

Knox Street Public Improvement District

Financial Statements and
Independent Auditors' Report
December 31, 2020

KNOX STREET PUBLIC IMPROVEMENT DISTRICT

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Independent Auditors' Report

Board of Directors
Knox Street Public Improvement District

We have audited the accompanying financial statements of Knox Street Public Improvement District (the "District"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, statement of functional expenses, and cash flow 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Knox Street Public Improvement District as of December 31, 2020, and the changes in its net assets, functional expenses, and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Dallas, Texas
April 15, 2021

Knox Street Public Improvement District
Statement of Financial Position
December 31, 2020

Assets

Current Assets	
Cash & cash equivalents	\$ 1,422,992
Tax assessments receivable	394,797
Total current assets	<u>1,817,789</u>
Total Assets	<u>\$ 1,817,789</u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 4,314
Tax assessments-deferred revenue	362,444
Total current liabilities	<u>366,758</u>
Net Assets	
Net assets without donor restrictions	1,451,031
Net assets with donor restrictions	-
Total Net Assets	<u>1,451,031</u>
Total Liabilities and Net Assets	<u>\$ 1,817,789</u>

Knox Street Public Improvement District
 Statements of Activities and Changes in Net Assets
 For the Year Ended December 31, 2020

	<u>Net Assets without Donor Restrictions</u>	<u>Net Assets with Donor Restrictions</u>	<u>Total</u>
Revenue:			
Assessments	\$ 411,894	\$ -	\$ 411,894
Interest income	581	-	581
Less: City and county fees	<u>(6,655)</u>	<u>-</u>	<u>(6,655)</u>
Total Revenue	405,820	-	405,820
 Expenses			
Program	142,153	-	142,153
Supporting	11,089	-	11,089
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>153,242</u>	<u>-</u>	<u>153,242</u>
 Changes in Net Assets	 252,578	 -	 252,578
 Net Assets at beginning of year	 <u>1,198,453</u>	 <u>-</u>	 <u>1,198,453</u>
 Net Assets at end of year	 <u>\$ 1,451,031</u>	 <u>\$ -</u>	 <u>\$ 1,451,031</u>

Knox Street Public Improvement District
Statement of Functional Expenses
For the Year Ended December 31, 2020

	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Marketing & promotion	\$ 91,873	\$ -	\$ -	\$ 91,873
Public safety & security	50,280	-	-	50,280
Insurance and audit	-	10,677	-	10,677
Adminstration	-	412	-	412
Total functional expenses	<u>\$ 142,153</u>	<u>\$ 11,089</u>	<u>\$ -</u>	<u>\$ 153,242</u>

Knox Street Public Improvement District
Statement of Cash Flows
For the Year Ended December 31, 2020

Cash flows from operating activities	
Changes in net assets	\$ 252,578
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities	
Changes in operating assets and liabilities	
(Increase) decrease in tax assessments receivable	56,650
Increase (decrease) in accounts payable	(39,955)
Increase (decrease) in tax assessments-deferred revenue	<u>(54,575)</u>
Net cash provided by (used in) operating activities	214,698
	<hr/>
Net increase (decrease) in cash	214,698
	<hr/>
Cash and cash equivalents at beginning of year	1,208,294
	<hr/>
Cash and cash equivalents at end of year	\$ <u><u>1,422,992</u></u>

Knox Street Public Improvement District
Notes to the Financial Statements
For the Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Knox Street Public Improvement District (the “District”) is managed by the Knox Street Improvement District Corporation (“KSIDC”), a Texas nonprofit corporation, which is responsible for the management of services for the District.

Knox Street Public Improvement District

On April 1, 2010, the owners of real property within the proposed District delivered to the City of Dallas (the “City”) a petition to create the District. On June 23, 2010, the Dallas City Council approved the petition and authorized the creation of the District. The District was to dissolve December 31, 2017, but instead was renewed by the owners of real property within the proposed District by a petition delivered to the City of Dallas on April 3, 2017 which was approved on June 28, 2017. The District shall automatically dissolve December 31, 2024, unless the District is renewed through the petition and approval process as provided by law.

The purpose of the District is to enhance security and public safety within the District, provide design and construct public infrastructure, promotion of the District, maintain common areas and lighting, produce pedestrian amenities and linkages and provide other improvements that are authorized by Chapter 372 of the Texas Local Government Code (the “Act”), which allows for the creation of public improvement districts. The funding of operations, approved by the City, will be paid from assessments on the real property within the District. The assessment levied for 2020 was \$0.15 per \$100 of appraised value as established by the Dallas Central Appraisal District. Future assessment rates will be set by the Dallas City Council and shall not exceed \$0.15 per \$100 of appraised value. The Dallas County Tax Office (“Dallas County”) provides assessment collection services for the District.

Management Contract

Effective January 1, 2011, KSIDC entered into a contract with the City whereby KSIDC 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.

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 the accounts of the District and do not include any accounts related to the activities of KSIDC.

Knox Street Public Improvement District
Notes to the Financial Statements
For the Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2020.

Financial Instruments

The District's financial instruments consist of cash and tax assessments receivable. It is the District's 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.

Cash & Concentration of Credit Risk

The District maintains its cash balances in a checking account at a national financial institution in Dallas, Texas, which at times may exceed insured limits. Accounts at the Institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The District has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash or its investments.

Newly Adopted Accounting Pronouncement

In May 2014, the FASB issued ASU No. 2014-09, *Revenue Recognition (Topic 606): Revenue from Contracts with Customers*. This ASU introduces a new five step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of this accounting standard effective January 1, 2020, did not have a material impact on the Organization's financial position or changes in its net assets.

Knox Street Public Improvement District
Notes to the Financial Statements
For the Year Ended December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Revenue is recognized for the year as the Organization satisfies performance obligations under its service plan, in an amount that reflects the council approved consideration that it expects to receive in exchange for those projects or services. The annual amount and timing of revenue recognition varies based on the nature of the projects or services provided and the terms and conditions of the service plan.

Performance obligations are determined based on the nature of the projects or services provided by the Organization in accordance with the service plan. Revenue for performance obligations satisfied over time is recognized ratably over the period based on time elapsed. The Organization believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Revenue for performance obligations satisfied at a point in time is generally recognized when the projects or services are provided to residents or property owners at a single point in time and the Organization does not believe it is required to provide additional services related to that transaction. The Organization's revenue streams do not have significant financing components.

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.

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 revenue without donor restrictions as of January 1 each year to correspond to the approved Service Plan's provision for services and improvements for the calendar year.

2019 tax assessments levy	\$ 32,353
2020 tax assessments levy	<u>362,444</u>
Total tax assessments receivable	<u>\$ 394,797</u>

Knox Street Public Improvement District
Notes to the Financial Statements
For the Year Ended December 31, 2020

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.

Federal Income Tax Status

KSIDC 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 statement. In addition, KSIDC 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, 2020. KSIDC's federal Return of Organization Exempt from Income Tax (Form 990) for 2017, 2018, and 2019 are open to examination by the IRS for a period of three years from the date the returns are filed.

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.

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.

Knox Street Public Improvement District
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 is \$1,817,789.

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

Collection fees retained by the County for the 2019 levy in the amount of \$148 are netted against assessment collections received from the County by the City in January 2020 for its collection services during 2019. The 2020 collection fees will be netted against collections received in 2021.

The City reimbursed the City 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 \$6,507 for the year ended December 31, 2020.

In addition to remitting the net assessment collections received from the County, the City paid the District interest of \$581.

5. COMMITMENTS

The District is intending to accumulate funds previously approved for Capital Improvements for future capital projects and may utilize some or all of the accumulated funds to assist the City of Dallas in the Complete Streets project during the 2020 year.

6. 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.

7. COVID-19

The COVID-19 pandemic sweeping across the country has resulted in mandatory closure of many businesses resulting in layoffs of much of the workforce. The economic effects of those closures are not yet known but could potentially affect the District.

Knox Street Public Improvement District
Notes to the Financial Statements
For the Year Ended December 31, 2020

8. SUBSEQUENT EVENTS

The District has evaluated subsequent events through April 15, 2021, the date the financial statements were available to be issued.