

**CITY OF DALLAS, TEXAS,
DOWNTOWN DALLAS DEVELOPMENT
AUTHORITY
(DDDA)**

**(A Discretely Presented Component Unit of the City of
Dallas)**

**Basic Financial Statements
For Fiscal Year Ended September 30, 2019**

**CITY OF DALLAS, TEXAS,
DOWNTOWN DALLAS DEVELOPMENT AUTHORITY (DDDA)
FISCAL YEAR ENDED SEPTEMBER 30, 2019**

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Downtown Dallas Development Authority

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Downtown Dallas Development Authority (the "Authority") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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 opinions 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 Authority'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 Authority'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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Downtown Dallas Development Authority and do not purport to, and do not, present fairly the financial position of the City of Dallas, Texas, as of September 30, 2019 or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Downtown Dallas Development Authority as of September 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters***Required supplementary information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Dallas, Texas
February 7, 2020

DOWNTOWN DALLAS DEVELOPMENT AUTHORITY (DDDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Unaudited)

As management of the Downtown Dallas Development Authority (the DDDA), we offer readers of the DDDA's basic financial statements this narrative overview and analysis of the financial activities of the DDDA for the fiscal year ended September 30, 2019. The DDDA's management's discussion and analysis is designed to: (1) assist the reader in focusing on significant issues; (2) provide an overview of the DDDA's financial activity; (3) identify changes in the DDDA's financial position (its ability to address the next and subsequent year challenges); and (4) identify individual major fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The liabilities of the DDDA exceeded its assets at the close of the most recent fiscal year by \$68,795,904 (deficit).
- The DDDA's governmental activities net position increased by \$2,104,453 during the current fiscal year.
- As of the close of the current fiscal year, the DDDA's governmental funds reported ending fund balance of \$24,320,900. Total fund balance increased by \$413,165, while the fund balance for the prior year increased by \$252,765. The tax increment contributions for 2019 were higher by \$5,534,940 than the previous year, attributable mainly due to appreciation in tax values and additions of new properties to the tax rolls in the district. The net increase in the change in fund balance of \$160,400 from 2018 to 2019 is primarily attributable to higher increment revenue of \$5,534,940 and interest revenue of \$160,399 and a corresponding increase in expenditures of \$5,534,939 in fiscal year 2019 compared to previous fiscal year. General government expenditures of \$23,620,928 in 2019 comprised of \$23,390,978 in developers' incentives, TIF administration costs of \$225,000 and trustee management fees of \$4,950. The general government expenditures increased by \$5,139,939 mostly due to an increase in the amount of developer incentives incurred during fiscal year 2019.
- The DDDA's long-term debt decreased from the prior year's balance of \$94,626,993 to \$92,935,705 from accretion on the tax increment financing bonds less the principal and accretion payments on the bonds. The accretion on the bonds was \$4,028,712 during fiscal year 2019. Debt service payments of \$7,168,793, including a principal payment of \$2,752,980 and accretion and interest payments of \$4,415,813, were made during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The DDDA's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the DDDA's finances, in a manner similar to a private-sector business and are made up of the following two statements: the statement of net position and the statement of activities. Both of these statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The statement of net position presents information on all of the DDDA's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the DDDA is improving or deteriorating. The statement of net position combines and consolidates governmental funds current financial resources (short-term spendable resources) and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the DDDA's property tax base and the condition of the DDDA's property tax base, to assess the overall health or financial condition of the DDDA.

The statement of activities presents information showing how the DDDA's net position changed during fiscal year 2019. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The governmental activities of the DDDA include general government expenses and interest and service charges. The government-wide financial statements reflect only the activities of the DDDA itself known as the primary government.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The DDDA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the DDDA are categorized as governmental funds.

DOWNTOWN DALLAS DEVELOPMENT AUTHORITY (DDDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Unaudited)

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The DDDA maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and debt service funds, both of which are considered to be major funds.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found immediately following the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

DDDA's total net position had a deficit balance of \$68,795,904 related to governmental activities as of September 30, 2019. This analysis focuses on the net position (table 1) and changes in net position (table 2) of the DDDA's governmental activities.

The largest portion of the DDDA's deficit net position reflects debt still outstanding in the redevelopment of the Mercantile Building and the Continental Building in the Downtown Connection TIF District. The DDDA does not own any capital assets. Both the Mercantile Building and the Continental Building are owned by private developers and are not capital assets of the DDDA. The DDDA uses these redeveloped buildings to attract new residents and retailers to the Downtown Dallas area. The resources needed to repay this debt are provided by the property tax collections from the Downtown Connection TIF District. The current assets and current liabilities increased mostly as a result of a payable in the amount of \$23,615,978 that was not paid until the beginning of fiscal year 2020.

Long-term liabilities decreased as a result of principal payments on capital appreciation bonds.

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**DOWNTOWN DALLAS DEVELOPMENT AUTHORITY (DDDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Unaudited)**

**Table 1
Net Position**

The following table provides a summary of the DDDA's net position (deficit) as of September 30, 2019 and 2018.

	Governmental Activities	
	2019	2018
Current and other assets	\$ 47,936,878	\$ 23,907,735
Total assets	47,936,878	23,907,735
Current and other liabilities	23,797,077	181,099
Long-term liabilities	92,935,705	94,626,993
Total liabilities	116,732,782	94,808,092
Net Position:		
Restricted	8,238,062	8,094,086
Unrestricted (deficit)	(77,033,966)	(78,994,443)
Total net position (deficit)	\$ (68,795,904)	\$ (70,900,357)

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**DOWNTOWN DALLAS DEVELOPMENT AUTHORITY (DDDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Unaudited)**

**Table 2
Changes in Net Position**

Analysis of the DDDA's Operations

The following table provides a summary of the DDDA's operations for the years ended September 30, 2019 and 2018. The governmental net position increased by \$2,104,453 for the year ended September 30, 2019.

	Governmental Activities	
	2019	2018
Revenues:		
General revenues:		
Tax increment contributions	\$ 30,792,771	\$ 25,257,831
Investment income	410,115	249,716
Total revenues	<u>31,202,886</u>	<u>25,507,547</u>
Expenses:		
General government	23,620,928	18,480,989
Interest and fiscal charges	5,477,505	5,551,101
Total expenses	<u>29,098,433</u>	<u>24,032,090</u>
Change in net position	2,104,453	1,475,457
Net position (deficit) - beginning of year	<u>(70,900,357)</u>	<u>(72,375,814)</u>
Net position (deficit) - end of year	<u>\$ (68,795,904)</u>	<u>\$ (70,900,357)</u>

General government expenses increased significantly from \$18,480,989 in the prior fiscal year to \$23,620,928 in 2019. This increase was due mainly to a higher amount of reimbursement for developers' incentives for various projects completed in the Downtown Connection TIF District. During fiscal year 2019, the general government expenses were comprised of \$23,390,978 in developers' incentives, TIF administration costs of \$225,000 and trustee management fees of \$4,950. The increase in tax increment contributions was mainly attributable to additional development of properties and higher assessed values of properties in the Downtown Connection TIF District.

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DOWNTOWN DALLAS DEVELOPMENT AUTHORITY (DDDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Unaudited)

Financial Analysis of the Governmental Funds

As noted earlier, the DDDA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the DDDA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the DDDA's financing requirements.

As of the end of the current fiscal year, the DDDA's governmental funds reported combined ending fund balances of \$24,320,900, an increase of \$413,165 in comparison with the prior fiscal year, with a total of \$8,238,062 restricted to pay debt service.

The general fund is the chief operating fund of the DDDA. The fund balance of the general fund increased \$269,189 during fiscal year 2019. General fund revenues from governmental funds increased during fiscal year 2019 by \$5,662,382 mainly from higher tax increment contributions. Tax increment contributions increased as a result of higher assessed values of existing properties and values of additional properties added to the tax rolls in the downtown area during the year. Transfers from the general fund to the debt service fund increased due to increases in debt service payments during fiscal year 2019.

The debt service fund balance increased by \$143,976 from \$8,094,086 at September 30, 2018 to \$8,238,062 at September 30, 2019. The fund balance of \$8,238,062 is restricted for future debt service payments.

DEBT ADMINISTRATION

At fiscal year end, the DDDA had \$56,279,714 in tax increment contract revenue bonds outstanding and \$36,655,991 in accreted interest on the bonds for a total of \$92,935,705. Total long-term debt decreased by \$1,691,288 due to accretion of \$4,028,712, offset by principal payments for the bonds in the amount of \$2,752,980 and an accretion payment of \$2,967,020. The total debt service principal, interest, and accretion payments made during fiscal year 2019 were \$7,168,793.

DDDA tax increment bonds had a Standard & Poor's rating of A+ and a Moody's Investors Service, Inc. rating of A2. The insured rating by Moody's Investors Services, Inc. is Caa1.

More detailed information about the DDDA's long-term liabilities is presented in Note 3 to the basic financial statements.

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**DOWNTOWN DALLAS DEVELOPMENT AUTHORITY (DDDA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019
(Unaudited)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

DDDA was established by the City of Dallas ("City") under the provisions of Chapter 431, Texas Transportation Code, and the general laws of the State of Texas to aid, and act on behalf of the City in the performance of the City's governmental functions and to provide a means of financing certain project costs in connection with Tax Increment Reinvestment Zone Number Eleven (the "Zone") also called the Downtown Connection TIF District. Tax increments generated by the Zone will be used to pay off the DDDA bonds and meet other obligations in accordance with the terms of the bond indentures.

Bond proceeds are being used currently to fund the renovation of the Continental Building and affordable housing in the downtown area. The Continental Building catalyst project will consist of 199 residential units within the Main Street corridor.

The Downtown Connection TIF District's projected assessed value for 2019 tax year is \$4,912,368,289, an increase of \$4,347,450,972 (769.57%) over the adjusted base year (2005) value of \$564,917,317 and an increase of \$607,181,532 (14.10%) over the 2018 tax year's Dallas County Appraisal District (DCAD) final assessed value of \$4,305,186,757. The 2019 tax year's assessed value will result in an estimated collection of \$30,389,987 in incremental revenue in fiscal year 2020 from the City and Dallas County, the two participating taxing jurisdictions. The construction that occurred in 2019 will be reflected on the 2020 tax roll.

District accomplishments during fiscal year 2019 included the following:

- 1401 Elm Street continued construction during the fiscal year; re-designed project will now include 324 residential units, 218 hotel rooms, 23,000 square feet of retail, and 35,000 square feet of office; and
- 1712 Commerce Street Redevelopment project continued conversion of a vacant office building into 244 hotel rooms and 16,428 square feet of ground floor retail.

Work program for fiscal years 2020 and beyond includes the following:

- Complete existing projects;
- Continue to support Office of Economic Development office/business retention efforts in the downtown core;
- Identify and promote redevelopment of key properties in the District;
- Identify and support opportunities for improving physical connections between Downtown Core and surrounding districts including the Convention Center, Uptown, Victory, the Cedars, and Deep Ellum neighborhoods;
- Implement Ground Floor Activation Strategy for the District;
- Conduct audit of TIF projects completed by June 1, 2020 and begin reimbursement process for newly completed projects; and
- Continue annual reimbursement of completed projects.

CONTACTING THE DDDA'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the TIF's finances and to show the DDDA's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Office of Economic Development, at City of Dallas, 1500 Marilla, Room 5CS, Dallas, Texas 75201.

City of Dallas, Texas
Downtown Dallas Development Authority (DDDA)
Statement of Net Position
As of September 30, 2019

Assets:

Cash and cash equivalents	\$ 39,681,499
Restricted cash and cash equivalents	8,227,531
Interest receivable	27,848
Total assets	47,936,878

Liabilities:

Accounts payable	225,000
Developer payable	23,390,978
Accrued interest payable	181,099
Long-term liabilities:	
Due within one year	2,749,023
Due in more than one year	90,186,682
Total liabilities	116,732,782

Net Position:

Restricted for:	
Debt service	8,238,062
Unrestricted (deficit)	(77,033,966)
Total net position (deficit)	\$ (68,795,904)

The notes to the financial statements are an integral part of this statement.

City of Dallas, Texas
Downtown Dallas Development Authority (DDDA)
Statement of Activities
For the Year Ended September 30, 2019

	Expenses	Net (Expense) Revenue and Change in Net Position
		Governmental Activities
Function/program activities		
Primary government:		
Governmental activities:		
General government	\$ 23,620,928	\$ (23,620,928)
Interest and fiscal charges	5,477,505	(5,477,505)
Total governmental activities	29,098,433	(29,098,433)
General revenues:		
Tax increment contributions		30,792,771
Investment income		410,115
Total general revenues		31,202,886
Change in net position		2,104,453
Net position (deficit), beginning of year		(70,900,357)
Net position (deficit), end of year		\$ (68,795,904)

The notes to the financial statements are an integral part of this statement.

City of Dallas, Texas
Downtown Dallas Development Authority (DDDA)
Balance Sheet
As of September 30, 2019

	General Fund	Debt Service	Totals
Assets:			
Cash and cash equivalents	\$ 39,681,499	\$ -	\$ 39,681,499
Restricted cash and cash equivalents	-	8,227,531	8,227,531
Interest receivable	17,317	10,531	27,848
Total assets	39,698,816	8,238,062	47,936,878
Liabilities:			
Accounts Payable	\$ 225,000	-	225,000
Developer payable	23,390,978	-	23,390,978
Total liabilities	23,615,978	-	23,615,978
Fund balance:			
Unassigned	16,082,838	-	16,082,838
Restricted	-	8,238,062	8,238,062
Total fund balances	\$ 16,082,838	\$ 8,238,062	\$ 24,320,900

The notes to the financial statements are an integral part of this statement.

City of Dallas, Texas
Downtown Dallas Development Authority (DDDA)
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
As of September 30, 2019

Total fund balance - governmental funds		\$ 24,320,900
Amounts reported for governmental activities in the statement of net position are different because:		
In the statement of activities, interest is accrued on outstanding bonds, whereas in the funds, an interest expenditure is reported when due		(181,099)
Some long-term liabilities are not due and payable in the current period; therefore, they are not reported in the funds. Those liabilities consist of:		
Accreted interest	36,655,991	
Bonds payable	56,279,714	
		(92,935,705)
Net position (deficit) of governmental activities		\$ (68,795,904)

The notes to the financial statements are an integral part of this statement.

City of Dallas, Texas
Downtown Dallas Development Authority (DDDA)
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended September 30, 2019

	General Fund	Debt Service	Total
Revenues:			
Tax increment contributions	\$ 30,792,771	\$ -	\$ 30,792,771
Investment income	266,139	143,976	410,115
Total revenues	31,058,910	143,976	31,202,886
Expenditures:			
Current			
General government	23,620,928	-	23,620,928
Debt Service			
Principal	-	2,752,980	2,752,980
Interest and fiscal charges	-	4,415,813	4,415,813
Total expenditures	23,620,928	7,168,793	30,789,721
Excess (deficiency) of Revenues over (under) expenditures	7,437,982	(7,024,817)	413,165
Other financing sources (uses):			
Transfers - in	-	7,168,793	7,168,793
Transfers - out	(7,168,793)	-	(7,168,793)
Total other financing sources (uses)	(7,168,793)	7,168,793	-
Net change in fund balance	269,189	143,976	413,165
Fund balance at beginning of year	15,813,649	8,094,086	23,907,735
Fund balance at end of year	<u>\$ 16,082,838</u>	<u>\$ 8,238,062</u>	<u>\$ 24,320,900</u>

The notes to the financial statements are an integral part of this statement.

City of Dallas, Texas
Downtown Dallas Development Authority (DDDA)
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2019

Net change in fund balances - governmental funds	\$	413,165
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Amounts reported for governmental activities in the statement of activities are different because:

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Repayments:

To bondholders for principal payments		2,752,980
To bondholders for accretion payments		2,967,020

Some expenses reported in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.

Accretion on tax increment bonds		(4,028,712)
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Change in net position of governmental activities	<u>\$</u>	<u>2,104,453</u>
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The notes to the financial statements are an integral part of this statement.

**City of Dallas, Texas,
Downtown Dallas Development Authority (DDDA)
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2019**

(1) Significant Accounting Policies

(a) Reporting Entity

The Downtown Dallas Development Authority (DDDA) is a not-for-profit local government corporation acting on behalf of the City of Dallas, Texas (the City). DDDA was established by the City under the provisions of Chapter 431, Texas Transportation Code, and the general laws of the State of Texas to aid, and act on behalf of the City in the performance of the City's governmental functions and to provide a means of financing certain project costs in connection with Tax Increment Reinvestment Zone Number Eleven (the "Zone"). This Zone was created by the City pursuant to the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code (the "TIF Act") to facilitate development of the land within the boundary of the Zone, located entirely within the City and Dallas County, Texas (the "County").

The accompanying financial statements present only the financial position and results of operations of the DDDA, and are not intended to and do not present the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

DDDA does not have any employees. The City provides all accounting and administrative services for the DDDA.

DDDA is a discretely presented component unit of the City of Dallas, and the members of its Board of Directors are appointed by the City Council.

(b) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues represent grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Tax increment contributions and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

(c) Measurement Focus, Basis of Accounting, and Financial Statement Preparation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, tax increment revenues and interest are recognized as revenue when they become both "measurable" and "available." Revenues are considered available when they are collected within the current period or soon enough thereafter to finance liabilities of the current period. For this purpose, DDDA considers revenues received within 60 days of year end to be available. Expenditures generally are recognized when the liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when matured and payment is due.

(d) Tax Increment Contributions

State statute requires that each taxing jurisdiction remit its ad valorem taxes to the Zone Number Eleven by May 1 of each year (remittance to occur no more than 90 days after taxes for the jurisdiction become delinquent). The Zone, upon receipt of tax increments from participating tax jurisdictions, remits the entire amount to DDDA in accordance with the terms of the DDDA bond indentures.

City of Dallas, Texas,
Downtown Dallas Development Authority (DDDA)
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2019

(e) Cash and Cash Equivalents

The U.S. Bank, N.A. (Bank) is the trustee for the DDDA and maintains all of its accounts. Cash balances are invested in the triple "A" rated First American Government Obligations Fund, Class D by the Bank. The restricted balance is for accumulated resources for debt service payments and unspent bond proceeds.

(f) Major Funds

DDDA reports the following major funds:

a. General Fund

This fund is used to receive all tax increment contributions and any other revenues. Money in this fund is held in the trust by the Trustee and applied on each transfer date in a manner and order of priority as specified in the bond indentures and to solely pay for costs of issuance and pay or reimburse the developer for project costs.

b. Debt Service Fund

This fund is established to account for payment of principal and interest on long-term debt for which a tax has been dedicated and accrued interest on the Tax Increment Contract Revenue Bonds, transfers from the Pledged Revenue Fund as provided in the Indenture of Trust and, to the extent necessary, other pledged revenues to pay interest and principal installments due on the Tax Increment Contract Revenue Bonds, Taxable Series 2006 and Taxable Series 2007 (Bonds) in the current fiscal year.

(g) Long-term Obligations

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position. Accreted interest on capital appreciation bonds is reflected as interest expense in the governmental activities statement of activities and as an addition to long-term liabilities in the statement of net position.

(h) Bond Issuance Costs

Bond issuance costs are reported as expenditures at the time the bonds are issued.

(i) Administrative Costs

The Downtown Connection Tax Increment Financing District ("TIF") project plan and reinvestment zone financing plan (Plan) provides for staffing and other administrative expenses by the City over the life of the TIF, from fiscal years 2006 to 2036, for a total amount not to exceed \$7,000,000 (in current dollars). Administrative costs are calculated each year based on the staff time charged to the TIF and the staff hourly rates including salaries and benefits. The DDDA transfers an amount not to exceed \$225,000 annually to the TIF for the administrative costs in accordance with the terms of the bond indenture. These costs are reimbursed by the TIF to the City's general fund in accordance with the annual budget approved by the City Council. DDDA recognized \$225,000 of administration costs during fiscal year 2019.

(j) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**City of Dallas, Texas,
Downtown Dallas Development Authority (DDDA)
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2019**

(2) Deposits

The DDDA maintained the following cash equivalents balance measured at amortized cost at September 30, 2019:

Authorized Investment Type	Amortized Cost Value	Weighted Average Maturity (Years)
First American Government Oblig. Money Market Fund	\$ 47,909,030	0.07
Total cash equivalents	\$ 47,909,030	

Portfolio weighted average maturity in years: 0.07

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. In accordance with the bond indenture, the investment maturities will not exceed the anticipated cash flow requirements.

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This type of risk is typically expressed in terms of the credit ratings issued by a nationally recognized statistical rating organization. The DDDA reduces the risk of issuer default by limiting investments to those instruments allowed by the Texas Public Funds Investment Act, City of Dallas investment policy, and the bond indenture. The deposits in the First American Government Obligation Money Market Fund carried a credit rating of AAAm by Standard & Poor's as of September 30, 2019.

Concentration of credit risk

The DDDA's investment policy does not contain stipulations regarding the amount of funds that may be invested in any single issuer.

Custodial credit risk

In the case of deposits, this is the risk that in the event of a bank failure, the DDDA's deposits may not be returned to it. The Public Funds Collateral Act does require that financial institutions secure deposits made by state or local governmental bodies by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities of the collateral must always remain at least equivalent to the bank balance less the Federal Deposit Insurance Corporation ("FDIC") insurance. The DDDA did not have any custodial credit risk related to the deposits as of September 30, 2019. For an investment, this is the risk that, in the event of the failure of the counterparty, the DDDA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party and not registered in the name of the DDDA or its trustee. The trustee means U.S. Bank National Association, a national banking association, which is authorized by law to accept and exercise the trust powers set forth in the Indenture, and its successors in trust. The DDDA did not have any investments as of September 30, 2019.

**City of Dallas, Texas,
Downtown Dallas Development Authority (DDDA)
Notes to the Basic Financial Statements
Fiscal Year Ended September 30, 2019**

(3) Long-Term Debt

a. Governmental Activities

	Balance 9/30/18	Additions	Deletions	Balance 09/30/19	Due Within One Year
Tax Increment Revenue					
Bonds - Series 2006	\$ 34,871,688	\$ -	\$ 2,285,133	\$ 32,586,555	\$ 2,385,863
Bonds - Series 2007	24,161,006	-	467,847	23,693,159	363,160
Accretion	35,594,299	4,028,712	2,967,020	36,655,991	-
Total Bonds	\$ 94,626,993	\$ 4,028,712	\$ 5,720,000	\$ 92,935,705	\$ 2,749,023

b. Tax Increment Contract Revenue Bonds

DDDA Bonds were issued in March 2006 and October 2007 respectively, to pay for the redevelopment of buildings located in the Mercantile Block on Main Street in the Downtown area. These buildings are owned by a private developer.

These Tax Increment Contract Revenue Bonds constitute special obligations of the City with maturities through September 30, 2036 and interest rates ranging from 5.25% to 6.28%. Annual debt service payments for the 2006 series started in fiscal year 2010. For the 2007 series, the interest payments started in fiscal year 2008 and principal payments began in fiscal year 2012 with final maturity in fiscal year 2036. The total outstanding balance of the bonds at September 30, 2019 was \$92,935,705, including principal of \$56,279,714 and accretion of \$36,655,991.

c. Governmental Debt Service Requirement

The following is a summary of the future debt service principal and interest payment requirements at September 30, 2019:

Fiscal Year	Revenue Bonds		
	Principal	Interest	Total
2020	\$ 2,749,023	\$ 4,749,771	\$ 7,498,794
2021	3,208,319	4,600,474	7,808,793
2022	3,243,224	4,913,716	8,156,940
2023	3,249,236	5,160,539	8,409,775
2024	3,087,923	5,577,515	8,665,438
2025-2029	13,215,051	29,368,863	42,583,914
2030-2034	19,191,498	29,965,151	49,156,649
2035-2036	8,335,440	11,464,798	19,800,238
Totals	\$ 56,279,714	\$ 95,800,827	\$ 152,080,541

City of Dallas, Texas,
Downtown Dallas Development Authority (DDDA)
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(4) Interfund Transfers

During the fiscal year, the General Fund transferred \$7,168,793 to the Debt Service Fund for debt service payments.

(5) Contingencies

In the ordinary course of business, the DDDA may become involved in various legal proceedings and claims. After consultation with legal counsel, the management of the DDDA believes the outcome of these matters will not materially affect the financial position or cash flow of the DDDA as of September 30, 2019. The DDDA has outstanding future development incentive commitments of approximately \$147.2 million. These commitments will be paid to the developers over a period of time through the expiration of the TIF in 2035. The payments will be made from the future tax increment collections in the TIF. If the TIF does not generate enough tax increment to pay the developers through the expiration of the TIF, there is no further obligation to pay the developers. The general fund of the City has no obligation to pay the developers.