

KLYDE WARREN PARK/DALLAS ARTS DISTRICT
PUBLIC IMPROVEMENT DISTRICT

FINANCIAL STATEMENTS
AND INDEPENDENT
AUDITORS' REPORT

DECEMBER 31, 2019

KLYDE WARREN PARK/DALLAS ARTS DISTRICT
PUBLIC IMPROVEMENT DISTRICT

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7-12

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Independent Auditors' Report

Board of Directors

Klyde Warren Park/Dallas Arts District Public Improvement District

We have audited the accompanying financial statements of Klyde Warren Park/Dallas Arts District Public Improvement District (the "District"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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

Klyde Warren Park/Dallas Arts District Public Improvement District
Statement of Financial Position
December 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 151,131
Property assessments receivable	1,318,475
Total current assets	<u>1,469,606</u>

TOTAL ASSETS	<u>\$ 1,469,606</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable - related party	\$ 146,738
Assessments allocable to Klyde Warren Park	1,206,996
Assessments allocable to Dallas Arts District	115,872
TOTAL CURRENT LIABILITIES	<u>1,469,606</u>

NET ASSETS

Without donor restrictions	-
With donor restrictions	-
Total net assets	<u>-</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,469,606</u>
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Klyde Warren Park/Dallas Arts District Public Improvement District
 Statements of Activities and Change in Net Assets
 For the Period of December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue:			
Assessments	\$ 1,211,932	\$ -	\$ 1,211,932
Expenses			
Program	1,166,347	-	1,166,347
Management and general	45,585	-	45,585
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>1,211,932</u>	<u>-</u>	<u>1,211,932</u>
Change in Net Assets	-	-	-
Net Assets at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Klyde Warren Park/Dallas Arts District Public Improvement District
Statement of Functional Expenses
Year ended December 31, 2019

	Program		Support Services		Total
	Klyde Warren Park	Dallas Arts District	Management & General	Fundraising	
Security	\$ 222,490	\$ 11,295	\$ -	\$ -	\$ 233,785
Sanitation	246,676	2,259	-	-	248,935
Scrubbing and power washing pavers	21,762	-	-	-	21,762
Waste disposal	16,620	-	-	-	16,620
Landscape improvements	238,586	-	-	-	238,586
Water features and general maintenance	96,391	-	-	-	96,391
Cultural enhancement	61,596	36,145	-	-	97,741
Marketing and promotion	39,829	44,051	-	-	83,880
Administration:					
Klyde Warren Park	-	-	34,855	-	34,855
Dallas Arts District	-	-	10,730	-	10,730
Liability insurance and financial audit	76,275	-	-	-	76,275
Holiday lighting and decoration	31,943	-	-	-	31,943
Signage	5,703	8,472	-	-	14,175
Contingency	6,254	-	-	-	6,254
Total functional expenses	\$ 1,064,125	\$ 102,222	\$ 45,585	\$ -	\$ 1,211,932

Klyde Warren Park/Dallas Arts District Public Improvement District
Statement of Cash Flows
Year ended December 31, 2019

Cash flows from operating activities		
Change in net assets	\$	-
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Property assessments receivable		(15,362)
Accounts payable - related party		17,168
Assessments allocable to Klyde Warren Park		57,162
Assessments allocable to Dallas Arts District		(2,307)
Net cash provided (used) by operating activities		<u>56,661</u>
 Net increase (decrease) in cash		 56,661
 Cash and cash equivalents at beginning of year		 <u>94,470</u>
 Cash and cash equivalents at end of year	 \$	 <u><u>151,131</u></u>

Klyde Warren Park/Dallas Arts District Public Improvement District
Notes to Financial Statements
December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Klyde Warren Park/Dallas Arts District Public Improvement District (the “District”), is a special district created by the City of Dallas in accordance with the parameters of Chapter 372 of the Texas Local Government code.

Klyde Warren Park/Dallas Arts District Public Improvement District

On August 14, 2013, the Klyde Warren Park Public Improvement District was created by Resolution No. 13-1375 of the City Council of the City of Dallas, Texas (the “City”) with an effective date of January 1, 2014, at the request of the property owners in that district. On June 25, 2014, the City authorized the dissolution of the Klyde Warren Park Public Improvement District by Resolution No. 14-1073 and authorized and created the Klyde Warren Park/Dallas Arts District Public Improvement District with an effective date of January 1, 2015, at the request of the property owners in the expanded district by Resolution No 14-1074. The District shall automatically dissolve December 31, 2021, unless the District is renewed through the petition and approval process, or the District is sooner terminated as provided by law. The property owners within the geographic boundary of the District pay a supplemental assessment, which the District uses to supplement and enhance services and improvements for Klyde Warren Park/Dallas Arts District, but not to supplant existing City or other services provided.

The general nature of the proposed services and improvements to be performed by the District for Klyde Warren Park/Dallas Arts District includes security, sanitation, graffiti control, landscaping and water features, park improvements, trash pick-up, cultural enhancement, programs, marketing and promotional activities, distinctive lighting and signage and related expenses incurred in establishing, administering and operating the District as authorized by the Act. The funding of operations, approved by the City of Dallas, will be paid primarily from real property assessments in the District.

Management Contract

Effective January 1, 2014, Woodall Rodgers Park Foundation (a nonprofit organization, the “Foundation”) entered into a contract with the City whereby the Foundation provides management, accounting, and other services for the District. This contract was amended and restated on September 12, 2018. The contract will terminate December 31, 2021, or upon dissolution of the District.

Basis of Accounting

The District prepares its financial statements in accordance with accounting principles generally accepted in the United States of America. The accompanying financial statements include only

Klyde Warren Park/Dallas Arts District Public Improvement District
Notes to Financial Statements
December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

the accounts of the District and do not include any accounts related to the other activities of the District manager, the Foundation.

Basis of Financial Statements Presentation

For reporting purposes, resources are classified into two net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the District and changes therein are classified and reported as follows:

Net assets without donor restrictions - net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - net assets subject to donor-imposed stipulations that may or will be met either by actions of the District and/or the passage of time or subject to donor-imposed stipulations that are to be maintained permanently. Generally, the donors of these assets permit the District to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of operations, as net assets are released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net assets without donor restrictions. There were no net assets with donor restrictions as of December 31, 2019.

Financial Instruments

The carrying amounts approximate fair value based on quoted market prices or discounted cash flow analyses for cash equivalents and other financial instruments.

Cash and Cash Equivalents, Concentration of Credit Risk

For purposes of the statement of cash flows, highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

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. At times during the years, all deposits were not adequately insured. 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.

Klyde Warren Park/Dallas Arts District Public Improvement District
Notes to Financial Statements
December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing the District's various programs, fundraising, management and general have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, fundraising, management and general categories based on the specific identification of costs or approximate percentage of time and other methods.

Change in Accounting Principle

In 2019, the District adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities*. A summary of the changes is as follows:

- The statement of financial position distinguishes between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.
- Expenses are reported by nature and function on a separate statement of functional expense. Notes to the financial statements include enhanced quantitative and qualitative disclosures providing additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.
- ASU 2016-14 clarifies that for purposes of allocating expenses to functional categories, only activities which constitute direct conduct or supervision of program services can be included in program expense. As a result, accounting, reporting and general oversight associated with grants and investment management, previously included as program expense, are included in administrative support for 2019. The result is a reduction in program expense and an increase in administrative support.

Property Assessment Assessments Receivable, Assessments Allocable, and Revenue

The District presents an annual Service Plan and Assessment Plan to the City in September of each year. After due process and upon adoption, the City levies a property assessment against property in the District and provides for collection of the assessment to be used by the District for the approved services and improvements to property in the District during the following calendar year.

Klyde Warren Park/Dallas Arts District Public Improvement District
Notes to Financial Statements
December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District records property assessments as a receivable when levied by the City and a corresponding offset to assessments allocable to the respective organization. The Dallas County Assessment Office (the “County”) mails property assessment statements to the property owners in October of each year, which are due and payable on October 1, and are delinquent if not paid on or before January 31. No allowance for uncollectible assessments is established because delinquent assessments are considered fully collectible. As collections are received by the County, they were remitted to the District through September 30, 2018. Effective October 1, 2018, collections were remitted to the City to be remitted to the District upon approved request. Assessments allocable are recognized as unrestricted revenue as of January 1 each year to correspond to the approved Service Plan’s provision for services and improvements for the calendar year.

The assessment was \$0.025 per \$100 of value for property owners throughout the District during 2019.

The allocation of assessment revenue between the Klyde Warren Park and the Dallas Arts District is based upon the additional assessment revenue generated from the additional property included in the new and expanded boundaries of the expanded district. The additional assessment revenue is allocated and paid to the Dallas Arts District. The apportioned amount of the 2019 assessment levy as assessed on September 11, 2019 adopting the 2020 Service Plan and Assessment Plan is reported as assessments allocable to the respective organizations on the accompanying Statement of Financial Position.

Federal Income Assessment

For federal income tax reporting, the District reports its activities with the activities of the contractual manager, the Foundation. The Woodall Rodgers Park Foundation is exempt from federal income assessment 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, Woodall Rodgers Park Foundation has been classified as an organization that is not a private foundation.

Accounting for Uncertainty in Income Taxes

Management has concluded that any assessment 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 a whole. Accordingly, the accompanying financial statements do not include any provision of uncertain assessment positions, and no related interest or penalties have been recorded in the operating statements.

Klyde Warren Park/Dallas Arts District Public Improvement District
Notes to Financial Statements
December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Revenue Sources

The District's revenue is totally derived from annual assessments levied by the City. The current level of the District's operations and programs may be impacted if the City's annual assessment is not levied.

Use of Estimates

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

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date are \$1,469,606.

The District manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

3. VALUE CHANGES

Value changes occur when a property owner within the District disputes their original tax assessment amount and, as a result of negotiation and or litigation between owners and Dallas Central Appraisal District, the original assessment is increased or reduced. Any resulting changes in assessed valuation and related property assessment amounts may change amounts remitted from the County or result in refunds issued by the District.

4. COLLECTION FEES AND INTEREST

Collection fees retained by the County for the 2018 levy in the amount of \$1,815 are netted against assessment collections received from the County by the City in January 2019 for its collection services during 2018. The 2019 collection fees will be netted against collections received in 2020.

The City reimbursed the General Fund for administrative costs incurred for the day-to-day accounting responsibilities, administrative and operational oversight of the District from the assessment collections received from the County in the amount of \$12,957 for the year ended December 31, 2019.

Klyde Warren Park/Dallas Arts District Public Improvement District
Notes to Financial Statements
December 31, 2019

4. COLLECTION FEES AND INTEREST (continued)

In addition to remitting the net assessment collections received from the County, the City paid the District interest of \$1,425 for the year ended December 31, 2019.

5. SERVICES

Services provided by the District are made in accordance with the annual Service Plan approved by the City as reported in the accompanying statements of activities and changes in net assets.

6. RELATED PARTIES

All expenses incurred by the District are paid to the Foundation or to the Dallas Arts District. Monthly, the Foundation prepares a schedule of eligible expenses in accordance with the approved Service Plan and a reimbursement is issued from the District cash account to the Foundation. Quarterly, the Dallas Arts District prepares a schedule of eligible expenses in accordance with the approved Service Plan and a reimbursement is issued from the District cash account to the Dallas Arts District.

Accounts payable – related party on the accompanying Statement of Financial Position represents the District expense reimbursements payable to the Foundation in the amount of \$140,147 and to the Dallas Arts District in the amount of \$6,591.

7. COMMITMENTS

The Foundation enters into various agreements for services in the ordinary course of business, amounts of which may be charged to the District under the provisions of the approved Service Plan.

8. SUBSEQUENT EVENTS

The District has evaluated subsequent events through March 24, 2020, the date the financial statements were available to be issued.