

SOUTH SIDE PUBLIC IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS  
AND INDEPENDENT  
AUDITORS' REPORT

DECEMBER 31, 2016 AND 2015

# Malnory, McNeal & Company, PC

## Certified Public Accountants

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Mark W. Malnory, CPA  
Johnna W. McNeal, CPA  
Beverly 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

### SOUTH SIDE PUBLIC IMPROVEMENT DISTRICT

### TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015	3
NOTES TO FINANCIAL STATEMENTS	4-7

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### Independent Auditors' Report

Board of Directors  
South Side Public Improvement District

We have audited the accompanying statements of cash receipts and disbursements of South Side Public Improvement District (the "District") for the years ended December 31, 2016 and 2015, 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.

#### **Auditors' 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 above present fairly, in all material respects, the cash receipts and disbursements of South Side Public Improvement District for the years ended December 31, 2016 and 2015, 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.



Dallas, Texas  
March 6, 2017

South Side Public Improvement District  
 STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS  
 Years Ending December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH RECEIPTS</b>		
Net service plan year tax receipts	\$ 110,792	\$ 105,528
Restricted tax receipts released	<u>26,185</u>	<u>11,515</u>
Total available receipts	136,977	117,043
 <b>CASH DISBURSEMENTS</b>		
Park improvements	47,122	34,263
Public safety/security	60,000	60,000
Public arts project	-	6,050
Business recruitment/marketing	3,487	10,000
Cultural events	1,500	1,500
Administration	570	48
Audit and accounting	6,953	6,043
Insurance/legal fees	<u>2,255</u>	<u>2,667</u>
Total cash disbursements	121,887	120,571
Restricted tax receipts received	37,575	26,185
Restricted tax receipts released	<u>(26,185)</u>	<u>(11,515)</u>
Increase in cash	26,480	11,142
Cash at beginning of year	<u>26,765</u>	<u>15,623</u>
Cash at end of year	<u>\$ 53,245</u>	<u>\$ 26,765</u>

SOUTH SIDE PUBLIC IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

South Side Quarter Development Corporation (“SSQDC”) is a nonprofit corporation, incorporated in the State of Texas. SSQDC was organized to create, document and teach a new model of inner-city revitalization focused on humane and sustainable practices within the South Side Quarter Community of the City of Dallas, Texas.

South Side Public Improvement District

On August 10, 2005, the South Side Public Improvement District (“SSPID” or the “District”) was created by Resolution No. 05-2230 of the City Council of the City of Dallas, Texas at the request of the property owners in that district. On June 13, 2012, the District was renewed for another seven years by the City. The District shall automatically dissolve December 31, 2019, unless the District is renewed through the petition and approval process, or the District is sooner terminated as provided by law. These owners pay a supplemental tax assessment, which SSPID uses for services above and beyond existing City services.

The purpose of the District is to fund enhancements to public safety and improvements to public infrastructure, common areas and pedestrian lighting. The funding of operations, approved by the City of Dallas, will be paid primarily from assessments on the real property in the District.

Management Contract

Effective January 1, 2006, SSQDC entered into a management contract with the City of Dallas whereby SSQDC provides management, accounting and other services for the District. This contract was renewed in January of 2013. Dallas County provides assessment collection services for the District.

Revenue

All tax assessment revenue is considered to be available for unrestricted use and is recognized as revenue when received from the taxing authorities. Revenue recognized in 2016 and 2015 includes \$37,575 and \$26,185, respectively, in collections related to the current tax year assessment period to be used for subsequent year service plan disbursements.

The assessment was \$0.12 per \$100 of value for the standard service area and \$0.15 per \$100 of value for the premium service area throughout the District during 2016 and 2015.

SOUTH SIDE PUBLIC IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The District prepares its financial statements on the basis of cash receipts and disbursements. 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 other activities of SSQDC.

Cash & Concentration of Credit Risk

The District invests 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, 2016. 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

SSQDC is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal income taxes has been recorded in the accompanying financial statements. In addition, SSQDC has been classified as an organization that is not a private foundation.

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

In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

SOUTH SIDE PUBLIC IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

2. VALUE CHANGES

Value changes occur when a property owner within the District disputes their original tax assessment amount and, as a result of litigation between owners and Dallas Central Appraisal District, the original assessment is increased or decreased.

3. COLLECTION FEES

Collection fees in the amount of \$369 and \$369, which are netted against tax assessment revenue, were paid to Dallas County for its collection services during 2016 and 2015, respectively.

4. SERVICES

Park Improvements

Park improvements are provided to the District under the terms of the service plan. The cost of park improvements was \$47,123 and \$34,263 for the years ended December 31, 2016 and 2015, respectively.

Business Recruitment and Marketing

Marketing and promotional expenses approved by the service plan are incurred in connection with special events and advertising to promote public awareness of the District. The cost of services was \$3,487 and \$10,000 for the years ended December 31, 2016 and 2015, respectively.

Security

Supplemental security services are provided to the District under the terms of the service plan. The cost of full-time private security services was \$60,000 for the years ended December 31, 2016 and 2015, respectively.

5. RELATED PARTIES

The District made promotional payments to an organization affiliated with a member of the board of directors in the amounts of \$0 and \$10,000 during the years ended December 31, 2016 and 2015, respectively.

The District made landscape services payments in the amounts of \$1,499 and \$5,824 and an administrative services payment in the amount of \$0 and \$48 to an organization affiliated with a member of the board of directors during the years ended December 31, 2016 and 2015, respectively.



SOUTH SIDE PUBLIC IMPROVEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

6. COMMITMENTS

The District entered into an agreement with Belleview Condos Associates I, LTD. to assume the operation and maintenance responsibilities for the public improvements adjacent to The Beat at South Side Station for twenty years, effective June 2011.

7. SUBSEQUENT EVENTS

The District has evaluated subsequent events through March 6, 2017, the date the financial statements were available to be issued.