no unrelated business income or known Federal excise taxes for the year ended December 31, 2018. PHA's federal Return of Organization Exempt from Income Tax (Form 990) for 2015, 2016, and 2017 are open to examination by the IRS for a period of three years from the date the returns are filed.

PRESTONWOOD PUBLIC IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting for Uncertainty in Income Taxes

Management has concluded that any tax provisions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740-10, Accounting for Income Taxes, would be immaterial to the financial statement taken as whole. Accordingly, the accompanying financial statement does not include any provision of uncertain tax positions, and no related interest or penalties have been recorded in the operating statement.

Financial Instruments

The District's financial instruments consist of cash only. It is the Board's opinion that the District is not exposed to significant interest rate or credit risk arising from the instrument. Unless otherwise noted, the fair value of the financial instrument is the market value of the financial instrument, and approximates their carrying value.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. COLLECTION FEES

Collection fees, which are netted against tax assessment revenue, are charged at the rate of \$2.75 per parcel, which is paid to Dallas County for its collection services.

3. SUBSEQUENT EVENTS

Subsequent to year end, effective January 1, 2019, PHA amended and restated the management contract with the City of Dallas to provide services and improvements to the District.

The Organization has evaluated subsequent events through March 14, 2019, the date the financial statements were available to be issued.