

Houston Parks Board LGC, Inc.
(A Component Unit of the City of Houston)

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2024 and 2023

Houston Parks Board LGC, Inc.

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Independent Auditors' Report

To the Board of Directors of
Houston Parks Board LGC, Inc.:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Houston Parks Board LGC, Inc. (a component unit of the City of Houston), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise Houston Parks Board LGC, Inc.'s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the governmental activities and the major funds of Houston Parks Board LGC, Inc., as of June 30, 2024 and 2023, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Houston Parks Board LGC, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Houston Parks Board LGC, Inc.'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and

therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Houston Parks Board LGC, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Houston Parks Board LGC, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-5 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which 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.

Blazek & Vetterling

September 24, 2024

Houston Parks Board LGC, Inc.
Management's Discussion and Analysis
For the years ended June 30, 2024 and 2023
(unaudited)

The following discussion and analysis of Houston Parks Board LGC, Inc.'s (the LGC) financial performance provides an overview of the financial activities for the years ended June 30, 2024 and 2023. This discussion should be read in conjunction with the LGC's financial statements, which follow this section.

Financial Highlights

The LGC is a local government corporation created in 2008 by the City of Houston (the City) to provide support for the City's park system by acquiring land for new public parks and to develop and improve new and existing public parks and bayou greenways. The Houston Parks Board (HPB) acts as management for the LGC, providing project management and operational support. The current initiatives for parks and green space include: 50/50 Parks, Bayou Greenways maintenance, Beyond the Bayou and Bayou Greenways.

Financial highlights for the fiscal year ended June 30, 2024 include:

- The LGC received approximately \$9.0 million in conveyances and funding for land and capital assets from HPB.
- The LGC received approximately \$3.2 million in funding from the City for capital projects related to the Bayou Greenways 2020 Project, which includes Brays, Greens, and Sims Bayous.
- The LGC expended:
 - Approximately \$6.3 million for capital projects related to the Bayou Greenways 2020 Project, which includes Brays, Buffalo, Greens, Hunting, Sims, and San Jacinto Bayous.
 - Approximately \$6.5 million for Beyond the Bayou projects.
 - Approximately \$8.8 million for capital improvements related to the 50/50 Park Partner Projects.
- The LGC transferred:
 - Approximately \$10.4 million of land and capital improvements to the City for completed Bayou Greenways 2020 Projects.
 - Approximately \$14.5 million of capital improvements to the City for completed 50/50 Park Partner Projects.

Financial highlights for the fiscal year ending June 30, 2023 include:

- The LGC received approximately \$7.0 million in conveyances and funding for land and capital assets from HPB.
- The LGC received approximately \$15.9 million in funding from the City for capital projects related to the Bayou Greenways 2020 Project, which includes Brays, Buffalo, Greens, Hunting, Sims, and San Jacinto Bayous.
- The LGC expended approximately \$19.6 million for capital projects related to the Bayou Greenways 2020 Project, which includes Brays, Buffalo, Greens, Hunting, Sims, and San Jacinto Bayous.
- The LGC expended approximately \$880 thousand to purchase land related to the Bayou Greenways 2020 Project.
- The LGC expended approximately \$10.5 million for capital improvements related to the 50/50 Park Partner Projects.

- The LGC transferred approximately \$15.4 million of land and capital improvements to the City for completed Bayou Greenways 2020 Projects.
- The LGC transferred approximately \$1.9 million of capital improvements to the City for completed 50/50 Park Partner Projects.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the LGC's basic financial statements. The basic financial statements present combined government-wide and governmental fund financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Government-wide financial statements reflect an economic resources measurement focus and are prepared using the accrual basis of accounting. The government-wide financial statements are designed to provide readers with a broad overview of the LGC's finances, in a manner similar to a private-sector business.

The statement of net position presents the financial position of the LGC at year end by presenting the LGC's assets and liabilities, with net position representing the difference between assets and liabilities. The statement of activities presents information showing changes in the LGC's net position during the year. Changes in net position are reported when an underlying event giving rise to a change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

Governmental fund financial statements reflect a current financial resources measurement focus and are prepared using the modified accrual basis of accounting. Unlike the government-wide financial statements, the governmental fund financial statements present information showing the near-term inflows and outflows of spendable resources and the balances of spendable resources at year end. Reconciliation between the government-wide financial statements and the governmental fund financial statements is reflected in a separate adjustments column.

Condensed Government-Wide Financial Information and Financial Analysis

Condensed Statements of Net Position:

| | <u>2024</u> | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|----------------------|
| Assets: | | | |
| Cash | \$ 7,827,625 | \$ 21,860,270 | \$ 14,877,369 |
| Receivable from HPB | 266,789 | 1,188,055 | |
| Receivable from the City and governmental agencies | 2,198,835 | 1,201,842 | 2,194,969 |
| Capital assets | <u>51,586,496</u> | <u>56,433,647</u> | <u>43,039,878</u> |
| Total assets | <u>\$ 61,879,745</u> | <u>\$ 80,683,814</u> | <u>\$ 60,112,216</u> |
| Liabilities: | | | |
| Payable to HPB | | | \$ 325,138 |
| Construction payables | \$ 2,164,046 | \$ 7,801,714 | 2,528,727 |
| Deferred revenue – City capital improvement funds | <u>8,097,723</u> | <u>16,416,974</u> | <u>13,980,964</u> |
| Total liabilities | <u>\$ 10,261,769</u> | <u>\$ 24,218,688</u> | <u>\$ 16,834,829</u> |
| Net position: | | | |
| Invested in capital assets | \$ 51,586,496 | \$ 56,433,647 | \$ 43,039,878 |
| Restricted | | | 206,048 |
| Unrestricted | <u>31,480</u> | <u>31,479</u> | <u>31,461</u> |
| Total net position | <u>\$ 51,617,976</u> | <u>\$ 56,465,126</u> | <u>\$ 43,277,387</u> |

Condensed Statements of Activities:

| | <u>2024</u> | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|----------------------|
| Expenses/Conveyances: | | | |
| Conveyance of capital improvements to the City | \$ 29,184,527 | \$ 16,017,775 | \$ 19,932,364 |
| Conveyance of land to the City | | 1,375,606 | 1,809,045 |
| Programmatic park improvement projects | <u>1,593,347</u> | <u>3,150,312</u> | <u>771,343</u> |
| Total expenses/conveyances | <u>30,777,874</u> | <u>20,543,693</u> | <u>22,512,752</u> |
| Revenues/Conveyances: | | | |
| Conveyance of capital assets from HPB | 3,300,977 | 1,174,723 | 2,594,569 |
| HPB funded land and capital assets | 5,687,946 | 5,863,663 | 5,347,440 |
| City and government agencies capital improvement contracts | 16,566,411 | 26,693,046 | 13,356,312 |
| Other park improvement contracts | <u>375,390</u> | | <u>515,568</u> |
| Total revenues/conveyances | <u>25,930,724</u> | <u>33,731,432</u> | <u>21,813,889</u> |
| CHANGES IN NET POSITION | (4,847,150) | 13,187,739 | (698,863) |
| Net position, beginning of year | <u>56,465,126</u> | <u>43,277,387</u> | <u>43,976,250</u> |
| Net position, end of year | <u>\$ 51,617,976</u> | <u>\$ 56,465,126</u> | <u>\$ 43,277,387</u> |

The assets of the LGC consist primarily of cash, receivables from HPB, the City and government agencies, land, and capitalized work in progress funded through HPB private contributions and several interlocal agreements. These projects with the City and Harris County are expected to be developed as City parks and for the Bayou Greenways 2020 initiative. During 2024, approximately \$6 million of Bayou Greenways 2020 capital projects, approximately \$8.8 million of 50/50 park improvement capital projects, approximately \$6.6 million in capital infrastructure design and greenspace improvements and planning for Beyond the Bayou initiatives, and approximately \$94,000 of Bayou Greenways 2020 land was added. Approximately \$29.2 million of capital projects were transferred to the City.

Contacting the LGC's Financial Management

The financial report is designed to discuss issues that may be material to the operation of the LGC. Questions concerning any of the information in this report or requests for additional information should be addressed to Houston Parks Board LGC, Inc., 300 North Post Oak Lane, Houston, Texas 77024.

Houston Parks Board LGC, Inc.

Governmental Fund Balance Sheet and Statement of Net Position as of June 30, 2024

| | GENERAL FUND | CAPITAL PROJECTS FUND | TOTAL | ADJUSTMENTS (NOTE 5) | STATEMENT OF NET POSITION |
|--|------------------|-----------------------------|---------------------|-------------------------|---------------------------------|
| ASSETS: | | | | | |
| Cash | \$ 31,480 | \$ 7,796,145 | \$ 7,827,625 | | \$ 7,827,625 |
| Receivable from HPB (Note 3) | | 266,789 | 266,789 | | 266,789 |
| Receivable from the City and governmental agencies | | 2,198,835 | 2,198,835 | | 2,198,835 |
| Capital assets (Note 4) | | | | \$51,586,496 | 51,586,496 |
| TOTAL ASSETS | <u>\$ 31,480</u> | <u>\$10,261,769</u> | <u>\$10,293,249</u> | <u>\$51,586,496</u> | <u>\$61,879,745</u> |
| LIABILITIES: | | | | | |
| Construction payables | | \$ 1,257,147 | \$ 1,257,147 | \$ 906,899 | \$ 2,164,046 |
| Deferred revenue – City capital improvement funds | | <u>9,004,622</u> | <u>9,004,622</u> | <u>(906,899)</u> | <u>8,097,723</u> |
| TOTAL LIABILITIES | | <u>10,261,769</u> | <u>10,261,769</u> | <u>0</u> | <u>\$10,261,769</u> |
| FUND BALANCES AND NET POSITION: | | | | | |
| Fund balances: | | | | | |
| Unassigned | \$ 31,480 | | 31,480 | (31,480) | |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 31,480</u> | <u>\$10,261,769</u> | <u>\$10,293,249</u> | | |
| NET POSITION: | | | | | |
| Invested in capital assets (Note 4) | | | | 51,453,270 | \$51,453,270 |
| Invested in restricted capital assets (Note 4) | | | | 133,226 | 133,226 |
| Unrestricted | | | | <u>31,480</u> | <u>31,480</u> |
| TOTAL NET POSITION | | | | <u>\$51,617,976</u> | <u>\$51,617,976</u> |

See accompanying notes to financial statements.

Houston Parks Board LGC, Inc.

Governmental Fund Balance Sheet and Statement of Net Position as of June 30, 2023

| | GENERAL FUND | CAPITAL PROJECTS FUND | TOTAL | ADJUSTMENTS (NOTE 5) | STATEMENT OF NET POSITION |
|--|-----------------|-----------------------------|--------------|-------------------------|---------------------------------|
| ASSETS: | | | | | |
| Cash | \$ 31,479 | \$21,828,791 | \$21,860,270 | | \$21,860,270 |
| Receivable from HPB (Note 3) | | 1,188,055 | 1,188,055 | | 1,188,055 |
| Receivable from the City and governmental agencies | | 1,201,842 | 1,201,842 | | 1,201,842 |
| Capital assets (Note 4) | | | | \$56,433,647 | 56,433,647 |
| TOTAL ASSETS | \$ 31,479 | \$24,218,688 | \$24,250,167 | \$56,433,647 | \$80,683,814 |
| LIABILITIES: | | | | | |
| Construction payables | | \$ 6,249,691 | \$ 6,249,691 | \$ 1,552,023 | \$ 7,801,714 |
| Deferred revenue – City capital improvement funds | | 17,968,997 | 17,968,997 | (1,552,023) | 16,416,974 |
| TOTAL LIABILITIES | | 24,218,688 | 24,218,688 | 0 | \$24,218,688 |
| FUND BALANCES AND NET POSITION: | | | | | |
| Fund balances: | | | | | |
| Unassigned | \$ 31,479 | | 31,479 | (31,479) | |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 31,479 | \$24,218,688 | \$24,250,167 | | |
| NET POSITION: | | | | | |
| Invested in capital assets (Note 4) | | | | 56,300,421 | \$56,300,421 |
| Invested in restricted capital assets (Note 4) | | | | 133,226 | 133,226 |
| Unrestricted | | | | 31,479 | 31,479 |
| TOTAL NET POSITION | | | | \$56,465,126 | \$56,465,126 |

See accompanying notes to financial statements.

Houston Parks Board LGC, Inc.

Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities for the year ended June 30, 2024

| | GENERAL FUND | CAPITAL PROJECTS FUND | TOTAL | ADJUSTMENTS (NOTE 5) | STATEMENT OF ACTIVITIES |
|---|------------------|-----------------------------|-------------------|-------------------------|-------------------------------|
| EXPENDITURES AND EXPENSES: | | | | | |
| Programmatic park improvement projects | | \$ 1,246,467 | \$ 1,246,467 | | \$ 1,246,467 |
| Project planning and design | | | | \$ 346,880 | 346,880 |
| Capital expenditures | | <u>20,382,639</u> | <u>20,382,639</u> | <u>(20,382,639)</u> | |
| Total expenditures and expenses | | <u>21,629,106</u> | <u>21,629,106</u> | <u>(20,035,759)</u> | <u>1,593,347</u> |
| REVENUES: | | | | | |
| HPB funded land and capital assets | | 5,594,204 | 5,594,204 | 93,742 | 5,687,946 |
| Government agencies capital improvement contracts | | 8,628,742 | 8,628,742 | | 8,628,742 |
| City capital improvement contracts | | 7,030,770 | 7,030,770 | 906,899 | 7,937,669 |
| Other park improvement contracts | \$ 1 | <u>375,390</u> | <u>375,391</u> | <u>(1)</u> | <u>375,390</u> |
| Total revenues | <u>1</u> | <u>21,629,106</u> | <u>21,629,107</u> | <u>1,000,640</u> | <u>22,629,747</u> |
| CHANGES IN NET POSITION BEFORE CONVEYANCES | 1 | 0 | 1 | 21,036,399 | 21,036,400 |
| OTHER CHANGES: | | | | | |
| Conveyance of capital improvements to the City | | | | (29,184,527) | (29,184,527) |
| Conveyance of capital assets from HPB | | | | <u>3,300,977</u> | <u>3,300,977</u> |
| CHANGES IN NET POSITION | 1 | 0 | 1 | (4,847,151) | (4,847,150) |
| Fund balances and net position, beginning of year | <u>31,479</u> | <u>0</u> | <u>31,479</u> | <u>56,433,647</u> | <u>56,465,126</u> |
| Fund balances and net position, end of year | <u>\$ 31,480</u> | <u>\$ 0</u> | <u>\$ 31,480</u> | <u>\$ 51,586,496</u> | <u>\$ 51,617,976</u> |

See accompanying notes to financial statements.

Houston Parks Board LGC, Inc.

Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities for the year ended June 30, 2023

| | GENERAL FUND | CAPITAL PROJECTS FUND | TOTAL | ADJUSTMENTS (NOTE 5) | STATEMENT OF ACTIVITIES |
|---|------------------|-----------------------------|-------------------|-------------------------|-------------------------------|
| EXPENDITURES AND EXPENSES: | | | | | |
| Programmatic park improvement projects | | \$ 1,488,142 | \$ 1,488,142 | | \$ 1,488,142 |
| Project planning and design | | | | \$ 1,662,170 | 1,662,170 |
| Capital expenditures | | <u>28,843,754</u> | <u>28,843,754</u> | <u>(28,843,754)</u> | |
| Total expenditures and expenses | | <u>30,331,896</u> | <u>30,331,896</u> | <u>(27,181,584)</u> | <u>3,150,312</u> |
| REVENUES: | | | | | |
| HPB funded land and capital assets | | 4,984,825 | 4,984,825 | 878,838 | 5,863,663 |
| Government agencies capital improvement contracts | | 3,025,320 | 3,025,320 | | 3,025,320 |
| City capital improvement contracts | | 22,115,703 | 22,115,703 | 1,552,023 | 23,667,726 |
| Other park improvement contracts | \$ 18 | | 18 | (18) | |
| Total revenues | <u>18</u> | <u>30,125,848</u> | <u>30,125,866</u> | <u>2,430,843</u> | <u>32,556,709</u> |
| CHANGES IN NET POSITION BEFORE CONVEYANCES | 18 | (206,048) | (206,030) | 29,612,427 | 29,406,397 |
| OTHER CHANGES: | | | | | |
| Conveyance of capital improvements to the City | | | | (16,017,775) | (16,017,775) |
| Conveyance of land to the City | | | | (1,375,606) | (1,375,606) |
| Conveyance of capital assets from HPB | | | | <u>1,174,723</u> | <u>1,174,723</u> |
| CHANGES IN NET POSITION | 18 | (206,048) | (206,030) | 13,393,769 | 13,187,739 |
| Fund balances and net position, beginning of year | <u>31,461</u> | <u>206,048</u> | <u>237,509</u> | <u>43,039,878</u> | <u>43,277,387</u> |
| Fund balances and net position, end of year | <u>\$ 31,479</u> | <u>\$ 0</u> | <u>\$ 31,479</u> | <u>\$ 56,433,647</u> | <u>\$ 56,465,126</u> |

See accompanying notes to financial statements.

Houston Parks Board LGC, Inc.

Notes to Financial Statements for the years ended June 30, 2024 and 2023

NOTE 1 – ORGANIZATION

Organization – Houston Parks Board LGC, Inc. (the LGC) was created in 2008 by the City of Houston (the City) to provide support for the City’s park system by acquiring land for new public parks and to develop and improve new and existing public parks, trails, and green spaces. The Board of Directors (the Board) is appointed by the Mayor of the City, subject to City Council’s approval. The LGC is a governmental component unit of the City and is included in the City’s Annual Comprehensive Financial Report.

The Houston Parks Board (HPB), an independent nonprofit corporation, and the LGC have entered into an agreement for the management of construction projects and on-going operations of the LGC. Under this agreement, HPB will acquire, manage, develop, and improve park properties on behalf of the LGC and contract for the design, development, improvement, construction, and installation of parks and open spaces.

Federal income tax status – The LGC is a local government corporation created to accomplish a governmental purpose of the City and is not subject to federal income tax. Contributions to the LGC are deductible under §170(c)(1) of the Internal Revenue Code.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – These financial statements have been prepared in conformity with the accounting principles and reporting guidelines established by the Governmental Accounting Standards Board (GASB).

Measurement focus and basis of accounting – Measurement focus refers to *what* is being expressed in reporting financial position and performance, that is, *which* resources are being measured. The financial resources measurement focus measures only financial resources while the economic resources measurement focus measures both financial and capital resources. The measurement focus determines *whether* a fund balance sheet or statement of net position reports financial or economic resources. Basis of accounting refers to *when* those resources and commitments and uses of those resources should be recognized. It relates to the timing of the measurements made regardless of the measurement focus applied.

Government-wide financial statements – Governmental fund activities in the government-wide financial statements are accounted for using the economic resources measurement focus and are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when earned and becomes measurable and expenses are recognized in the period incurred, regardless of the timing of related cash flows.

Fund financial statements – Governmental funds in the fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when it is measurable and available. *Measurable* means the amount of the transaction is known or reasonably estimable. *Available* refers to amounts collected in the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period, generally within 60 days after year end. Expenditures are recognized when the related liability is incurred.

The LGC reports the following major governmental funds:

- The *General Fund* is used to account for all revenues and expenses applicable to the general operations of the LGC that are not required either legally or by governmental accounting standards to be accounted for in another fund.
- The *Capital Projects Fund* is used to account for financial resources to be used for the construction of major capital facilities and improvements (park and bayou greenways construction projects) other than those financed by other funds. Capital projects are conveyed to the City after completion.

Cash includes demand deposits with banks. Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the LGC might be unable to recover deposits. At June 30, 2024, the carrying amount and the bank balance of the LGC's demand deposits was \$7,827,625. As of June 30, 2024, this exceeded the federal depository insurance coverage by \$7,577,625 and was otherwise not insured. At June 30, 2024 and 2023, approximately \$7,580,000 and \$13,826,000, respectively, is included in cash that is restricted for the Bayou Greenways 2020 Project (Bayou Greenways). These amounts include \$3,692,696 and \$5,390,154, respectively, of the City's parks bond proceeds.

Capital assets are reported at cost if purchased or at HPB's cost if transferred. Contributed land is reported at estimated fair value as of the date of the contribution. Capital assets maintained as part of the Capital Projects Fund are capitalized as constructed and are expected, upon completion at a subsequent agreed-upon date, to be transferred to the City.

Unassigned fund balance includes amounts that are available for future use for any purpose.

Net position represents the difference between assets and liabilities. Restricted net position can only be used for purposes specified by resource providers. Unrestricted net position is available for general use.

Contributions received are recognized as revenue at fair value when all eligibility requirements are met and the contributions are considered measurable and collectible.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue, expenditures, and expenses. Actual results could vary from the estimates that were used.

NOTE 3 – TRANSACTIONS WITH HPB AND GOVERNMENT AGENCIES

On November 6, 2012, Houston voters approved a \$166 million parks bond proposition of which \$100 million was designated to support Bayou Greenways, a major capital city project initiative to provide interconnected parks, trails, and green spaces within City limits. The estimated cost to complete Bayou Greenways was approximately \$220 million over 7 years. The LGC and HPB, acting as management for the LGC, entered an interlocal agreement with the City in which HPB agreed to fund a matching commitment of \$105 million in private and other sources, including federal, state and other government funding to complete Bayou Greenways. HPB has exceeded both the matching obligation to the City and its Bayou Greenways Capital Campaign goal of \$120 million. In 2024, HPB conveyed approximately \$230,000 in capital assets and provided approximately \$460,000 in private funding to the LGC for Bayou Greenways. In 2023, HPB conveyed approximately \$320,000 in capital assets and provided approximately \$2,000,000 in private funding to the LGC for Bayou Greenways.

Cumulatively, HPB has funded \$69 million in land, design, and construction management. HPB has added over 901 acres of new parks and green space to the Bayou Greenways system. Bayou Greenways has obligated all funds at June 30, 2024 to the remaining projects to connect over 3,000 acres of parks and green spaces with ribbons of new trails of more than 165 miles.

In fiscal year 2014, HPB entered into a 30-year agreement with the City to provide maintenance and capital replacement for Bayou Greenways, which constitutes an integrated system of connected linear parks with walking, running, and bicycle trails along the 9 major bayous within the City limits. During fiscal years 2024 and 2023, HPB conveyed approximately \$2,900,000 and \$113,000, respectively, in capital assets to the LGC under the terms of this agreement.

HPB, acting as management of the LGC, receives project management fees each project in accordance with each of the agreements. These amounts totaled approximately \$1,246,000 and \$1,488,000 in 2024 and 2023, respectively. The agreements for various park projects at June 30, 2024 are summarized as follows:

| PROJECT NAME | AGREEMENT TYPE | CONTRACT ENTITIES | TOTAL BUDGET AND FUNDING COMMITMENTS | OUTSTANDING PROJECT COMMITMENTS |
|---|-------------------------------------|--|--------------------------------------|---------------------------------|
| Sims Bayou Lighting Improvements in Gulfgate (Expansion of Bayou Greenways and Parks) | Infrastructure Management Agreement | Gulfgate Redevelopment Authority, Reinvestment Zone Number Eight (TIRZ 8), City of Houston | \$4,669,450 | \$1,994,000 |
| Spring Branch Trail (Expansion of Bayou Greenways and Parks) | Infrastructure Management Agreement | Spring Branch Management District, City of Houston | \$8,611,000 | \$4,775,000 |
| Sims & Halls (Bayou Greenways) | Interlocal Agreement | Harris County Commissioner Precinct One | \$5,000,000 | \$28,000 |
| Hill at Sims Regional Park (Expansion of Bayou Greenways and Parks) | Interlocal Agreement | Harris County Commissioner Precinct One | \$1,587,940 | \$239,000 |
| Sharpstown Trail (Beyond the Bayou) | Infrastructure Management Agreement | Southwest Houston Redevelopment Authority, Reinvestment Zone Number Twenty (TIRZ 20), City of Houston | \$6,311,500 | \$3,797,000 |
| Vogel Creek Greenway (Beyond the Bayou) | Interlocal Agreement | City of Houston, Houston Parks and Recreation Department, Houston Public Works Department, Harris County | \$6,000,000 | \$1,779,000 |

| PROJECT NAME | AGREEMENT TYPE | CONTRACT ENTITIES | TOTAL BUDGET AND FUNDING COMMITMENTS | OUTSTANDING PROJECT COMMITMENTS |
|--|----------------------|---|--|---------------------------------------|
| Brays (Expansion of Bayou Greenways and Parks) | Interlocal Agreement | Harris County Commissioner Precinct Three, Harris County Commissioner Precinct Four | \$3,300,000 | \$3,300,000 |
| Neighborhood Park Initiative | Interlocal Agreement | City of Houston | \$21,819,724 | \$394,000 |
| Spring Branch Trail – Phase 4 (Expansion of Bayou Greenways and Parks) | Interlocal Agreement | Harris County, Harris County Toll Road Authority, Spring Branch Management District | \$1,200,000 | \$1,034,000 |
| Places for People (multiple initiatives) | Interlocal Agreement | Harris County Commissioner Precinct Four | \$16,799,253 | \$15,835,000 |

Commitments

At June 30, 2024, the LGC has entered into construction and design contracts with outstanding commitments totaling approximately \$5 million for ongoing projects.

NOTE 4 – CAPITAL ASSETS

The LGC's investment in capital assets at June 30, 2024 consists of the following:

| | BALANCE JULY 1, 2023 | ADDITIONS | TRANSFER TO CITY AND OTHER DISPOSITIONS | BALANCE JUNE 30, 2024 |
|--------------------------------------|-------------------------|----------------------|--|--------------------------|
| Land | \$ 15,915,732 | \$ 93,742 | \$ (101,200) | \$ 15,908,274 |
| Construction in progress: | | | | |
| Bayou Greenways | 23,873,816 | 6,036,499 | (10,400,184) | 19,510,131 |
| Beyond the Bayous | 4,904,970 | 6,565,501 | (1,847,205) | 9,623,266 |
| 50/50 Park Partners | 9,840,625 | 8,756,930 | (14,506,311) | 4,091,244 |
| Bayou Greenways maintenance projects | 1,388,671 | 2,853,066 | (1,788,156) | 2,453,581 |
| Other projects | <u>509,833</u> | <u>378,518</u> | <u>(888,351)</u> | |
| Total capital assets | <u>\$ 56,433,647</u> | <u>\$ 24,684,256</u> | <u>\$ (29,531,407)</u> | <u>\$ 51,586,496</u> |

The LGC's investment in capital assets at June 30, 2023 consists of the following:

| | BALANCE JULY 1, 2022 | ADDITIONS | TRANSFER TO CITY AND OTHER DISPOSITIONS | BALANCE JUNE 30, 2023 |
|---|-------------------------|----------------------|--|--------------------------|
| Land | \$ 16,205,950 | \$ 1,085,388 | \$ (1,375,606) | \$ 15,915,732 |
| Construction in progress: | | | | |
| Bayou Greenways | 22,250,050 | 17,276,912 | (15,653,146) | 23,873,816 |
| Beyond the Bayous | 2,201,471 | 2,761,383 | (57,884) | 4,904,970 |
| 50/50 Park Partners | 1,173,277 | 10,523,707 | (1,856,359) | 9,840,625 |
| Bayou Greenways maintenance projects | 827,567 | 673,660 | (112,556) | 1,388,671 |
| Other projects | <u>381,563</u> | <u>128,270</u> | | <u>509,833</u> |
| Total capital assets | <u>\$ 43,039,878</u> | <u>\$ 32,449,320</u> | <u>\$ (19,055,551)</u> | <u>\$ 56,433,647</u> |

Permanently restricted land

The LGC received donor-restricted passive land contributions totaling approximately \$600,000 from HPB in 2014 that were to provide for purchasing permanent parkland. Approximately \$467,000 of the permanent parkland purchased has been transferred to the City, leaving a remaining balance of approximately \$133,000 that is reported as a restricted capital asset.

NOTE 5 – EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEETS AND STATEMENTS OF NET POSITION AND THE GOVERNMENTAL FUND STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND STATEMENTS OF ACTIVITIES

Total fund balances of the LGC differ from net position of the LGC reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus on the LGC's governmental fund balance sheet. The provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, imposed this change in focus.

General capital assets and receivables and liabilities that are not due to be received within the short-term are not reported in governmental funds. The governmental funds report the financial resources flows that arise from capital acquisition or disposition. Capital assets acquired with cash or debt are reported as capital expenditures equal to the amount of cash paid or debt incurred. Transactions in which capital assets are acquired without financial resources, such as through donation or transfer from HPB, do not affect and are not reported in the governmental fund financial statements. Sales of general capital assets are reported in the governmental funds only to the extent cash or a receivable is generated by the transaction. The adjustments show the differences between the fund financial statements and government-wide financial statements that arise from capital asset transactions and the resulting net position.