

Prestonwood Public Improvement District

Financial Statements
And Report of Independent
Certified Public Accountants

December 31, 2012 and 2011

Malnory, McNeal & Company, PC

Certified Public Accountants

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

PRESTONWOOD PUBLIC IMPROVEMENT DISTRICT

CONTENTS

	<u>Page</u>
Report of Independent Certified Public Accountants	1 - 2
Financial Statements	
Statements of Cash Receipts and Disbursements for the years ended December 31, 2012 and 2011	3
Notes to Financial Statements	4 - 6

Malnory, McNeal & Company, PC

Certified Public Accountants

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

Report of Independent Certified Public Accountants

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, 2012 and 2011, 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 above present fairly, in all material respects, the cash receipts and disbursements of Prestonwood Public Improvement District for the years ended December 31, 2012 and 2011, 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
April 5, 2013

PRESTONWOOD PUBLIC IMPROVEMENT DISTRICT
 STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011,

	2012	2011
Cash receipts		
Net tax assessment revenue	\$ 338,948	\$ 298,000
Interest and dividend income	184	231
	339,132	298,231
Cash disbursements		
Administrator compensation	5,400	7,200
Bank fees	150	328
Bonus	1,800	2,000
Bulky trash marketing	1,200	-
Cellular phone	990	1,159
Insurance	7,103	15,295
Patrol car	12,810	13,129
PID recertification expenses	-	15,032
Police personnel costs	287,138	265,311
Printing	2,546	1,609
Professional fees	4,592	4,635
Supplies and postage	189	104
	323,918	325,802
Increase (decrease) in cash	15,214	(27,571)
Cash at beginning of year	217,779	245,350
Cash at end of year	\$ 232,993	\$ 217,779

The accompanying notes are an integral part of these financial statements.

PRESTONWOOD PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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 June 8, 2011, the District was renewed for another seven years by the City. The District shall automatically dissolve December 31, 2018, 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 2012 and 2011 was .090 and .087, respectively, per \$100 of appraisal value. Future assessment rates and levies 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 was renewed in January of 2012. 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 2012 and 2011 includes \$338,948 and \$298,000, respectively, collected by Dallas County and remitted to the District related to 2012 and 2011 tax assessments, respectively.

PRESTONWOOD PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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 activities of PHA.

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, 2012. 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

PHA 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 classified as an organization that is not a private foundation.

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.

PRESTONWOOD PUBLIC IMPROVEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

3. RELATED PARTY TRANSACTIONS

During the year 2012, the Organization purchased insurance coverage from an insurance agency that is owned by a member of the Organization's board of directors. During the fiscal year ended December 31, 2012, the Organization paid the insurance agency \$7,103 for insurance coverage.

4. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 5, 2013, the date the financial statements were available to be issued.