

# Comprehensive Annual



# Financial Report

**Fiscal Year Ended December 31, 2011**  
The Woodlands Township, Montgomery County, Texas



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**The Woodlands Township  
Comprehensive Annual Financial Report**

**Fiscal Year Ended  
December 31, 2011**

**Prepared by the  
Finance and Administration Department**

*The Woodlands Township is a special purpose district located in Montgomery County, Texas*  
[www.thewoodlandstowship-tx.gov](http://www.thewoodlandstowship-tx.gov)

# The Woodlands Township

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# **INTRODUCTORY SECTION**



August 8, 2012

To the Board of Directors and Citizens of  
The Woodlands Township:

The Comprehensive Annual Financial Report (CAFR) of The Woodlands Township for the fiscal year ended December 31, 2011 is submitted herewith. The Township's Finance and Administration Department prepared this report.

This CAFR is published to provide our Board of Directors, citizens, bondholders, and other interested parties with detailed information concerning the financial condition and activities of the Township. Management assumes full responsibility for the completeness and reliability of the presented data including all disclosures. We believe the information, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Township as measured by the financial activity of its various funds.

For the fiscal year ended December 31, 2010, The Woodlands Township received a "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association of the United States. The award recognized the Township as a government unit whose CAFR achieved the highest standards in governmental accounting and financial reporting.

Blazek & Vetterling, Certified Public Accountants, have issued an unqualified ("clean") opinion on The Woodlands Township's financial statements for the year ended December 31, 2011. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion & Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **PROFILE OF THE WOODLANDS TOWNSHIP**

The Woodlands Township is the local government for a master planned community located just off Interstate 45 in the southeastern region of the State and 27 miles north of downtown Houston. Currently, the Township encompasses a land area of approximately 44 square miles and serves a population of 100,670. Founded in 1974, The Woodlands was one of the first master-planned communities in the country and is now one of the most successful. Over the last three decades, the community has also become a thriving center for business and tourism.

The Woodlands Township was originally established in 1993 as the Town Center Improvement District (TCID). It was created by the Texas Legislature as a governmental agency charged with promoting health, welfare and safety in The Woodlands Town Center, a 1,000-acre business and commerce district. Pursuant to voter approval in 2007, the area under TCID's jurisdiction was expanded to include The Woodlands' entire 28,000-acre residential and commercial area. The organization was then renamed The Woodlands Township.

Prior to January 1, 2010, The Woodlands Community Service Corporation, a private not-for-profit corporation, provided municipal-type services to The Woodlands community on behalf of The Woodlands Community Association, The Woodlands Association and The Woodlands Commercial Owners Association (collectively, The Community Associations). On January 1, 2010, pursuant to a Transition Agreement between the relevant parties, the Community Associations assigned their respective covenants, responsibilities, obligations, contracts, rights, and operations to The Woodlands Township. At the same time, the transition of staff and services from the Community Associations to the Township took place. This transition provided for the seamless consolidation of services into a

single governing body for the benefit of the community. In place of an annual assessment fee previously imposed by the Community Associations to fund services, the transitioned services are now funded through an ad valorem property tax, supplemented by sales tax and other revenues. The Community Associations were legally dissolved in August 2010.

The Township provides funding for services and improvement projects in the community, which supplement services provided by the county, other governmental agencies, political subdivisions, and municipalities. Interlocal partnerships and strategic alliances are the key to effective service delivery for the Township.

The Township provides a full range of services to residents, visitors, and business communities including law enforcement, fire protection, facilities and park maintenance, recreation, transportation services, visitor services, environmental services including waste management and recycling and economic development programs. All services provided by The Woodlands Township, The Woodlands Economic Development Zone, The Woodlands Convention & Visitors Bureau, and The Woodlands Fire Department are included in the Township's financial statements for the year end December 31, 2011.

The Woodlands Township is governed by a board of directors ("Board"), which officially organized on August 18, 1993. Policy-making and legislative authority are vested in the governing Board currently seated with seven directors who are elected at large by position. Elections are held annually in May for the election of three or four directors as appropriate to serve staggered two-year terms.

The Woodlands was recently named by *Travel + Leisure Magazine* as one of America's "Coolest Suburbs Worth a Visit". Among the community's assets highlighted by the article are its thriving Town Center, great restaurants, major retail outlets, an elaborate park, pathway and lake system, and the Cynthia Woods Mitchell Pavilion – one of the top five outdoor amphitheaters in the world.

## **LOCAL ECONOMY**

South Montgomery County, Texas, which includes The Woodlands Township, has enjoyed unprecedented commercial growth in the last several years. The County and Township embrace a progressive, pro-business, pro-growth attitude that includes attractive tax and other incentives to qualifying companies. The area's economic base is well diversified. Approximately 5,100 businesses are located in the area, ranging from owner-operated establishments to national corporate headquarters.

Over 5,000 of the community's 28,000 acres are dedicated to commercial development. The Woodlands Township is home to a range of leading companies including Anadarko Petroleum Corporation, AON Hewitt, CB&I, Chevron Phillips Chemical Company, Fox Network Group, Halliburton Security DBS, Baker Hughes, Huntsman Petrochemical Corporation, Lexicon Pharmaceuticals, Maersk Line, McKesson Specialty Health and Repsol USA. The Township's small business community is also very important to the vitality of the local economy.

A large, skilled and highly educated workforce is located within The Woodlands and immediate area. Within commutable distance of the Township, there is a civilian labor force of more than half a million people. In the immediate area, the civilian labor force outnumbers local jobs by nearly 60%. This abundance of educated, motivated and productive people provides local employers with excellent workforce opportunities.

In 2011, the Urban Land Institute, a nonprofit research and education organization representing land use and real estate disciplines worldwide, awarded The Woodlands the No. 4 spot for best-selling master planned communities in the country and the No. 2 spot for Texas. In 2010, *Southern Living Magazine* named The Woodlands as one of America's best shopping destinations.

The Township's access to major modes of regional, national and international transportation, as well as its proximity to quality healthcare facilities, also contributes to its strong economic standing. Additionally, entities such as the South Montgomery County Chamber of Commerce, the Economic Development Partnership, and The Woodlands Convention & Visitors Bureau provide the community valuable services and a strong foundation for economic activity. The Woodlands Township is well positioned to face current and future economic challenges and opportunities.



## **LONG-TERM FINANCIAL PLANNING**

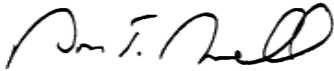
A significant part of the Township's annual budget process is dedicated to the development of a five-year business plan. Detailed analyses regarding revenue sources, operating expenditures, proposed new amenities and programs, residential and commercial growth, staffing requirements, capital plans, and debt management plans are conducted and factored into a long-term financial planning model. Senior management and the Board of Directors review the five-year business plan to ensure that current budget decisions do not negatively impact long-term financial goals.

The Board of Directors has approved policies establishing appropriate levels of cash reserves for operations, capital replacement, economic development, and debt service. Operating reserves are required to be maintained at a minimum level of 20 percent of annual operating revenues. As of December 31, 2011, the Township had \$35.5 million in General fund net assets and, met all policy requirements.

## **ACKNOWLEDGEMENTS**

The preparation of this report could not have been accomplished without the efficient and dedicated services of the Township's Audit Committee, independent auditors, and entire staff of the Finance and Administration Department. Appreciation is also expressed to employees throughout the organization, especially those employees who were instrumental in the successful completion of this report. The President's Office and Finance staff also wish to commend and thank the Board of Directors for their leadership and support in maintaining the highest standards of professionalism in the management of The Woodlands Township's finances.

Respectfully submitted,



Don T. Norrell  
President/General Manager



Monique Sharp  
Assistant General Manager  
Finance and Administration

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Woodlands Township  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Dawson*

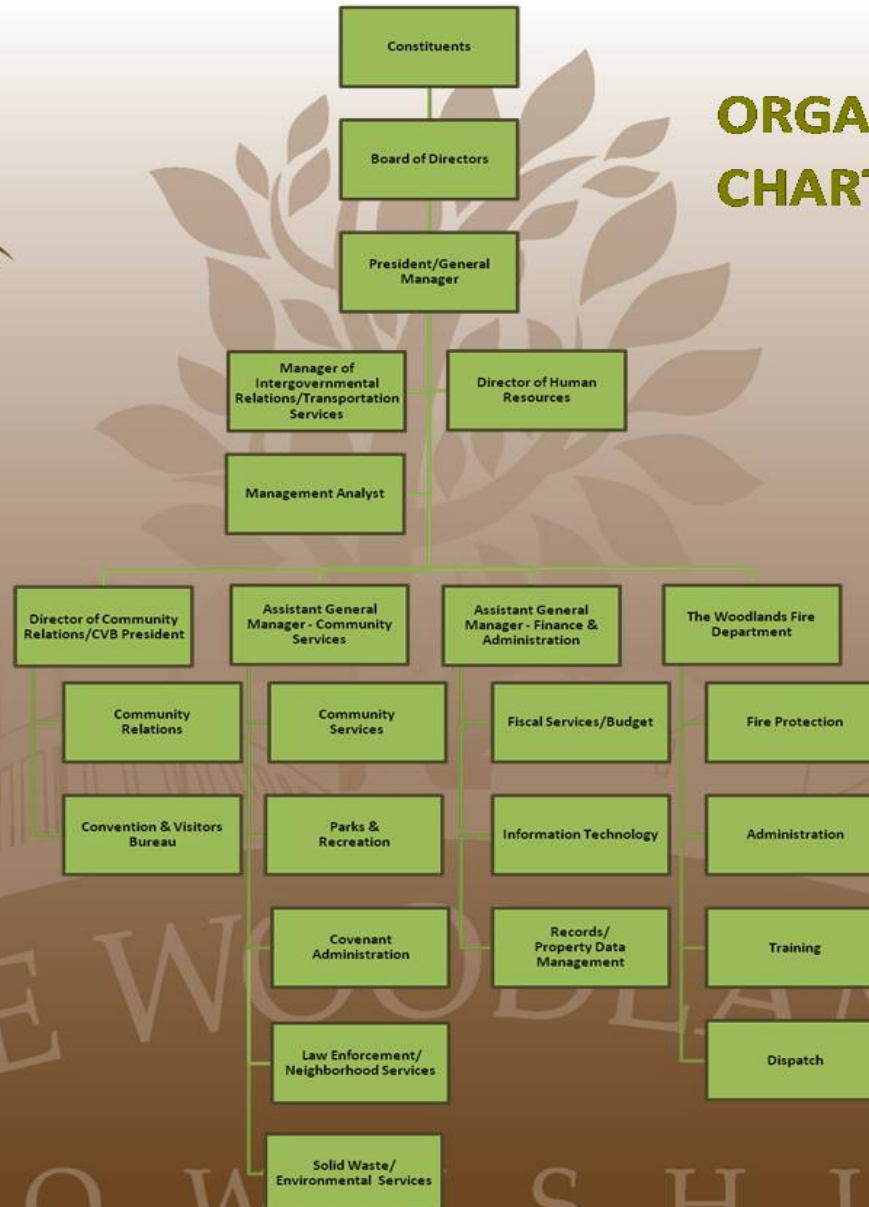
President

*Jeffrey R. Emer*

Executive Director



# ORGANIZATIONAL CHART



**THE WOODLANDS TOWNSHIP  
BOARD OF DIRECTORS**

Chairman <b>Mr. Bruce Tough</b> (Re-elected by the Board as Chairman, June 1, 2011) <i>Position 7 - Term Expires: May 2013</i>
Vice Chairman <b>Mr. Lloyd Matthews</b> (Re-elected by the Board as Vice Chairman, June 1, 2011) <i>Position 3 - Term Expires: May 2012</i>
Treasurer <b>Dr. Edmund W. Robb III</b> (First elected by the Board as Treasurer, June 1, 2011) <i>Position 4 - Term Expires: May 2012</i>
Secretary <b>Mr. Claude Hunter</b> (First elected by the Board as Secretary, June 1, 2011) <i>Position 1 - Term Expires: May 2012</i>
Director <b>Mr. Tom Campbell</b> <i>Position 2 - Term Expires: May 2012</i>
Director <b>Ms. Nelda Luce Blair</b> <i>Position 5 - Term Expires: May 2013</i>
Director <b>Ms. Peggy S. Hausman</b> <i>Position 6 - Term Expires: May 2013</i>

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# **FINANCIAL SECTION**

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## Independent Auditors' Report

To the Board of Directors of  
The Woodlands Township:

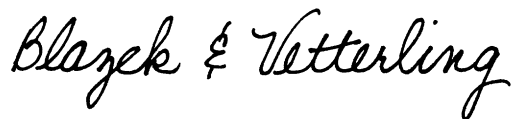
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Woodlands Township (the Township), as of and for the year ended December 31, 2011, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Township. 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 our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of The Woodlands Township as of December 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion on page 14 through page 22 be presented to supplement the basic financial statements. Such information, 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 inquires 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise The Township's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.



August 8, 2012

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**Woodlands Township  
Management's Discussion and Analysis  
For the year ended December 31, 2011  
(unaudited)**

As management of The Woodlands Township, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2011. Please read this discussion in conjunction with the transmittal letter at the beginning of the report and the Township's financial statements following this section.

**FINANCIAL HIGHLIGHTS**

- The assets of the Township exceeded its liabilities at December 31, 2011 by \$120.5 million. Of this amount, \$34 million may be used to meet the Township's ongoing obligations to its citizens and creditors.
- The Township's total net assets increased by \$7.3 million, primarily due to increases in sales tax and hotel occupancy tax revenues.
- As of the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$65.4 million, an increase of \$9.4 million in comparison to the prior year. The increase from 2010 to 2011 is due to increased revenues.
- At December 31, 2011, unassigned fund balance for the general fund was \$7.5 million or 11% of the total general fund expenditures.
- On a government-wide basis, the Township's total liabilities increased by \$9.8 million during the current fiscal year. The key factor in this increase was the issuance of a \$9.9 million general obligation bond to finance fire fighting facilities and equipment, and to finance recreational facilities and equipment, and to pay issuance costs related to the Bonds.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Management's discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report also contains other supplementary information as listed in the table of contents.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Evaluated over a period of time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes). Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis.

In the statement of net assets and the statement of activities, the Township is divided into two kinds of activities:

- *Governmental activities* – Most of the Township's basic services are reported here, including general and administrative, public safety, parks and recreation, economic development, community services, and community relations. Property taxes, sales taxes, and program fees fund most of these activities.

- *Component units* – The Township includes two separate legal entities as blended component units in its report - *The Woodlands Convention and Visitors Bureau* and *The Woodlands Fire Department*. Although legally separate, these component units are included because the Township is financially accountable for them and can exercise substantive control over the respective boards of directors.

The government-wide financial statements can be found on pages 26-27 of this report.

### **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 Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township are 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 are prepared on the modified accrual basis of accounting and focus on near-term inflows and outflows 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 Township maintains four 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 fund, the Capital Projects fund, the Debt Service fund, and the Special Revenue fund, all of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 28-31 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental fund financial statements. The notes to the financial statements can be found on pages 32-52 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$120.5 million at December 31, 2011.

By far the largest part of the Township's net assets, \$65.3 million (54%) reflects its investments in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$21.2 million (17.6%) of the Township's net assets represents resources that are subject to external restriction on how they may be utilized. The remaining balance of unrestricted net assets, \$34.0 million may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township reported positive balances in all three categories of net assets, for the government as a whole, as well as for its separate governmental activities.

The following table provides a comparative summary of the Township's net assets as of December 31, 2011 and 2010.

	CONDENSED STATEMENTS OF NET ASSETS (ROUNDED TO 000'S)	
	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010
Current and other assets	\$ 113,126,000	\$ 100,387,000
Long-term receivables and other assets	5,684,000	4,910,000
Capital assets	<u>168,201,000</u>	<u>164,609,000</u>
Total assets	<u>\$ 287,011,000</u>	<u>\$ 269,906,000</u>
Current and other liabilities	\$ 54,196,000	\$ 46,026,000
Long-term liabilities outstanding	<u>112,269,000</u>	<u>110,649,000</u>
Total liabilities	<u>166,465,000</u>	<u>156,675,000</u>
Invested in capital assets net of outstanding debt	65,271,000	73,219,000
Restricted	21,238,000	30,321,000
Unrestricted	<u>34,037,000</u>	<u>9,691,000</u>
Total net assets	<u>120,546,000</u>	<u>113,231,000</u>
Total liabilities and net assets	<u>\$ 287,011,000</u>	<u>\$ 269,906,000</u>

The following table summarizes the changes in the Township's net assets as a result of its activities for the years ended December 31, 2011 and 2010.

	CONDENSED STATEMENTS OF CHANGES IN NET ASSETS (ROUNDED TO 000'S)	
	YEAR ENDED DECEMBER 31, 2011	YEAR ENDED DECEMBER 31, 2010
<b>REVENUE:</b>		
Tax revenue	\$ 80,216,000	\$ 73,006,000
Program service fees	4,828,000	3,516,000
Grants and contributions	1,239,000	2,341,000
Investment earnings	320,000	420,000
Loss on disposal of property	<u>(266,000)</u>	<u>                    </u>
Total revenue	<u>86,337,000</u>	<u>79,283,000</u>
<b>EXPENSES:</b>		
General and administrative	8,919,000	8,541,000
Public safety	28,155,000	25,246,000
Parks and recreation	18,313,000	17,760,000
Economic development	5,368,000	4,662,000
Community services	12,662,000	11,892,000
Community relations	1,272,000	1,055,000
Interest and debt related expenses	<u>4,333,000</u>	<u>4,031,000</u>
Total expenses	<u>79,022,000</u>	<u>73,187,000</u>
Excess of revenue over expenses before special item	7,315,000	6,096,000
Special item: Net assets received due to Transition Agreement	<u>                    </u>	<u>71,479,000</u>
<b>CHANGES IN NET ASSETS</b>	7,315,000	77,575,000
Net assets, beginning of year	<u>113,231,000</u>	<u>35,656,000</u>
Net assets, end of year	<u>\$ 120,546,000</u>	<u>\$ 113,231,000</u>

The Township's net assets increased \$7.3 million from the 2010 ending balance of \$113.2 to the 2011 ending balance of \$120.5 million. The reasons for this increase are explained in the following section.

### Governmental Activities

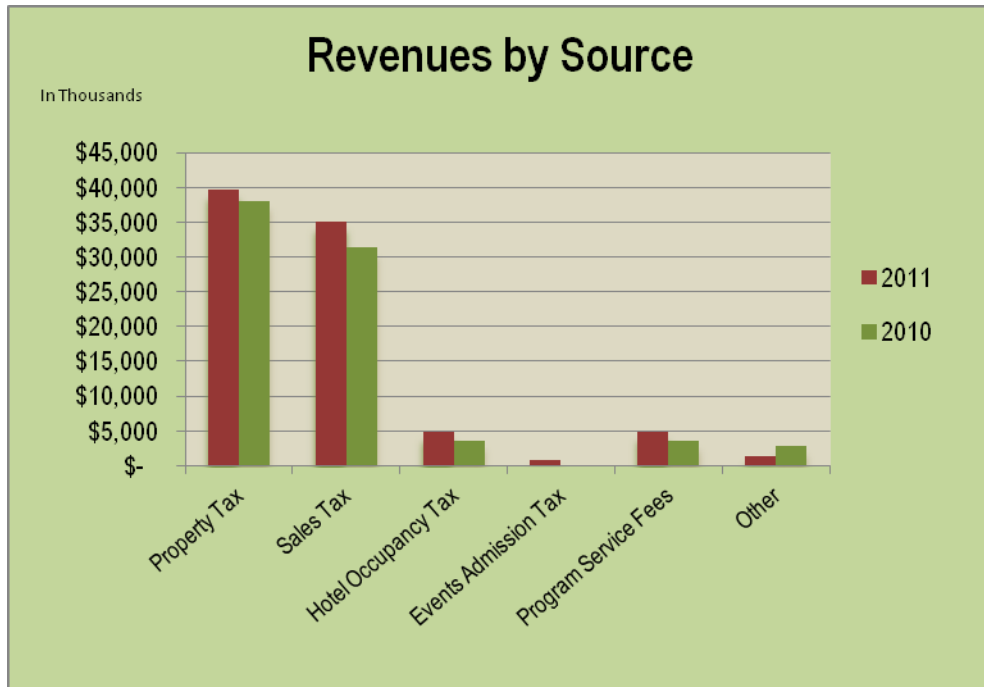
Governmental activities increased the Township's net assets by \$7.3 million during the current fiscal year. Key elements of this increase are as follows:

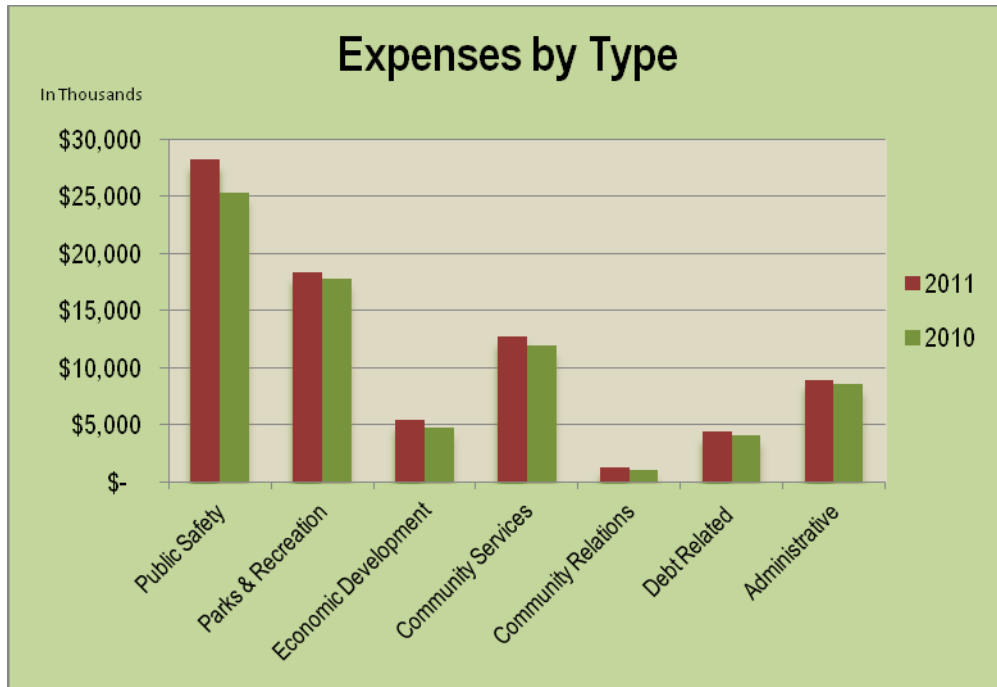
Revenue in 2011 increased by \$7.1 million due to:

- The events admission tax was imposed for the first time in 2011.
- Sales tax revenue increased 12% due to increased sales activity within the area as the Township continues to grow and promote tourism and commerce in the area.
- Property tax collections increased 3.7% due to an increase in the assessed valuation of taxable property of 5% offset by a small decrease in the tax rate applied.
- Hotel occupancy tax revenue increased due to the imposition of a 1% supplemental increase and an increase in rooms occupied.

Expenses in 2011 increased by \$5.8 million due to:

- Additional personnel and operating costs associated with the opening of Fire Station #7.
- Increased costs of law enforcement, solid waste, and street light maintenance related to the increase in residents and visitors.
- Increased costs for tree removal, utilities, and street maintenance related to the 2011 summer drought.





## FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

### Governmental Funds

The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2011, the Township's governmental funds reported a combined ending fund balance of \$65.4 million, an increase of \$9.4 million or 16.8% from the prior year.

	<u>2011</u>	<u>2010</u>	<u>INCREASE (DECREASE)</u>
Fund balances:			
General fund	\$ 35,468,000	\$ 30,321,000	\$ 5,147,000
Capital Projects fund	28,807,000	26,483,000	2,324,000
Debt Service fund	7,670,000	6,459,000	1,211,000
Special Revenue fund	<u>(6,563,000)</u>	<u>(7,312,000)</u>	<u>749,000</u>
Total fund balances	<u>\$ 65,382,000</u>	<u>\$ 55,951,000</u>	<u>\$ 9,431,000</u>

Approximately \$7.5 million of the \$65.4 million total constitutes unassigned fund balances, which are available for spending at the Township's discretion. By policy, the Township assigns balances for an Operating reserve (20% of the consolidated revenue or \$17.3 million). Revenue increased in 2011, therefore increasing the amount required in the fund balance of the General fund. An additional \$1.9 million was assigned for drought remediation in 2012. The remaining fund balances are nonspendable, restricted or committed to indicate that funds are not available for new spending because they have already been committed to the following: 1) for authorized capital projects (\$25.9 million); 2) to pay debt service (\$7.7 million); 3) an Economic development reserve (\$2.9 million); 4) for receivable

of future sales tax revenue from special revenue fund related to repayment of construction costs for Town Green Park and Waterway Square (\$6.6 million); and 5) for prepayment of expenses related to fiscal 2011. The increase in the Capital Projects fund balance is related to 2011 funded capital projects not completed and now scheduled for 2012, plus contributions for capital from the General fund. The Debt Service fund balance increase is due to a substantial increase in hotel occupancy tax revenue.

**General Fund** – The General fund is the Township’s primary operating fund. It accounts for all financial resources of the Township except those required to be accounted for in another fund. At December 31, 2011, the General fund had an unassigned fund balance of \$7.5 million and a total fund balance of \$35.5 million.

As a measure of the General fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 11% of total General fund expenditures, while total fund balance represents 54%. Pursuant to Board policy, the Township maintains an assigned General fund balance at a minimum amount equal to 20% of the current year’s budgeted revenues. At December 31, 2011, the Township had assigned an additional \$1.9 million for drought remediation in 2012.

The Township’s General fund balance increased \$5.1 million or 17% during the current fiscal year. The key factor for this increase was the higher collections of property, sales and hotel occupancy taxes related to underlying regional economic growth.

**Capital Projects Fund** – The Capital Projects fund accounts for the resources accumulated and payments made for the acquisition or construction of capital assets and projects. Resources are derived from General fund allocations or debt proceeds. The Township’s Capital Projects fund increased \$2.3 million during the current fiscal year. This increase is due primarily to the sale of general obligation bonds of \$9.9 million and transfers in from the general fund of \$4.5. These increases were partially offset by capital outlay expenditures of \$11.9 million.

At December 31, 2011, the Capital Projects fund had an ending balance of \$28.8 million. Of this amount, \$900,000 represents funds that will be carried over to the 2012 fiscal year to pay for certain general and information technology projects not completed in 2011. Pursuant to Board policy, \$11.6 million is committed or assigned in the Capital Projects fund for the future refurbishment, replacement of existing assets, and future economic development projects. The remaining \$17.2 million will be used for bond funded capital projects related to the fire department, parks and pathways, and projects not completed in 2011. These reserve balances are funded from annual favorable budget variances in the General fund’s operating expenditures. The favorable budget variances are used first to ensure that the General fund operating reserve maintains a balance equal to 20% of the current year’s operating revenue. The remaining cash generated from favorable budget variances is allocated 75% to the capital reserve and 25% to the economic development reserve.

Additional information on the Township’s capital assets can be found in the accompanying notes to the financial statements (page 41) and in the Capital Assets section of this management’s discussion and analysis (page 20).

**Debt Service Fund** – The Debt Service fund accounts for the resources accumulated and payments made for principal and interest on the bonded and non-bonded debt of the Township. Hotel occupancy tax revenues of seven percent and up to one-half of one percent of general sales tax collected by the Township are pledged for the payment of debt service.

The Debt Service fund had a total fund balance of \$7.7 million at the end of the fiscal year, all of which is set aside for the payment of debt service.

Additional information on the Township’s debt administration can be found in the accompanying notes to the financial statements (pages 47-48) and in the Long-Term Debt section of this management’s discussion and analysis (page 21).

**Special Revenue Fund** – The Special Revenue fund accounts for a one percent of sales tax collected within a specific geographic area of the Township defined as The Woodlands Township Economic Development Zone (the Zone). These resources are dedicated to the payment of projects approved and funded by the Zone to promote economic activity throughout the Township. Sales tax proceeds collected in excess of those required to be allocated to the approved projects are transferred to The Fire Department for payment of the department’s operations.



For 2011, the Special Revenue fund recorded \$17.5 million in sales tax revenues. Of this amount, \$1.3 million was paid to the authorized Zone projects for the purpose of paying down debt service, and \$15.4 million was transferred to the General fund to pay for fire department operations. The year-end deficit balance of \$6.6 million in this fund largely is due to a \$3.9 million liability related to the Town Green Park project and a \$2.7 million liability related to the Waterway Square project. The Zone’s liabilities will be repaid from future incremental sales tax revenue collections generated by the Zone in accordance with the approved financing plans for each project.

**General Fund Budgetary Highlights**

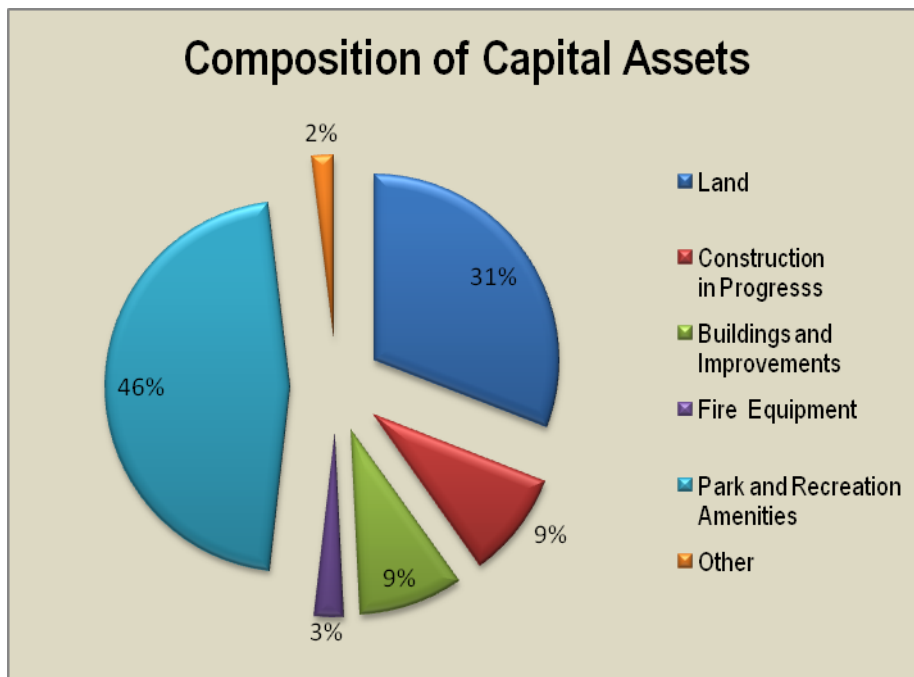
During fiscal year 2011, the Board of Directors of the Township amended the budget for the General fund four times. The amendments related to capital carryovers from 2010, an adjustment to capital reserves based on the final audit, an increase for contracted services, additional capital projects, and additional expenditures for drought response. The final amended budget indicated the Township would increase its General fund balance by \$6.6 million.

The actual revenues for the year totaled \$66.4 million, which were \$2.3 million higher than the final budget. The primary reasons for the favorable variance include collections of tax revenues in excess of budgeted amounts offset by a small unfavorable variance in interest earning and program service fees. Actual expenditures for the year were \$65.9 million, an amount \$1.1 million lower than the final budget. The primary reasons for the favorable variance are savings in salaries and benefits because of open positions throughout the year and less than anticipated expenditures in law enforcement contracted services.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Township’s investment in capital assets for its governmental activities as of December 31, 2011 amounted to \$168.2 million (net of accumulated depreciation). This amount represents a net increase (including additions and deductions) of \$3.6 million over the prior year. The investment in capital assets includes land, buildings and improvements, park and recreation amenities, fire department equipment, information technology, construction in progress, and other machinery and equipment.



Major capital asset events during the ended December 31, 2011 included:

- The new building for the township home purchased in 2010 was refurbished and furnished.
- Construction of one fire station was completed, while the building of another fire station is in progress.
- Plans were completed and construction agreements were entered into for the building of a new central fire station.

Additional information about capital assets can be found in Note 10 to the financial statements (page 41).

### Long-Term Debt

At December 31, 2011, the Township had total debt outstanding of \$112.8 million; an increase of \$6.3 million from the prior year's ending debt balance. During 2011, the Township issued \$9.9 million in general obligation bonds to finance fire fighting facilities and equipment, and to finance recreational facilities and equipment, and to pay costs of issuance related to the bonds.

	<u>2011</u>	<u>2010</u>
Debt instruments:		
Series 2001 Sales Tax and Hotel Occupancy Tax Bonds	\$ 0	\$ 1,555,000
Series 2009 Revenue Bonds	16,450,000	17,145,000
2010 Unlimited Tax Bonds	33,965,000	34,800,000
2010 Sales Tax and Hotel Occupancy Tax Refunding Bonds	40,340,000	40,800,000
2010 Sales Tax and Hotel Occupancy Tax Bonds	12,175,000	12,175,000
2011 Unlimited Tax Bonds	9,900,000	
Notes payable		<u>90,000</u>
Total debt instruments	<u>\$ 112,830,000</u>	<u>\$ 106,565,000</u>

Current ratings\* on debt issues are as follows:

	<u>MOODY'S</u>	<u>S&amp;P</u>	<u>MOODY'S</u>	<u>S&amp;P</u>
Unlimited Tax Bonds				
2010	NR	AA	NR	NR
2011	NR	AA	NR	NR
Sales and Hotel Occupancy Tax Bonds				
2009	A2	A+	NR	NR
2010 Refunding	A2	A+	Aa3 (negative)	AA (negative)
2010	A2	A+	Aa3 (negative)	AA (negative)

\*All ratings are stable outlook unless otherwise noted. NR means not rated.

Additional information on the Township's long-term debt can be found in Note 15 (page 47) to the financial statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Township's Board of Directors adopts an annual financial plan for each of the governmental funds and component units. The annual financial plans serve as the foundation for the Township's allocation of resources as well as long-range planning in conjunction with the Township's strategic plan.

The national, regional and local economies were carefully considered in the development of the 2012 budget. The budget was prepared with the goal of achieving certain key objectives, including:

- Meet short-term and long-term needs of the community
- Continue to provide high quality services and amenities
- Provide enhancements to services as needed and appropriate
- Maintain and replace capital assets and facilities as necessary
- Create financial flexibility for change conditions and opportunities
- Maintain or lower the property tax rate

Total revenue projections for 2012 equal \$85.0 million, which is a 6.0% increase from 2011 actual revenue of \$80.2 million. The increase is primarily the result of anticipated higher revenue from property taxes, sales taxes, hotel occupancy taxes and program fees.

Property tax revenue is based on a property tax rate of \$0.3250 applied to a taxable property value base of \$12.5 billion, an increase of \$500 million from last year's tax base of \$12.0 billion. Total property tax revenue is projected to be \$40.5 million, an increase of \$850,000 or 2.1% from 2011. Revenue from property tax comprises 49% of total revenue.

Sales tax revenue for 2012 is projected to be \$35.8 million, which is a 2% increase over the \$35.0 million collected for 2011. Revenue from an eight percent hotel occupancy tax are anticipated to generate \$5.5 million, which is an 15% increase from the 2011 total of \$4.8 million that was generated from a seven percent tax rate.

The 2012 budget includes \$96.5 million in expenditures, representing an 11% increase over the 2011 total of \$87.0 million. The increase is primarily related to expenditures for capital projects, which are \$5.0 million higher than 2011. The 2012 budget of \$17.2 million for capital assets includes expenditures for new parks and pathways as well as renovations to existing amenities, construction of a new central fire station, and acquisition of two ladder fire trucks. Additional capital investments for information technology are also scheduled in 2012.

Operating expenditures for The Woodlands Fire Department increased significantly in the budget primarily due to the opening of Fire Station #7 and #8 in 2012 and 2011, respectively, and for related costs of maintenance and operations of the new fire stations. As a result of growth in the community, parks and recreation expenses for contracted services, utilities, and maintenance increased, as well as costs for streetscape maintenance.

Operating expenditures for The Woodlands Convention and Visitors Bureau, a blended component unit of the Township increased. The increase in expenditures is primarily for the water cruiser program and is mostly offset by revenue generated by the program.

Debt Service requirements will increase \$1.0 million primarily due to debt payments related to the issuance of Unlimited Tax Bonds in November 2011 and February 2012.

## **REQUESTS FOR INFORMATION**

This financial report provides a general overview of the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: The Woodlands Township, Attention: Assistant General Manager – Finance and Administration, 2801 Technology Forest Blvd, The Woodlands, Texas 77381.

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# **BASIC FINANCIAL STATEMENTS**

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## The Woodlands Township

Statement of Net Assets as of December 31, 2011

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### ASSETS

Cash and cash equivalents	\$ 85,332,507
Receivables, net	26,486,010
Prepaid expenses	1,307,779
Capital lease receivable	2,712,843
Capitalized bond issuance costs, net	2,971,277
Capital assets not being depreciated	67,570,443
Capital assets, net of depreciation	<u>100,630,637</u>
<b>TOTAL ASSETS</b>	<b><u>287,011,496</u></b>

### LIABILITIES

Accounts payable and accrued liabilities	6,997,370
Accrued interest payable	1,570,645
Deferred revenue	40,812,129
Long-term liabilities:	
Due within one year:	
Bonds payable	4,646,907
Compensated absences	118,594
Deferred revenue related to operating lease	177,500
Due in more than one year:	
Bonds payable	109,930,576
Net other postemployment benefit liability	94,048
Deferred liability related to capital lease	253,944
Deferred revenue related to operating lease	<u>1,863,750</u>
<b>TOTAL LIABILITIES</b>	<b><u>166,465,463</u></b>

### NET ASSETS

Invested in capital assets net of related debt	65,271,080
Restricted for future capital projects	17,167,406
Restricted for debt retirement	3,197,965
Restricted for healthcare obligations	800,000
Restricted for cultural events/education	72,144
Unrestricted	<u>34,037,438</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 120,546,033</u></b>

*See accompanying notes to financial statements.*

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## The Woodlands Township

Statement of Activities for the year ended December 31, 2011

	<u>EXPENSES</u>	<u>PROGRAM REVENUE</u>			<u>GOVERNMENTAL ACTIVITIES</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
<u>Functions/Programs</u>					
Primary government:					
General and administrative	\$ 8,918,830	\$ 430,391		\$ 1,011,097	\$ (7,477,342)
Public safety	28,154,907	577,075			(27,577,832)
Parks and recreation	18,312,703	2,924,756			(15,387,947)
Economic development	5,368,027	755,078	\$ 213,319		(4,399,630)
Community services	12,662,126	112,386			(12,549,740)
Community relations	1,272,425	28,397	14,400		(1,229,628)
Interest expense	4,227,963				(4,227,963)
Debt issuance costs and other	105,238				(105,238)
Total primary government	<u>\$ 79,022,219</u>	<u>\$ 4,828,083</u>	<u>\$ 227,719</u>	<u>\$ 1,011,097</u>	<u>(72,955,320)</u>
General revenue:					
Taxes:					
Property					39,657,768
Sales					35,021,092
Hotel occupancy					4,807,693
Events admission					729,078
Investment earnings					320,152
Loss on disposal of property					(266,009)
Total general revenue					<u>80,269,774</u>
Change in net assets					7,314,454
Net assets, beginning of year					<u>113,231,579</u>
Net assets, end of year					<u>\$ 120,546,033</u>

*See accompanying notes to financial statements.*



# The Woodlands Township

## Balance Sheet – Governmental Funds as of December 31, 2011

ASSETS	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Cash and cash equivalents	\$ 60,953,854	\$ 17,167,406	\$ 7,211,247		\$ 85,332,507
Receivables, net	21,388,574		1,112,645	\$ 3,984,791	26,486,010
Due from other funds	4,385,665	12,481,122	1,916,133		18,782,920
Prepaid expenditures	1,307,779				1,307,779
Long-term receivables from other funds	<u>6,562,558</u>				<u>6,562,558</u>
<b>TOTAL ASSETS</b>	<u>\$ 94,598,430</u>	<u>\$ 29,648,528</u>	<u>\$ 10,240,025</u>	<u>\$ 3,984,791</u>	<u>\$ 138,471,774</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 6,475,976			\$ 455,355	\$ 6,931,331
Due to other funds	14,397,255	\$ 841,215	\$ 15,014	3,529,436	18,782,920
Deferred revenue	38,257,532		2,554,597		40,812,129
Long-term payable to other funds				<u>6,562,558</u>	<u>6,562,558</u>
Total liabilities	<u>59,130,763</u>	<u>841,215</u>	<u>2,569,611</u>	<u>10,547,349</u>	<u>73,088,938</u>
Fund balances:					
Nonspendable:					
Prepaid expenditures	1,307,779				1,307,779
Long-term receivables	6,562,558				6,562,558
Restricted for:					
Capital projects		17,167,406			17,167,406
Committed for:					
Capital projects		8,787,490			8,787,490
Debt service			7,670,414		7,670,414
Economic development reserve		2,852,417			2,852,417
Healthcare obligation	800,000				800,000
Cultural events/education	72,144				72,144
Assigned for:					
Operating reserve	17,303,414				17,303,414
Drought remediation	1,886,100				1,886,100
Unassigned	<u>7,535,672</u>			<u>(6,562,558)</u>	<u>973,114</u>
Total fund balances	<u>35,467,667</u>	<u>28,807,313</u>	<u>7,670,414</u>	<u>(6,562,558)</u>	<u>65,382,836</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 94,598,430</u>	<u>\$ 29,648,528</u>	<u>\$ 10,240,025</u>	<u>\$ 3,984,791</u>	<u>\$ 138,471,774</u>

*See accompanying notes to financial statements.*

## The Woodlands Township

### Reconciliation of the Balance Sheet – Government Funds to the Statement of Net Assets for the year ended December 31, 2011

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Total fund balances, governmental funds	\$ 65,382,836
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in government activities are not current financial resources and therefore are not reported in the fund financial statements.	168,201,080
Certain deferred revenue is not earned in the current period and therefore are not reported in fund financial statements.	
Deferred revenue related to operating lease	(2,041,250)
Unearned financing premiums	(1,747,483)
Certain assets included in the statement of net assets are not available to pay current period expenditures and are therefore not reported as assets in the fund financial statements.	
Capital lease receivable	2,712,843
Capitalized bond issuance costs, net	2,971,277
Some liabilities that are not due and payable in the current period are not reported as liabilities in the fund financial statement, but are reported in the governmental activities of the statement of net assets.	
Bonds payable	(112,830,000)
Accrued interest payable	(1,570,645)
Deferred liability related to capital lease	(253,944)
Compensated absences	(118,594)
Accrued rent on office space	(66,039)
Net other postemployment benefit liability	(94,048)
Net assets of governmental activities in the statement of net assets	<u>\$ 120,546,033</u>

*See accompanying notes to financial statements.*

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# The Woodlands Township

## Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds for the year ended December 31, 2011

	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
<b>REVENUE:</b>					
Property taxes	\$ 37,131,159		\$ 2,526,609		\$ 39,657,768
Sales taxes	17,555,890			\$ 17,465,202	35,021,092
Hotel occupancy taxes	4,807,693				4,807,693
Events admission taxes	729,078				729,078
Investment earnings	82,598	\$ 13,965	124,480	35	221,078
Investment earnings from other funds	446,839				446,839
Proceeds from disposal of assets	502,045				502,045
Program service fees and grants	5,131,477				5,131,477
<b>Total revenue</b>	<b>66,386,779</b>	<b>13,965</b>	<b>2,651,089</b>	<b>17,465,237</b>	<b>86,517,070</b>
<b>EXPENDITURES:</b>					
General and administrative	8,257,871				8,257,871
Public safety	26,604,702				26,604,702
Parks and recreation	12,705,645				12,705,645
Economic development	4,357,661			886,793	5,244,454
Community services	12,543,864				12,543,864
Community relations	1,245,903				1,245,903
Capital outlay	184,791	11,930,352			12,115,143
Interest expense to other funds				446,839	446,839
Debt service:					
Principal			3,545,000		3,545,000
Interest			4,157,659		4,157,659
Bond issuance costs		169,580			169,580
<b>Total expenditures</b>	<b>65,900,437</b>	<b>12,099,932</b>	<b>7,702,659</b>	<b>1,333,632</b>	<b>87,036,660</b>
Excess (deficiency) of revenue over (under) expenditures	486,342	(12,085,967)	(5,051,570)	16,131,605	(519,590)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	15,382,336	4,458,586	6,293,547		26,134,469
Transfers out	(10,721,637)		(30,496)	(15,382,336)	(26,134,469)
Proceeds from issuance of bonds		9,900,000			9,900,000
Financing premium		51,493			51,493
<b>Total other financing sources (uses)</b>	<b>4,660,699</b>	<b>14,410,079</b>	<b>6,263,051</b>	<b>(15,382,336)</b>	<b>9,951,493</b>
<b>CHANGES IN FUND BALANCES</b>	<b>5,147,041</b>	<b>2,324,112</b>	<b>1,211,481</b>	<b>749,269</b>	<b>9,431,903</b>
Fund balances, beginning of year	30,320,626	26,483,201	6,458,933	(7,311,827)	55,950,933
Fund balances, end of year	\$ 35,467,667	\$ 28,807,313	\$ 7,670,414	\$ (6,562,558)	\$ 65,382,836

See accompanying notes to financial statements.

## The Woodlands Township

### Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities for the year ended December 31, 2011

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Changes in fund balances \$ 9,431,903

Amounts reported for governmental activities in the statement of activities are different because:

Government funds report outlays for capital assets as expenditures because such outlays use current financial resources. The statement of activities recognizes the cost of outlays allocated over estimated useful lives as depreciation expense.

Capital outlays	12,115,143
Depreciation expense	(8,029,744)

Governmental funds do not recognize as revenue contributions of real property and related debt because such contributions do not increase current financial resources.

Donated land from the developer	857,921
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Governmental funds report proceeds of sales of real property as current financial resources. The statement of activities report proceeds of sales of real property less the net book value of the disposed assets as gains (losses) on disposal of assets.

Proceeds of sale of real property	(502,045)
Loss on disposal of property	(266,009)

Governmental funds do not recognize revenue that is not available to pay current obligations.

Garage lease revenue	176,574
Accrued rent not reflected in governmental funds	24,015

Governmental funds report bond proceeds as current financial resources. The statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. The statement of activities treats such repayments as a reduction in long-term liabilities.

Principal retirement on debt and bond refunding	3,545,000
Proceeds from debt issuance	(9,900,000)
Financing premiums	(51,493)
Bond issuance costs	169,580

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.

Accrued interest	(70,304)
Amortization of bond issuance related costs	(232,145)
Amortization of financing premiums	126,907
Net other postemployment benefit liability	(52,660)
Compensated absences	(28,189)

Change in net assets of governmental activities	<u>\$ 7,314,454</u>
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*See accompanying notes to financial statements.*

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## The Woodlands Township

Notes to Financial Statements for the year ended December 31, 2011

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### NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

#### ORGANIZATION

As an independent political subdivision of the State of Texas, The Woodlands Township (the Township) is considered a Primary Government for financial reporting purposes; its activities are not considered a part of any other governmental or other type of reporting entity. Considerations in determining the Township's financial reporting entity status as a primary government include: a separate elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

In November 2007, the voters of the Township authorized the Township's Board of Directors to assess, levy, and collect an annual ad valorem tax on a uniform basis upon all taxable property included within its expanded boundaries. In February 2008, a Transition Agreement was executed to consolidate community services into one unified governing body. The agreement and subsequent amendments outline general terms, funding commitments, organizational timelines, and terms of conveyance for certain assets, liabilities, and functions. The seven parties to the Transition Agreement include: property owners associations (The Woodlands Community Association, Inc., The Woodlands Association, Inc., The Woodlands Commercial Owners Association, Inc., collectively referred to as the Associations); service companies (The Woodlands Community Service Corporation, The Woodlands Fire Department, Inc., The Woodlands Recreation Centers, Inc., collectively referred to as the Service Companies); and the Township. Upon implementation by the Township of an ad valorem tax, all community service functions, previously the responsibility of the Associations became the responsibility of the Township.

In accordance with the Transition Agreement, a property tax was assessed on October 1, 2009. The levy of the ad valorem tax initiated the transfer and subsequent assumption by the Township of certain assets, liabilities, and functions previously owned and/or provided by the Associations and the service companies.

Effective January 1, 2010, according to provisions of the Transition Agreement, the Township has:

- A seven-member, fully elected governing body;
- Assumed the assets, liabilities, and responsibilities of the Service Companies;
- Fully funded all community services previously provided by the Service Companies.

As required by generally accepted accounting principles, these statements include the Township and its component units, entities for which the Township is considered to be financially accountable. The component units are included in the Township's reporting entity because of the significance of their operational or financial relationships with the Township. The Township is financially accountable if it appoints a voting majority of an organization's governing board and is able to impose its will on the organization or there is a potential for the organization to provide a specific financial burden on the Township. The Township is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the Township's financial statements to be misleading or incomplete.

Certain component units, although legally separate entities, may be in substance, part of the government's operations and may be combined or blended with the data of the Township while other component units maybe discretely presented. The Township has two blended component units and no discretely presented component units.

#### **Blended Component Units**

***The Woodlands Fire Department, Inc.*** – The Woodlands Fire Department, Inc. (the Fire Department) was organized as a §501(c)(3) organization to provide fire protection, emergency medical services, and related educational and charitable activities in the Township. The seven-member Board of Directors of the Township serves as the Fire Department's Board of Directors. The Township holds title to all capital assets of the Fire Department and leased the assets back to the Fire Department for a nominal amount each year. The Township

provided administrative support at no cost to the Fire Department and provided substantively all the financial support for the Fire Department. Effective January 1, 2012, the operations of the Fire Department were fully integrated with the Township and the separate legal entity was dissolved.

***The Woodlands Convention and Visitors Bureau*** – The Woodlands Convention and Visitors Bureau (CVB), a §501(c)(6) organization, was created in 2006 by the Township’s Board of Directors. The organization implements programs and produces events to promote local hotels, amenities, attractions, restaurants, and retailers. By attracting visitors to the area, the CVB helps stimulate demand for The Woodlands as a travel destination and stimulates economic development. The CVB provides services to help create new revenue for businesses and enhance sales and hotel occupancy tax collections for the Township. Tax revenue generated by the tourism industry is reinvested in community projects and programs.

The CVB is a blended component unit of the Township because of the ability of the Township to exert its will on CVB’s Board of Directors and the financial burden of the Township for the CVB. Members are elected by the Board of Directors of the Township or appointed by the CVB Board of Directors. Currently, the Township is the only member of the CVB. As of December 31, 2011, the CVB’s seven-member Board was composed of three Township Directors, the President of the Township and three community business leaders. The CVB and Township have executed a service agreement whereby the Township employs all staff of the CVB and provides administrative support at no cost to the CVB. The Township provides substantively all of the support of the CVB.

Transactions and internal balances between the general fund and the component units have been eliminated in both the government-wide and fund financial statements.

#### **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present information on all of the activities of the primary government and its component units. Certain eliminations have been made as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34 related to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets have been eliminated.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue includes a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or activity, and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenue is reported instead as general revenue.

When both restricted and unrestricted resources are available for use, it is the Township’s policy to use restricted resources first, then unrestricted resources as they are needed. None of the government-wide net assets are restricted by the Township’s enabling legislation.

The governmental fund financial statements include a Balance Sheet and a Statement of Revenue, Expenditures and Changes in Fund Balances for all governmental funds and non-major aggregated funds. The Township considers all funds major funds because the financial position and activities are significant to the Township as a whole. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the government-wide financial statements.

#### **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

**Government-Wide Financial Statements** – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the donor have been met.

**Fund Financial Statements** – The governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Revenue susceptible to accrual includes property tax, sales tax, hotel occupancy tax, events admission tax, program service fees and grants. Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for debt service expenditures which are recognized when due. Investment earnings are recorded on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

### **Government Fund Types**

The Township reports the following major governmental funds as separate columns in the fund financial statements:

The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The **Capital Projects Fund** is used to account for proceeds from long-term debt financing and revenue and expenditures related to authorized construction projects, capital reserves, and other capital asset acquisitions.

The **Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on the bonded debt of the Township. The primary source of revenue for debt service is hotel occupancy tax and one-half of one percent of sales tax collected within the Township.

The **Special Revenue Fund** is used to account for the proceeds from specific revenue sources that are designated for special purposes. The Special Revenue Fund includes approved projects funded through The Woodlands Township Economic Development Zone (the Zone). The Zone was established to further the promotion and stimulation of business, commercial and economic activity in the Zone as well as the Township.

### **ASSETS, LIABILITIES AND FUND BALANCES/NET ASSETS**

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, demand deposits, certificates of deposit, short-term investments in privately managed public funds investment pools, and sweep accounts.

#### **Prepaid Expenses**

Prepaid expenses reflect payments to vendors for costs applicable to future accounting periods and are recorded as prepaid assets in both the government-wide and fund financial statements using the consumption method of accounting.

#### **Capital Assets**

Purchases of capital assets used in governmental activities are recorded as expenditures of the appropriate fund in governmental funds statements, and as assets in the government-wide financial statements, to the extent the Township's capitalization threshold is met. Depreciation is recorded on capital assets on a government-wide basis. All assets (donated and purchased) are recorded at cost or at the estimated fair value at the date of acquisition or donation. Capital assets and improvements are capitalized as constructed and subsequently depreciated over their estimated useful lives on a straight-line basis at the government-wide level. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available.

The Township does not use the modified approach for infrastructure reporting. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' useful lives are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. The Township currently capitalizes additions and transfers of sound system equipment, computer equipment, and wayfinding signs as systems, regardless of each individual component's value in relation to the capitalization threshold. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and the resulting gain or loss is included in the results of operations.

The Township's Board of Directors has adopted a capitalization policy for reporting capital assets which exceed \$5,000 in cost and have a useful life greater than one year. The straight-line method of depreciation is applied over the following estimated useful life for the type of assets:

<u>ASSET DESCRIPTION</u>	<u>ESTIMATED USEFUL LIFE</u>
Parks and land improvements	20 to 30 years
Equipment	5 to 20 years
Buildings and garages	20 to 40 years
Leasehold improvements	Lease term
Land	Not applicable
Construction in progress	Not applicable

From time to time, the Township accepts donations of public art, sculptures, and mosaics which are maintained for public enjoyment and not held for resale. These are considered non-depreciable assets.

### **Interfund Transactions**

Interfund transactions are transactions that occur between individual funds during the course of routine operations. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Transactions between funds that would be reported as revenue and expenditures if they involved organizations external to the Township are accounted for as revenue and expenditures in the applicable funds. Transactions that constitute reimbursements to a fund for expenditures initially made from that fund, which are properly attributable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of the expenditures in the fund that is reimbursed. Other legally authorized transfers are treated as operating or residual equity transfers and are included in the results of operations of the governmental funds.

### **Compensated Absences**

Annual paid time off is granted to employees who work in excess of 1,000 hours per year. Any unused paid time off in excess of 40 hours lapses at the end of each fiscal year, unless exception to this policy is approved in writing by the President of the Township. The Township allows employees to be compensated for paid time off upon leaving the employment of the Township. Compensated absences are recorded in the General Fund.

### **Fund Balances and Net Assets**

Fund balances are classified based upon the relative strength of spending constraints placed upon the purposes for which resources can be used as follows:

- *Nonspendable fund balance* includes amounts that are either not in spendable form or are legally or contractually required to be maintained intact.
- *Restricted fund balance* includes amounts constrained to specific purposes by resource providers through constitutional provisions or by enabling legislation.
- *Committed fund balance* includes amounts constrained to specific purposes by the Township by its highest level of decision-making authority which is Board resolution.
- *Assigned fund balance* includes amounts that represent tentative plans for future use of the Township's financial resources as outlined in adopted financial plans.
- *Unassigned fund balance* includes amounts that are available the Township's future use for any purpose.



Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Township or through external restrictions imposed by donors. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed. When both committed and unassigned resources are available, it is The Township's policy to use committed resources first.

## **Program Revenue**

Program revenue primarily represents fees for services related to the use of the Township's recreational facilities.

## **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, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

## **NOTE 2 – ACCOUNTABILITY AND COMPLIANCE**

### **New Accounting Standards**

During fiscal year 2011, the Township adopted the following GASB Statements:

Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, affected the presentation of fund balances on the governmental funds balance sheets.

Statement No. 59, *Financial Instruments Omnibus*. Adoption of this statement did not have a significant impact on the Township's financial statements.

The GASB has issued the following statements which will be effective in future years as described below:

Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, is effective for the Township beginning in fiscal year 2012. This statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer, other postemployment benefit (OPEB) plans and clarifies when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers.

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, is effective for the Township beginning in fiscal year 2013. This statement addresses how to account for and report service concession arrangements (SCAs) by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators.

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, is effective for the Township beginning in fiscal year 2013. This statement improves financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of the entity.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, is effective for the Township beginning in fiscal year 2013. The objective of this statement is to incorporate into the GASB authoritative literature certain accounting and financial reporting guidance included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This statement will improve financial reporting by contributing to the GASB efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is effective for the Township in fiscal year 2012. The objective of this statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their impact on the entities net position. This statement will have the impact of changing the definition of the residual measure (net assets) to incorporate deferred inflows and outflows of resources and renaming that residual measure as net position.

Statement No. 65, *Items Previously reported as Assets and Liabilities*, is effective for the Township in fiscal year 2013. It provides clarifications relating to the reporting of deferred inflows of resources and deferred outflows of resources to ensure consistency in financial reporting. It also provides financial reporting guidance related to the financial statement elements and the changes in those on the determination of major funds.

Statement No. 66, *Technical Corrections*, is effective for the Township in fiscal year 2013. The objective of this statement is to improve financial reporting by resolving conflicting guidance from the issuances of Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Additionally, the statement amends disclosures required by Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and clarifies the application of accounting standards related to operating leases.

Statement No. 68, *Accounting and Financial Reporting for Pensions*, is effective for the Township in fiscal 2015. The objective of this statement is to improve the way governmental entities report pension liabilities. It enhances accountability and transparency through revised and new disclosures in the notes and in required supplemental information. The statement requires that net pension liabilities be reported on the statement of financial position. The statement requires more extensive note disclosures and required supplementary information.

The Township has not yet determined the impact of implementing the above new pronouncements.

### **Annual Financial Plan**

The Township does not adopt annual appropriated budgets for its funds. However, the Board does adopt annual financial plans for the General Fund. The plans are reviewed by management and the Board throughout the year to control and enhance the Township's operating results. The Board generally considers the Township's final annual actual operating results for all funds representative of the Township's annual financial plans for that year. Encumbrances are liquidated or accrued at the close of each fiscal year.

### **Deficit Fund Balances**

The Special Revenue Fund has a deficit fund balance of \$6.7 million as of December 31, 2011. In accordance with the project and financing plans adopted by the Board of the Zone, this deficit relates specifically to the cost of construction for Town Green Park and Waterway Square. The Township financed the construction of the projects and will receive repayments from future incremental sales tax revenue collections generated by the Zone. The capital outlay expenditures and related interfund liability to the General Fund are recorded in the Special Revenue Fund. The combined project plans for these two projects allow for the repayment of up to \$8.6 million in approved project costs.

### NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Township’s cash and cash equivalents and investments at December 31, 2011 consist of the following:

Cash on hand	\$ 4,056
Demand deposits	9,163,949
Certificates of deposit	3,818,470
Repurchase agreements	1,877,188
Investments:	
Money market mutual funds	389,983
TexSTAR	22,197,203
TexPool	<u>47,881,658</u>
Total cash and cash equivalents and investments	<u>\$ 85,332,507</u>

These amounts are reported as cash and cash equivalents in the accompanying Statement of Net Assets as of December 31, 2011.

#### Authorization for Deposits and Investments

The Texas Public Funds Investment Act, as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the Township. In accordance with the Township’s Investment Policy, authorized investments include the following:

- Obligations of the United States government or its agencies and instrumentalities;
- Direct obligations of the State of Texas or its agencies;
- Other obligations, of which the principal and interest are unconditionally guaranteed or insured by the State of Texas;
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent;
- Certificates of deposit issued by an approved institution domiciled in the State of Texas;
- Fully collateralized repurchase agreements;
- Collateralized mortgage obligations by a federal agency or instrumentality of the United States;
- Banker’s acceptance notes;
- Commercial paper with a stated maturity of 270 days or fewer;
- No-load money market mutual funds;
- Investment pools; and
- Guaranteed investment contracts

#### Investments and Interest Rate Risk

The Township’s investments are reported at fair value and include short-term investments in privately-managed investment pool accounts and Securities and Exchange Commission (SEC) registered money market mutual funds. TexPool and TexSTAR are Texas Local Government Investment Pools, which operate in a manner consistent with SEC Rule 2a-7 of the Investment Company Act of 1940 and fully comply with the Texas Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These investment pools use amortized cost rather than market value to report net assets and to compute share prices. Accordingly, the fair value of the position in TexPool and TexSTAR is the same value as the number of shares owned. The INVESCO AIM MM is a no-load money market mutual fund. As of December 31, 2011, the Township had investments with the following maturities and credit quality:

<u>INVESTMENT</u>	<u>FUND</u>	<u>FAIR VALUE</u>	<u>WAM</u>	<u>S&amp;P RATINGS</u>
TexPool	General	\$ 47,881,658	<90 days	AAAm
TexSTAR	General	3,263,345	<90 days	AAAm
TexSTAR**	General	800,000	<90 days	AAAm
TexSTAR	Capital Projects	17,167,406	<90 days	AAAm
TexSTAR	Debt Service	966,452	<90 days	AAAm
INVESCO AIM MM	General	<u>389,983</u>	<60 days	AAAm
Total investments		<u>\$ 70,468,844</u>		

\*\*Account restricted for health insurance claims contingency fund.

In accordance with its Investment Policy, the Township manages its exposure to any decline in fair values by limiting the maturity of each investment to a period no longer than ninety (90) days. Additional authorization is required for periods exceeding ninety (90) days; however, in no event shall the maturity of any individual investment owned by the Township exceed two (2) years, unless otherwise specifically stated in the Investment Policy.

### Deposits and Custodial Credit Risk

State statutes require that all the Township's deposits in financial institutions be fully collateralized by depository insurance or by certain government obligations that have a market value of not less than the principal amount of the deposits. Furthermore, the Township's Investment Policy further restricts the value of such collateral to not less than 110% of the principal amount of the uninsured deposit. As of December 31, 2011, the Federal Depository Insurance Corporation (FDIC) covered unlimited deposits held in noninterest bearing accounts and up to \$250,000 per depositor for interest bearing accounts.

At December 31, 2011, the following deposits including accrued interest as of December 31, 2011, were properly collateralized or insured in accordance with state requirements:

<u>BANK</u>	<u>TYPE</u>	<u>FUND</u>	<u>FAIR VALUE</u>	<u>MATURITY</u>
Encore Bank	Certificate of Deposit	General	\$3,083,192	357 days
Encore Bank	Certificate of Deposit	Debt Service	\$735,278	39 days
HypoVereinsbank*	Repurchase Agreements	Debt Service	\$1,877,188	5,899 days

\*Separately authorized in connection with debt covenants to establish a Debt Service Reserve fund.

The carrying value of demand deposits of the primary government at December 31, 2011 was \$9,163,949 and the related bank balances were \$11,399,536. Consistent with the Township's policies, all deposits in financial institutions are fully collateralized.

### NOTE 4 – RECEIVABLES AND DEFERRED REVENUE

Receivables as of year-end for the Township's individual major funds, including allowances for uncollectible accounts, are as follows:

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL</u>
Property tax	\$ 16,443,968		\$ 1,086,593		\$ 17,530,561
Sales tax	3,989,590			\$ 3,984,791	7,974,381
Hotel occupancy tax	437,264				437,264
Events admission tax	52,798				52,798
Other receivables	<u>666,076</u>		<u>36,918</u>		<u>702,994</u>
Total receivables	21,589,696		1,123,511	3,984,791	26,697,998
Less: allowance for uncollectible accounts	<u>(201,122)</u>		<u>(10,866)</u>		<u>(211,988)</u>
Receivables, net	<u>\$ 21,388,574</u>	<u>\$ 0</u>	<u>\$ 1,112,645</u>	<u>\$ 3,984,791</u>	<u>\$ 26,486,010</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred revenue reported in the governmental funds consists of unavailable property tax of \$17,356,820 and unearned property tax revenue of \$23,455,309.

#### **NOTE 5 – PROPERTY TAX**

Property taxes are levied by October of each year in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Montgomery County Appraisal District establishes property values. Taxes are levied by the Township based on the appraised values and operating needs of the Township. Montgomery County performs billing and collection of tax levies.

#### **NOTE 6 – SALES TAX**

On November 2, 1993, the voters of the Township authorized the Board to levy and collect one percent sales tax within the Township, subject to the applicable provisions of the Texas Tax Code. Prior to the 2010 fiscal year, the Township relied on this tax for the funding of substantially all of its programs, functions and services. Beginning with the 2010 fiscal year, an ad valorem tax was levied (See Note 5).

On November 6, 2007, the voters of the Township authorized the Board to expand the boundaries of the Township in which the base one percent sales tax is collected effective April 1, 2008. In addition, following a public hearing on November 16, 2007, the existing economic development zones were reorganized as the Zone. At that time, the Zone's Board imposed an incremental one percent sales tax within the boundaries of the expanded Township, but by order dated March 26, 2008, the Board of the Zone temporarily excluded the Harris County area from its boundaries. Collections of the incremental sales tax will be used exclusively to fund fire protection services and select improvement projects as approved by the Board.

The Township recorded revenue of \$17,555,890 in the General Fund and \$17,465,202 in the Special Revenue Fund from the levy of sales tax for the fiscal year ended December 31, 2011.

#### **NOTE 7 – HOTEL OCCUPANCY TAX**

The Township Act (as amended by Senate Bill 26) provides for the assessment of a hotel occupancy tax of up to 7% of the price paid for a hotel room. By Board order, the Township has imposed the maximum 7% tax, effective September 1, 1997. As provided by the Township Act, the Township can apply the proceeds from a hotel occupancy tax for any of the Township's purposes and for purposes described by Section 352.1015 of the Texas Tax Code, to the extent considered appropriate by the Board. Generally, proceeds are used for the costs to advertise and promote tourism and costs related to business development and commerce, including financing and operating improvement projects for conventions, trade shows and similar events.

#### **NOTE 8 – EVENTS ADMISSION TAX**

The Township's enabling legislation provides for the imposition of an Events Admission tax on the price of admission to certain events. By Board order, effective January 1, 2011, a 5% tax has been assessed on the price of tickets sold for events at The Cynthia Woods Mitchell Pavilion (the Pavilion). Under the terms of an agreement with The Center For The Performing Arts At The Woodlands (the Center), 90% of the taxes collected are remitted to the Center to be used for certain costs related to the operations of the Pavilion. The remaining 10% is to be used by the Township for promotion, funding or support of cultural events held elsewhere in the Township. The agreement is in effect through December 31, 2030.

**NOTE 9 – GRANT REVENUE**

The Brazos Transit District has awarded the Township an initial intergovernmental contract for the period January 2011 through December 2015 to provide funding of certain expenses related to the Township’s operation of the Waterway Cruiser system. Annual federal funds provided are \$150,000. During 2011, grant funds received were \$213,319.

**NOTE 10 – CAPITAL ASSETS**

The Township’s investment in capital assets at December 31, 2011 consists of the following:

	BALANCE JANUARY 1, 2011	ADDITIONS	COMPLETING/ DISPOSALS	BALANCE DECEMBER 31, 2012
Depreciable capital assets:				
Parks and pathways	\$ 126,462,652	\$ 2,923,685		\$ 129,386,337
Equipment	19,427,303	1,998,489	\$ (126,694)	21,299,098
Buildings and leasehold improvements	<u>20,372,047</u>	<u>3,911,770</u>	<u>(1,545,503)</u>	<u>22,738,314</u>
Depreciable capital assets, at cost	166,262,002	8,833,944	(1,672,197)	173,423,749
Accumulated depreciation:				
Parks and pathways	(45,928,369)	(5,551,958)		(51,480,327)
Equipment	(12,356,557)	(1,591,987)	126,042	(13,822,502)
Buildings and leasehold improvements	<u>(7,004,551)</u>	<u>(885,799)</u>	<u>400,067</u>	<u>(7,490,283)</u>
Total depreciable capital assets, net	<u>100,972,525</u>	<u>804,200</u>	<u>(1,146,088)</u>	<u>100,630,637</u>
Nondepreciable capital assets:				
Land	52,002,210		(205,080)	51,797,130
Construction in progress	11,500,907	6,838,157	(2,699,037)	15,640,027
Sculpture and art	<u>133,286</u>			<u>133,286</u>
Total nondepreciable capital assets	<u>63,636,403</u>	<u>6,838,157</u>	<u>(2,904,117)</u>	<u>67,570,443</u>
Total capital assets, net	<u>\$ 164,608,928</u>	<u>\$ 7,642,357</u>	<u>\$ (4,050,205)</u>	<u>\$ 168,201,080</u>

For the year ended December 31, 2011 depreciation expense was charged to functions as follows:

General and administrative	\$ 615,713
Public safety	1,538,617
Parks and recreation	5,607,057
Economic development	123,573
Community services	118,262
Community relations	<u>26,522</u>
Total depreciation expense	<u>\$ 8,029,744</u>

In May 2008, the Township assumed management, maintenance, and operational responsibilities of The Woodlands Waterway (the Waterway) in accordance with the Waterway Maintenance, Use and Operations Agreement between The Woodlands Land Development Company (the Development Company) and the Township. The Waterway is considered a significant component of the pedestrian and transit corridor within the Town Center of the Township. Over a fifteen-year period, the Waterway will be fully conveyed to the Township by special warranty deed and fee transfers. In accordance with generally accepted accounting principles for capital assets maintained by a governmental entity, the Township has recorded the Waterway based on the estimated fair value of the related easement and infrastructure improvements as of December 31, 2008. From time to time, the Development Company will convey title of developed assets to the Township. Conveyances are recorded at the cost of the project provided by the Development Company that approximates fair value.

**NOTE 11 – CAPITAL PROJECTS AND COMMITMENTS**

As of December 31, 2011 the Township had the following commitments:

<u>PROJECT</u>	<u>AMOUNT AUTHORIZED</u>	<u>SPENT TO DATE</u>	<u>REMAINING COMMITMENT</u>
Parks and Pathways Improvements	\$25,056,716	\$22,098,938	\$2,957,778
Central Fire Station	\$7,159,160	\$335,575	\$6,823,585
Township Headquarters	\$2,775,948	\$2,016,548	\$759,400
Fire Station #7	\$2,130,139	\$2,063,105	\$67,034
Fire Equipment	\$1,969,282		\$1,969,282
Township Vehicle	\$24,442		\$24,442

In addition to these projects, the Township Board entered into an agreement for governance consulting for a three year period in the amount of \$200,400. At December 31, 2011, \$76,313 of the commitment remained.

In 2007, the Township executed Regional Participation Agreements (RPAs) with the City of Houston and the City of Conroe. Each agreement established a regional participation fund or escrow account for mutually beneficial projects within the applicable region; defined payment terms, eligible projects, accounting for deposits, annexation deferral terms, as well as other contractual terms and conditions; and, provided an initial list of new improvement projects or those which will enhance existing public works. The RPAs require the Township to remit periodic deposits for an unlimited duration into each regional participation fund in the amount of 1/16<sup>th</sup> of one percent of the sales tax collections from within the boundaries of the Township in each City’s extra territorial jurisdiction. In 2011, the Township remitted \$1,069,153 to the funds. This amount is included in the expenditures for economic development.

**NOTE 12 – INTERFUND BALANCES AND TRANSFERS**

Interfund receivables and payables as of December 31, 2011 are as follows:

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
General	Special Revenue	\$ 3,529,436
General	Capital Projects	841,215
General	Debt Service	15,014
Capital Projects	General	12,481,122
Debt Service	General	<u>1,916,133</u>
Total interfund receivables and payables		<u>\$ 18,782,920</u>

The amount due to the General Fund from the Special Revenue Fund is for sales tax revenue to be transferred.

The outstanding balances between the General and Capital Projects Funds result mainly from the time lag between the period in which funds are designated and the period in which projects are completed.

As of December 31, 2011, interfund balances due from the General Fund to the Capital Projects Fund are as follows:

<u>PROJECT</u>	<u>BALANCE</u>
Vehicle purchase	\$ 28,442
Fire department protective gear and systems	46,214
Computer hardware purchases and upgrades	156,530
Aquatic facilities improvements	172,138
Fire station improvements	422,238
Township main building improvements	462,576
Software purchases and upgrades	560,870
Parks and pathways improvements	<u>2,755,720</u>
Total projects	<u>4,604,728</u>
<u>CAPITAL RESERVES BALANCE</u>	
Economic development reserve	2,852,417
Waterway Square improvements	578,395
Town Green Park	200,002
Signage	138,000
Town Center garage	55,220
Unallocated reserves	<u>4,052,360</u>
Total capital reserves	<u>7,876,394</u>
Total interfund balances due	<u>\$ 12,481,122</u>

All interfund balances are subject to collection in the subsequent year.

The related General Fund receivable and interest income, and Special Revenue Fund liability and interest expense for Town Green Park and Waterway Square expenditures are recorded in the fund financial statements only. The related interfund activity has been eliminated from the government-wide financials.

Interfund transfers for the year ended December 31, 2011 are as follows:

<u>TRANSFER OUT</u>	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL</u>
Special Revenue	\$ 15,382,336				\$ 15,382,336
General		\$ 4,428,090	\$ 6,293,547		10,721,637
Debt Service		<u>30,496</u>			<u>30,496</u>
Total	<u>\$ 15,382,336</u>	<u>\$ 4,458,586</u>	<u>\$ 6,293,547</u>	<u>\$ 0</u>	<u>\$ 26,134,469</u>
Transfers in	\$ 15,382,336	\$ 4,458,586	\$ 6,293,547		\$ 26,134,469
Transfers out	<u>(10,721,637)</u>		<u>(30,496)</u>	<u>\$ (15,382,336)</u>	<u>(26,134,469)</u>
Total	<u>\$ 4,660,699</u>	<u>\$ 4,458,586</u>	<u>\$ 6,263,051</u>	<u>\$ (15,382,336)</u>	<u>\$ 0</u>

Transfers for the year ended December 31, 2011 from the General Fund were made for the following purposes:

<u>TRANSFERS OUT FROM GENERAL FUND FOR</u>	<u>TRANSFERS IN</u>		
	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>TOTAL</u>
Capital reserves	\$ 4,428,090		\$ 4,428,090
Hotel occupancy tax		\$ 4,523,473	4,523,473
Sales tax pledged to Debt Service		<u>1,770,074</u>	<u>1,770,074</u>
Total transfer from General Fund	<u>\$ 4,428,090</u>	<u>\$ 6,293,547</u>	<u>\$ 10,721,637</u>



Transfers from the Special Revenue fund to the General Fund of \$15.4 million represent sales tax collections in the expanded Zone which are designated for fire protection services.

### **NOTE 13 – ECONOMIC DEVELOPMENT ZONE PROJECTS**

Created in November 2007 by resolution of the Township’s Board of Directors, The Woodlands Township Economic Development Zone’s boundaries overlay the expanded boundaries of the Township within Montgomery County in its entirety.

By agreement, the Township and the Zone have agreed that: 1) the Zone will pay the Township all net proceeds derived from the collection of a one percent sales tax within the Zone; 2) all amounts received from the Zone by the Township will be applied solely for the improvement projects described below; and 3) in consideration of the payments between entities, the Township will make staff available and provide administrative support at no cost to the Zone.

As noted, future sales tax revenue collections for the Zone have been committed for specific projects to the extent of actual collections. All Zone activity for the year is included in the Special Revenue Fund of the financial statements. The terms and obligations of repayment to third-party developers (net revenue payments) and the Township (priority payments) for each project are outlined below. In accordance with each financing plan, payments are contingent upon the actual receipt of sales tax collections within the Zone.

#### **The Cynthia Woods Mitchell Pavilion**

Approved in September 2000, project costs include the redevelopment, rehabilitation, expansion and enlargement of the Pavilion by the Center.

In accordance with the approved financing plan, a one-percent incremental sales tax collected within the entertainment venue, along with any interest earnings, are allocated to the payment of project costs as identified in the project plan until: 1) October 1, 2020, or 2) the aggregate amount of payments for project costs equals \$1,350,000, whichever occurs first. Payments to the Pavilion are recorded as economic development expenditures in the tax increment fund for the project. As of December 31, 2011, all payments for project costs had been made.

#### **Town Green Park**

Approved in November 2002, project costs include public enhancements to the mixed-use development located at Market Street within the boundaries of the Township and the development of Town Green Park. Approved reimbursable public enhancement costs of \$10,600,000 for the Market Street project include, among other items, improvements to parking facilities, public art and architectural elements, public restrooms, and public plazas. Approved project costs for Town Green Park were \$4,336,823.

The approved financing plan has a term that began in the year 2005 and is not to exceed thirty years or until the repayment of all project costs, whichever occurs first. The assessed one-percent incremental sales tax collected within the boundaries of the project, along with any interest earnings, are allocated to the payment of project costs as identified in the financing plan as follows: 1) the first \$200,000 of annual collections are reimbursed to the Township as a priority payment and applied to Town Green Park project costs, not to exceed \$4,336,823, plus interest, and 2) annual collections in excess of the priority payment are reimbursed to the Market Street developer and applied to public enhancement costs, not to exceed \$10,600,000, plus interest. During the 24<sup>th</sup> annual period or fiscal year 2028, the Township’s priority payment for subsequent annual periods will be recalculated to fully amortize the outstanding unpaid project costs for the Town Green Park project, and then to the remaining unamortized balance for the Market Street project.

Payments to the Market Street developer are recorded as economic development expenditures in the tax increment fund for the project. As of December 31, 2011, aggregate net revenue payments including interest to the developer were \$4,940,063 and priority payments to the Township were \$1,200,000.

### **Waterway Square**

Approved in July 2003 and amended in October 2004, project costs include public enhancements to the mixed-use development located at The Woodlands Mall expansion (Mall Expansion) within the boundaries of the Township and a portion of the development costs of Waterway Square. Approved reimbursable public enhancement costs of \$7,499,111 for the Mall Expansion project include, among other items, costs for utility relocations, landscaping, signage, paving and sidewalks, lighting improvements, and related engineering, surveying, and other soft costs. Approved project costs for the Waterway Square project were \$4,343,164.

The approved financing plan has a term that began in the year 2004 and is not to exceed thirty years or until the repayment of all project costs, whichever occurs first. The assessed one-percent incremental sales tax collected within the boundaries of the project, along with any interest earnings, are to be used to pay project costs identified in the financing plan as follows: 1) the first \$350,000 of annual collections are reimbursed to the Township as a priority payment and applied to the Waterway Square project costs, not to exceed \$4,343,164, plus interest; and 2) annual collections in excess of the priority payment are reimbursed to the developer of the Mall Expansion project and applied to public enhancement costs, not to exceed \$7,499,111 plus interest.

Payments to the Mall Expansion developer are recorded as capital outlay in the tax increment fund for the project. As of December 31, 2011, aggregate net revenue payments including interest to the developer were \$2,405,623 and priority payments to the Township were \$2,800,000.

### **Community Fire Protection Services**

Beginning fiscal year 2008, a portion of the sales tax collections from within the Zone, after allowance for the projects noted above, are committed to community fire protection. The amount funded in 2011 from the Zone and the expanded boundaries was \$14,232,000.

### **NOTE 14 – LONG-TERM LEASE RECEIVABLE**

#### ***Capital Lease – Convention Center, Sky Bridge and Parking Garage***

The Township leases the Convention Center, sky bridge and a portion of the adjacent parking garage (500 spaces) for a term of 99 years to Inland American Lodging Woodlands, L.P. These facilities were constructed by the Township with bond proceeds in 2001.

The Township reports the Convention Center lease as a capital lease based on the lease terms and the requirements of generally accepted accounting principles. The related capital assets are restricted under the terms of the Convention Center lease and, as such, the historical cost associated with the leased assets, including the land, has not been recorded by the Township.

Beginning in 2003, the Township recorded and began to amortize the future minimum lease payments under the Convention Center lease over the 99-year lease term. Rental payments under the lease commenced on January 1, 2005. Annual base rental amounts under the lease are equal to the annual base rental for the preceding year increased or decreased based on the change in the Consumer Price Index for All Urban Consumers (CPI-U) in Houston-Galveston-Brazoria, Texas.

The Convention Center lease will generate \$9,000,000 in total remaining lease payments over the term of the lease. The future minimum lease payments are \$1,875,785 at a rate of 5.2791%, without adjustment for future changes in the CPI-U as described above. The amortization of the future minimum lease payments under the Convention Center lease is shown below:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2012	\$ 975	\$ 99,025	\$ 100,000
2013	1,027	98,973	100,000
2014	1,081	98,919	100,000
2015	1,138	98,862	100,000
2016	1,198	98,802	100,000
2017-2021	7,010	492,990	500,000
2022-2026	9,066	490,934	500,000
2027-2031	11,726	488,274	500,000
2032-2036	15,165	484,835	500,000
2037-2041	19,614	480,386	500,000
2042-2046	25,367	474,633	500,000
2047-2051	32,808	467,192	500,000
2052-2056	42,432	457,568	500,000
2057-2061	54,879	445,121	500,000
2062-2066	70,977	429,023	500,000
2067-2071	91,797	408,203	500,000
2072-2076	118,724	381,276	500,000
2077-2081	153,550	346,450	500,000
2082-2086	198,591	301,409	500,000
2087-2091	256,845	243,155	500,000
2092-2096	332,186	167,814	500,000
2097-2101	<u>429,629</u>	<u>70,371</u>	<u>500,000</u>
Total	<u>\$ 1,875,785</u>	<u>\$ 7,124,215</u>	<u>\$ 9,000,000</u>

The Township has retained all debt associated with building the leased facilities. Township management expects the additional activities related to the Convention Center lease to benefit the Township generally through expanded economic development. At December 31, 2011, the principal amount of the Township's remaining debt on bonds issued to construct the leased facilities was \$40,340,000.

During 2011, the Township entered into a three-year capital lease with the Montgomery County Hospital District (the District) for the use of a fire station located in the City of Conroe. At the time of the purchase of the fire station, the Municipal Utility District (the District) provided funding of approximately 30% of the purchase price with the understanding that if the station was sold or leased, the District would receive a proportional share of the proceeds. A corresponding liability has been recorded. Future receipts and the related payments are summarized as follows:

	<u>LEASE RECEIVABLE</u>	<u>PROCEEDS PAYABLE</u>
2012	\$ 250,000	\$ 75,962
2013	250,000	75,962
2014	<u>365,000</u>	<u>110,902</u>
Total	865,000	262,826
Less discount at 3%	<u>(27,942)</u>	<u>(8,882)</u>
Total	<u>\$ 837,058</u>	<u>\$ 253,944</u>

**Operating Lease – Parking Garage**

On February 1, 2003, the Township and the Pavilion entered into a long-term lease whereby the Pavilion leases a portion of the Convention Center parking garage for a term of 20 years. Consideration for the Pavilion Lease was received by the Township prior to construction of the Convention Center parking garage in the amount of \$3,550,000. The Township’s costs for these facilities and related depreciation are shown below:

<u>CATEGORY</u>	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>BOOK VALUE</u>
Land	\$835,713		\$835,713
Buildings (Garage)	\$3,100,814	\$624,846	\$2,475,968

The Township reports this lease as an operating lease based on the lease terms and the requirements of generally accepted accounting principles. Accordingly, a portion of the land and facility costs as noted above are recorded in the Township’s capital assets. The consideration received in advance of the construction was considered as deferred revenue and is being amortized over the term of the lease. Revenue recognized each year is \$177,500.

In 2008, the Fire Department entered into an operating lease agreement with a local community college for their use of the training facility to teach fire operation training classes. In addition to collaborative training opportunities, the facility also will be used by the Fire Department to meet departmental training needs. The non-cancelable portion of the lease provides revenue of \$42,000 per year for the next two years plus a portion of gross revenue from certain defined training classes.

**NOTE 15 – LONG-TERM DEBT**

The following is a summary of the Township’s long-term debt for the year ended December 31, 2011:

	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2010</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u> <u>DECEMBER 31,</u> <u>2011</u>	<u>PAYABLE</u> <u>WITHIN</u> <u>ONE YEAR</u>
Revenue bonds	\$ 71,675,000		\$ (2,710,000)	\$ 68,965,000	\$ 3,185,000
General obligation bonds	34,800,000	\$ 9,900,000	(835,000)	43,865,000	1,335,000
Compensated absences	107,367	396,155	(384,928)	118,594	118,594
Unearned financing premium	<u>1,822,897</u>	<u>51,493</u>	<u>(126,907)</u>	<u>1,747,483</u>	<u>126,907</u>
Total	<u>\$ 108,405,264</u>	<u>\$ 10,347,648</u>	<u>\$ (4,056,835)</u>	<u>\$ 114,696,077</u>	<u>\$ 4,765,501</u>

In November, 2011, the Township issued \$9,900,000 of Series 2011 Unlimited Tax Bonds to: (1) finance fire fighting facilities and equipment; (2) finance recreational facilities and equipment; and (3) pay issuance costs related to the bonds. The Series 2011 Unlimited Tax Bonds were issued as current interest term bonds at interest rates ranging from 1.5% to 3.5% and are payable from ad valorem tax revenue.

The following table displays the total principal debt outstanding by issuance as of December 31, 2011:

<u>DESCRIPTION</u>	<u>ISSUANCE</u> <u>DATE</u>	<u>INTEREST</u> <u>RATES</u>	<u>FINAL</u> <u>MATURITY</u> <u>DATE</u>	<u>OUTSTANDING</u> <u>PRINCIPAL</u> <u>AMOUNT</u>
Series 2009 Revenue Bonds	March 1, 2009	1.25%-5.1%	March 1, 2028	\$16,450,000
Series 2010 Unlimited Tax Bonds	April 22, 2010	3%-4.125%	March 1, 2030	\$33,965,000
Series 2010 Sales Tax and Hotel Occupancy Tax Refunding Bonds	October 1, 2010	2%-5%	March 1, 2027	\$40,340,000
Series 2010 Sales Tax and Hotel Occupancy Tax Bonds	December 1, 2010	3.5%-4.75%	March 1, 2026	\$12,175,000
Series 2011 Unlimited Tax Bonds	November 17, 2011	1.5%-3.45%	March 1, 2032	\$9,900,000

Annual debt service requirements to maturity are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2012	\$ 4,520,000	\$ 4,149,697	\$ 8,669,697
2013	5,015,000	4,054,441	9,069,441
2014	5,175,000	3,866,114	9,041,114
2015	5,365,000	3,660,090	9,025,090
2016	5,555,000	3,449,433	9,004,433
2017-2021	30,785,000	14,174,441	44,959,441
2022-2026	37,240,000	7,711,930	44,951,930
2027-2031	18,500,000	1,381,923	19,881,923
2032	<u>675,000</u>	<u>11,644</u>	<u>686,644</u>
Total	<u>\$ 112,830,000</u>	<u>\$ 42,459,713</u>	<u>\$ 155,289,713</u>

At December 31, 2011, the Township had \$5,240,000 of authorized but unissued unlimited tax bonds. Subsequent to year-end, the Township issued Unlimited Tax Bonds, Series 2012 in the amount of \$4,205,000.

**NOTE 16 – SIGNIFICANT PROVISIONS OF THE TOWNSHIP ACT**

The Township’s enabling legislation (the Act) is amended from time to time. Certain provisions of the Township Act, in effect as of December 31, 2011, are summarized below:

**General and Specific Powers of the Township**

The services, projects, and improvements provided by the Township are accomplished under the powers conferred by the Act, Chapter 289, Acts of the 73rd Legislature, Regular Session, 1993 and as thereafter amended. The Township will not act as the agent of any private interests, although many private interests will be benefited by the Township as will the general public. The Township Board has the authority to: 1) levy, assess, and apply taxes, fees, and charges for Township authorized purposes; 2) add territory on its own motion and without petitions, only after notice and public hearing, and subject to a confirmation election; 3) conduct public hearings required for certain rules and regulations; 4) enforce rules and ordinances in accordance with Section 54.001, Texas Local Government Code; 5) create an economic development zone on its own motion or upon receipt of a petition of property owners and exercise economic development powers of Chapter 380, Texas Local Government Code; 6) borrow money or issue bonds for the corporate purposes of the Township; 7) undertake separately or joint improvement projects for the Township; 8) contract off-duty peace officers for special event, holiday, or traffic congestion public safety services; 9) contract with any person, entity, or other political subdivision for the accomplishment of any of the Township’s purposes with limited exceptions for public safety personnel; and 10) dissolve the Township at any time upon the repayment, discharge, or assumption by other governmental entity of any outstanding indebtedness or contractual obligations.

In addition, the Township Board may call elections for: incorporation as a municipality or the release from the extraterritorial jurisdiction of a municipality; adoption of another form of local government; authorizing or discontinue the levy of taxes; authorizing the issuance of bonds or other indebtedness; election of directors or reorganization of the Board; or the addition or exclusion of territory.

The Township’s powers and authority is limited, in that it: 1) does not have the power of eminent domain; 2) may not directly employ peace officers; 3) may not directly employ any fire protection personnel before January 1, 2012; and 4) may not impose an impact fee or assessment on a single family residential property or a residential duplex, triplex, quadruplex, or condominium.

**Board of Directors**

The Act requires that each director appointed or elected take the oath of office prescribed by the constitution for public officers and execute a bond for \$10,000 payable to the Township and conditioned upon the faithful

performance of duties. All bonds of the directors shall be approved by the Board. Qualifications to serve as a director include: 1) a person at least 18 years of age and 2) be a resident of the Township. Directors are not compensated for service on the Board.

**Bonded Indebtedness**

The Act authorizes the Township to issue bonds in accordance with specific sections of the Texas Local Government Code. Bonds issued by the Township for the primary purpose of providing water, sewage or drainage facilities must be approved by the Texas Commission on Environmental Quality in the manner provided by Chapter 49 of the Texas Water Code.

Bonds issued by the Township may be secured and made payable, wholly or partly, by a pledge of any part or combination of: the net proceeds of a specified portion, but not more than one-half percent of the sales tax, the hotel occupancy tax, an ad valorem tax, or any contracted revenues or proceeds including those from the Zone.

**Other Provisions**

The Township may contract with area municipalities, other political subdivisions, corporations and individuals to achieve its purposes. Contracts for security services and interlocal contracts with area municipalities and other political subdivisions for law enforcement assistance within the Township have been entered into by the Township.

In addition, following a public hearing, the Township may adopt and enforce rules and regulations related to real property owned by the Township or any real property in which the Township has an interest. All fines or other penalties collected for a violation of a Township rule are remitted to Montgomery County.

For purposes of open meetings and records laws and application of related statutes, the Township is considered a municipal utility district. In addition, competitive bids for construction work or the purchase of material or equipment is required for expenditures greater than \$25,000.

**NOTE 17 – OPERATING LEASE AGREEMENTS**

The Township leases office space and certain office and telephone equipment with non-cancelable terms. Annual payments under these leases are shown below:

	<u>OFFICE</u>	<u>EQUIPMENT</u>	<u>TOTAL</u>
2012	\$ 271,674	\$ 251,941	\$ 523,615
2013	271,674	209,208	480,882
2014	203,756	177,343	381,099
2015	<u>                    </u>	<u>23,326</u>	<u>23,326</u>
Total	<u>\$ 747,104</u>	<u>\$ 661,818</u>	<u>\$ 1,408,922</u>

During the year ended December 31, 2011, the Township incurred lease expenditures of \$1,033,780 in governmental funds and \$1,009,765 in the government-wide financial statements that included \$66,039 in accrued rent that will be paid over the remaining lease term.

**NOTE 18 – POSTEMPLOYMENT BENEFITS**

All Township employees participate in Social Security. The Township contributes 6.2% of eligible wages paid. In 2011, the Township paid \$1,425,580 for Social Security benefits of its employees.

### **Deferred Compensation Plan**

The Township maintains, for its employees, a tax-deferred compensation plan that meets the requirements of Internal Revenue Code Section 457. The plan was originally established by the Township in 2000 and restated in January 2010. Principal Life Insurance Company (Principal) provides administrative, recordkeeping and investment services to the plan and Principal Trust Company serves as the Directed Trustee. The Township serves as the plan administrator. Participants may contribute up to 85% of their compensation to the plan subject to Internal Revenue Code limits. Payments from the plan are not available to employees until termination, retirement, death, or unforeseen emergency. The plan's trust arrangements are established to protect deferred compensation amounts of employees under the plan from any use other than intended under the plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under plan provisions are disbursed bi-weekly by the Township to Principal. Principal handles all funds in the plan and processes the investment decisions made by participants and disburses funds to participants in accordance with plan provisions. Employees contributed \$726,956 to the Section 457 plan in 2011.

### **Defined Contribution Plan**

The Woodlands Community Service Corporation previously established The Woodlands Community Service 401(k) Plan on January 1, 1997. The plan's terms, provisions and conditions were completely restated on January 1, 2010 to a governmental plan. On January 1, 2011, the Township became the plan administrator and the plan name became The Woodlands Township 401(a) plan, a defined contribution plan that meets the requirements of Internal Revenue Code Section 401(a). Principal provides administrative, recordkeeping and investment services to the plan and Principal Trust Company serves as the Directed Trustee. The Township may make a discretionary matching contribution to the plan at a rate that it determines annually. The contribution rate was 10.03% of eligible employees' salaries for 2011, provided an employee made salary deferral contributions of 7% of their salary. For the year ended December 31, 2011, the Township's contributions to this plan totaled \$988,463. The plan is fully funded on a current basis.

All Fire Department employees were eligible to participate in a 401(k) defined contribution plan. Plan funds are held by Fidelity Management Trust Company and invested in mutual funds. All investment decisions are self-directed by participants in the plan. The Fire Department contributed \$1,223,498 to the plan in 2011 and Fire Department employees contributed \$862,121. Effective January 1, 2012, this plan was terminated and all assets of the plan were transferred into the Deferred Compensation and Defined Contribution accounts mentioned above.

### **Other Postemployment Benefits**

As of January 1, 2010, the Township adopted a policy providing postemployment medical benefits to certain eligible employees. The Township has implemented GASB Statement No. 45 which addresses the reporting and disclosure requirements for other postemployment benefits (OPEB). GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, requires the long-term cost of retirement healthcare and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

*Plan Description* – The Township's OPEB plan is a self administered defined benefit healthcare plan that covers certain retired employees of the Township. Employees of the Township and its component units whose age plus years of service is at least 75 with a minimum of 10 years of service are eligible for a medical subsidy for those who chose to remain enrolled in the Township's self insured medical plan. The Township provides a 50% subsidy of the employee only premium up to a maximum of \$300 per month toward all tiers of coverage. Eligibility for the Retiree Medical Plan contributions ends when the retiree becomes eligible for Medicare.

The Township contracts with an actuarial consultant to provide an actuarial valuation of the Township's OPEB liability under GASB Statement No. 45. The most recent OPEB liability actuarial valuation was completed in May 2011 for the year ended December 31, 2010. A copy of the report may be obtained by contacting the Finance Director of the Township.

*Funding Policy* – GASB Statement No. 45 does not require the prefunding of postemployment benefit liabilities. The Township currently funds these benefits on a pay as you go basis. No assets have been segregated and restricted to provide postemployment benefits.

*Annual OPEB Cost* – The annual required contribution (ARC) is an actuarially determined rate representing a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed 30 years. OPEB costs for the year ended December 31, 2011 and the annual required contribution is as follows.

Normal cost	\$ 39,000
Amortization of unfunded liability	<u>26,000</u>
Total ARC	<u>\$ 65,000</u>

The Township’s annual OPEB, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year ending December 31, 2011 is as follows:

ARC	\$ 65,000
Less contributions made	<u>(12,340)</u>
Estimated increase in net OPEB obligation	52,660
Net OPEB obligation, January 1, 2011	<u>41,388</u>
Net OPEB obligation, December 31, 2011	<u>\$ 94,048</u>

The contributions to the OPEB plan were \$12,340 and \$23,612, respectively, for the years ended December 31, 2011 and 2010 which was 19% and 36%, respectively, of the ARC of \$65,000 for both years.

*Funding Status and Funding Progress* – As of January 1, 2010, the most recent valuation date, the funded status of the plan was as follows:

Plan assets	\$0
Actuarial accrued liability	\$643,000
Unfunded actuarial accrued liability	\$607,048
Funded ratio	0%
Covered payroll	\$19,731,358
Unfunded actuarial accrued liability as a percentage of covered payroll	3.1%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision and as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress is to provide multi-year information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. This schedule is not presented because there has been only one OPEB liability actuarial valuation.

*Actuarial Methods and Assumptions* – Actuarial valuations include projections based on the substantive plan as understood by the employer and eligible employees and include the type of benefits in force at the date of the valuation and the understood cost sharing arrangements between the Township and eligible employees. The actuarial valuation date was January 1, 2010 and utilized the Projected Unit Cost method. It was assumed that postemployment benefits would continue to be paid from general assets that consist of short-term investments. The valuation results were developed assuming a discount rate of 4.5% and assumed a healthcare cost trend rate of 11% in the year ending December 31, 2010 and grading down by 0.5% each year to a rate of 5% in 2021. The remaining amortization period is considered to be 30 years. The valuation assumes that 10% of future retirees will participate and enroll under this plan. Actual participation results will be monitored in the future as data becomes available to evaluate this assumption. Employee salary assumptions are not applicable to the valuation.



**NOTE 19 – RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; personal injuries; and natural disasters. The risk of loss is covered by commercial insurance carriers and through Texas Municipal League’s Intergovernmental Risk Pool (TML-IRP). The participation of the Township in TML-IRP is limited to payment of premiums for real and personal property, errors and omissions, general liability, and workers’ compensation coverage. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

*Litigation* – The Township is a defendant in various lawsuits arising in the normal course of its operations which, in the opinion of management, will not have a material adverse impact on the Township’s financial position.

*Health Benefits* – Effective January 1, 2011, the Township established a self-insurance program for its employee’s health benefits. Under this program, the Township is responsible for aggregate claims of \$75,000 per person per year. The Township maintains third-party insurance coverage for any losses in excess of such amounts. The change in the balance of claims liability during the past year was as follows:

Balance at December 31, 2010	\$	0
Claims incurred		1,994,035
Claims paid		(1,438,648)
Third-party reimbursement of claims made in excess of \$75,000		<u>(389,957)</u>
Balance at December 31, 2011	\$	<u>165,430</u>

The liability for incurred but not paid liabilities was calculated based on historical trends and known outstanding claims.

*Site Remediation* – In 2005, the Fire Department entered into a contract with a consulting company to install, operate, and maintain a remediation system to remove phase-separated hydrocarbons and dissolved-phase hydrocarbons at one of the fire stations. Installation of the system was completed in 2005 and certain operation and maintenance procedures were performed in 2006. In August 2006, the operation of the remediation system was terminated until further notification from the State of Texas. In January 2011, the Fire Department was notified that it had met the closure requirements of Title 30, Texas Administrative Code, Chapter 334 and applicable program guidance and that no further corrective action is necessary.

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# **STATISTICAL SECTION**

**The Woodlands Township**  
**Statistical Section**  
**For Year Ended December 31, 2011**

This section of The Woodlands Township's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about the government's overall financial health. Specific page numbers for each section can be found in the table of contents.

**Financial Trends**

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

**Revenue Capacity**

These schedules contain information to help the reader assess the government's most significant local revenue sources, property tax, and sales and use tax.

**Debt Capacity**

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

**Operating Information**

These schedules contain data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

For uniformity and consistency, most statistical and trend data is presented beginning for fiscal year 2005 when the Township implemented the new financial reporting model as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Other economic and demographic data is presented for years in which data could be confirmed and was readily available.

Sources: Unless otherwise noted, the information in these schedules is derived from the audited financial statements for the relevant year.

**The Woodlands Township**  
**Net Assets by Component**  
**Last Seven Fiscal Years**  
**(accrual basis of accounting)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Governmental activities</b>							
Invested in capital assets, net of related debt	\$ 65,271,080	\$ 73,219,481	\$ 67,770,992	\$ 65,571,217	\$ 10,977,452	\$ 6,675,173	\$ 2,154,135
Restricted for capital projects	17,167,406	15,085,853	-	-	-	-	-
Restricted for debt service	3,197,965	3,038,105	3,933,967	4,800,759	4,623,629	4,437,813	1,163,663
Restricted for healthcare obligations	800,000	800,011	-	-	-	-	-
Restricted for cultural events/education	72,144	-	-	-	-	-	-
Unrestricted	34,037,438	21,088,129	(18,745,899)	(17,147,464)	(25,248,944)	(26,445,286)	(26,445,901)
Total governmental activities net assets	<u>\$ 120,546,033</u>	<u>\$ 113,231,579</u>	<u>\$ 52,959,060</u>	<u>\$ 53,224,512</u>	<u>\$ (9,647,863)</u>	<u>\$ (15,332,300)</u>	<u>\$ (23,128,103)</u>
<b>Business-type activities</b>							
Invested in capital assets, net of related debt	\$ -	\$ -	\$ 2,518,604	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-
Unrestricted	-	-	316,592	-	-	-	-
Total business-type activities net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,835,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Primary government</b>							
Invested in capital assets, net of related debt	\$ 65,271,080	\$ 73,219,481	\$ 70,289,596	\$ 65,571,217	\$ 10,977,452	\$ 6,675,173	\$ 2,154,135
Restricted for capital projects	17,167,406	15,085,853	-	-	-	-	-
Restricted for debt service	3,197,965	3,038,105	3,933,967	4,800,759	4,623,629	4,437,813	1,163,663
Restricted for healthcare obligations	800,000	800,011	-	-	-	-	-
Restricted for cultural events/education	72,144	-	-	-	-	-	-
Unrestricted	34,037,438	21,088,129	(18,429,307)	(17,147,464)	(25,248,944)	(26,445,286)	(26,445,901)
Total primary government net assets	<u>\$ 120,546,033</u>	<u>\$ 113,231,579</u>	<u>\$ 55,794,256</u>	<u>\$ 53,224,512</u>	<u>\$ (9,647,863)</u>	<u>\$ (15,332,300)</u>	<u>\$ (23,128,103)</u>

Source: Audited Comprehensive Annual Financial Reports.

Note: The significant increases in 2010 are due to the merger of the Township and the Associations. Information not available prior to 2005.

**The Woodlands Township**  
**Changes in Net Assets**  
**Last Seven Fiscal Years\*\***  
**(accrual basis of accounting)**

<b>Expenses</b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Governmental activities							
General and administrative	\$ 8,918,830	\$ 8,541,489	\$ 2,936,574	\$ 994,155	\$ 3,724,658	\$ 2,860,142	\$ 2,693,038
Public safety	28,154,907	25,246,482	19,752,922	12,223,166	4,149,065	3,816,320	3,982,691
Parks and recreation	18,312,703	17,760,347	-	-	-	-	-
Community relations	1,272,425	1,055,094	456,034	360,275	2,222,446	1,584,088	1,484,622
Economic development	5,368,027	4,661,526	5,952,351	315,601	684,582	350,586	506,998
Community services	12,662,126	11,892,104	3,033,631	1,414,033	736,789	266,677	197,178
Interest expense and other financing charges	4,333,201	4,030,513	3,538,611	2,505,017	2,425,408	2,480,262	2,544,774
Total governmental activities expenses	<u>\$ 79,022,219</u>	<u>\$ 73,187,555</u>	<u>\$ 35,670,123</u>	<u>\$ 17,812,248</u>	<u>\$ 13,942,948</u>	<u>\$ 11,358,075</u>	<u>\$ 11,409,300</u>
Total business-type activities expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,980,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government expenses	<u>\$ 79,022,219</u>	<u>\$ 73,187,555</u>	<u>\$ 53,650,537</u>	<u>\$ 17,812,248</u>	<u>\$ 13,942,948</u>	<u>\$ 11,358,075</u>	<u>\$ 11,409,300</u>
<b>Program revenue</b>							
Governmental activities							
Charges for services:							
General and administrative	\$ 430,391	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	577,075	-	-	-	-	-	-
Parks and recreation	2,924,756	2,840,416	-	-	-	-	-
Economic development	755,078	-	-	-	-	-	-
Community services	112,386	636,864	-	-	-	-	-
Community relations	28,397	38,636	-	-	-	-	-
Operating grants and contributions	227,719	200,997	227,648	216,712	564,775	388,894	378,143
Capital grants and contributions	1,011,097	2,140,633	-	-	-	2,505,000	-
Total governmental activities program revenue	<u>\$ 6,066,899</u>	<u>\$ 5,857,546</u>	<u>\$ 227,648</u>	<u>\$ 216,712</u>	<u>\$ 564,775</u>	<u>\$ 2,893,894</u>	<u>\$ 378,143</u>
Total business-type activities program revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,440,848</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government program revenue	<u>\$ 6,066,899</u>	<u>\$ 5,857,546</u>	<u>\$ 19,668,496</u>	<u>\$ 216,712</u>	<u>\$ 564,775</u>	<u>\$ 2,893,894</u>	<u>\$ 378,143</u>
<b>Net (expense) revenue</b>							
Governmental activities	\$ (72,955,320)	\$ (67,330,009)	\$ (35,442,475)	\$ (17,595,536)	\$ (13,378,173)	\$ (8,464,182)	\$ (11,031,157)
Business-type activities	-	-	1,460,434	-	-	-	-
Total primary government net expense	<u>\$ (72,955,320)</u>	<u>\$ (67,330,009)</u>	<u>\$ (33,982,041)</u>	<u>\$ (17,595,536)</u>	<u>\$ (13,378,173)</u>	<u>\$ (8,464,182)</u>	<u>\$ (11,031,157)</u>
<b>General revenue and other changes in net assets</b>							
Governmental activities							
Taxes:							
Property	\$ 39,657,768	\$ 38,091,288	\$ -	\$ -	\$ -	\$ -	\$ -
Sales	35,021,092	31,307,932	29,814,070	26,930,229	14,222,505	12,002,873	10,336,875
Other	5,536,771	3,607,297	3,330,819	4,132,397	3,758,367	3,273,005	2,568,060
Unrestricted investment earnings	320,152	419,701	1,053,350	830,534	1,070,997	973,171	661,421
Other revenue	-	-	29,831	12,712	10,743	10,935	60,137
Total governmental activities general revenue	<u>\$ 80,535,783</u>	<u>\$ 73,426,218</u>	<u>\$ 34,228,070</u>	<u>\$ 31,905,872</u>	<u>\$ 19,062,612</u>	<u>\$ 16,259,984</u>	<u>\$ 13,626,493</u>
Gain (loss) on disposal of property	\$ (266,009)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300,000
Total primary government general revenue and other changes in net assets	<u>\$ 80,269,774</u>	<u>\$ 73,426,218</u>	<u>\$ 34,228,070</u>	<u>\$ 31,905,872</u>	<u>\$ 19,062,612</u>	<u>\$ 16,259,984</u>	<u>\$ 13,926,493</u>
<b>Changes in net assets</b>							
Governmental activities	\$ 7,314,454	\$ 6,096,209	\$ (1,214,405)	\$ 14,310,336	\$ 5,684,439	\$ 7,795,803	\$ 2,895,336
Business-type activities	-	-	1,460,434	-	-	-	-
Due to transition agreement	-	71,479,090	-	-	-	-	-
Total primary government changes in net assets	<u>\$ 7,314,454</u>	<u>\$ 77,575,299</u>	<u>\$ 246,029</u>	<u>\$ 14,310,336</u>	<u>\$ 5,684,439</u>	<u>\$ 7,795,803</u>	<u>\$ 2,895,336</u>

Source: Audited Comprehensive Annual Financial Reports.

Note: The significant increases in 2010 are due to the merger of the Township and the Associations. The business-type activities in 2009 were entities that had previously been part of the Associations. Effective January 1, 2010, the entities were dissolved and their operations were merged with the primary government. \*\*Information not available prior to 2005.

**The Woodlands Township**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>General Fund</b>										
Nonspendable	\$ 7,870,337	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	872,144	-	-	-	-	-	-	-	-	-
Assigned	19,189,514									
Unassigned	7,535,672	-	-	-	-	-	-	-	-	-
Unreserved, undesignated	-	22,774,184	21,968,883	17,767,082	12,835,980	10,040,421	9,024,029	12,279,239	13,411,652	12,271,581
Unreserved, designated	-	-	-	4,451,163	-	-	-	-	-	-
Reserved for long-term receivable	-	6,665,722	6,376,288	6,851,522	8,134,629	3,715,575	1,504,986	-	-	-
Reserved for prepaids	-	880,720	185,037	56,195	-	-	-	-	-	-
Total General Fund	<u>\$ 35,467,667</u>	<u>\$ 30,320,626</u>	<u>\$ 28,530,208</u>	<u>\$ 29,125,961</u>	<u>\$ 20,970,609</u>	<u>\$ 13,755,996</u>	<u>\$ 10,529,015</u>	<u>\$ 12,279,239</u>	<u>\$ 13,411,652</u>	<u>\$ 12,271,581</u>
<b>All other Governmental Funds</b>										
Restricted	\$ 17,167,406	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	19,310,321	-	-	-	-	-	-	-	-	-
Unassigned	(6,562,558)	-	-	-	-	-	-	-	-	-
Reserved for Debt Service	-	6,458,933	4,943,669	4,800,759	4,623,629	4,437,813	1,996,742	1,979,088	3,017,479	3,072,139
Reserved for Capital Projects	-	26,483,201	-	-	-	-	68,256	66,340	1,421,022	-
Unreserved, designated reported in:										
Capital Projects	-	-	1,294,477	935,695	1,433,704	5,341,991	7,102,752	4,063,591	-	2,106,393
Special Revenue	-	-	-	-	848,902	1,129,335	-	-	-	-
Unreserved, undesignated reported in:										
Special Revenue	-	(7,311,827)	(7,290,051)	(6,851,522)	(6,634,493)	(3,565,945)	(627,429)	503,782	-	10,741
Total all other Governmental Funds	<u>\$ 29,915,169</u>	<u>\$ 25,630,307</u>	<u>\$ (1,051,905)</u>	<u>\$ (1,115,068)</u>	<u>\$ 271,742</u>	<u>\$ 7,343,194</u>	<u>\$ 8,540,321</u>	<u>\$ 6,612,801</u>	<u>\$ 4,438,501</u>	<u>\$ 5,189,273</u>
Total all fund balances	<u>\$ 65,382,836</u>	<u>\$ 55,950,933</u>	<u>\$ 27,478,303</u>	<u>\$ 28,010,893</u>	<u>\$ 21,242,351</u>	<u>\$ 21,099,190</u>	<u>\$ 19,069,336</u>	<u>\$ 18,892,040</u>	<u>\$ 17,850,153</u>	<u>\$ 17,460,854</u>

Source: Audited Comprehensive Annual Financial Reports.

Notes: The significant increases in 2010 are due to the merger of the Township and the Associations. 2010 and prior balances are pre- GASB Statement No. 54.

**The Woodlands Township**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Revenue</b>										
Property tax	\$ 39,657,768	\$ 38,091,288	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	35,021,092	31,307,932	29,814,070	26,930,229	14,222,505	12,002,873	10,336,875	9,089,653	7,401,165	7,398,908
Hotel occupancy tax	4,807,693	3,607,297	3,330,819	4,132,397	3,758,367	3,273,005	2,568,060	2,279,445	1,803,198	1,446,148
Events admission tax	729,078	-	-	-	-	-	-	-	-	-
Investment earnings	221,078	320,588	1,053,350	1,319,192	1,476,516	1,197,060	614,609	422,541	454,100	1,100,577
Intergovernmental revenue	213,319	200,997	200,548	216,712	455,121	388,894	378,143	364,110	-	-
Program service fees	4,918,158	3,438,408	-	-	-	-	-	-	-	-
Other	-	-	57,767	13,506	11,497	11,651	60,137	39,538	53,437	113,801
<b>Total revenue</b>	<b>\$ 85,568,186</b>	<b>\$ 76,966,510</b>	<b>\$ 34,456,554</b>	<b>\$ 32,612,036</b>	<b>\$ 19,924,006</b>	<b>\$ 16,873,483</b>	<b>\$ 13,957,824</b>	<b>\$ 12,195,287</b>	<b>\$ 9,711,900</b>	<b>\$ 10,059,434</b>
<b>Expenditures</b>										
General and administrative	\$ 8,257,871	\$ 7,938,138	\$ 4,512,725	\$ 2,603,190	\$ 2,227,315	\$ 1,673,320	\$ 1,550,497	\$ 1,325,701	\$ 1,259,948	\$ 1,228,741
Public safety	26,604,702	23,610,653	19,732,304	4,375,103	4,148,784	3,816,702	3,983,156	3,588,614	3,255,123	2,941,529
Parks and recreation	12,705,645	12,014,668	-	-	-	-	-	-	-	-
Economic development	5,244,454	4,661,526	5,952,351	788,370	684,582	350,586	506,998	198,637	302,189	214,437
Community services	12,543,864	11,759,355	1,635,935	1,413,445	628,084	266,611	196,333	233,233	331,376	92,459
Community relations	1,245,903	988,242	396,890	361,119	2,221,997	1,583,192	1,484,804	1,393,670	705,535	862,926
Capital outlay	12,115,143	13,747,069	243,384	58,860,185	5,730,929	5,689,332	2,513,673	565,352	726,862	32,634,034
Debt service:										
Principal	3,545,000	21,872,403	1,440,969	1,379,372	1,332,957	1,260,415	1,279,919	1,220,374	94,707	-
Interest and fiscal charges	4,327,239	6,036,495	3,408,542	2,876,668	2,849,216	2,723,343	2,565,149	2,627,819	2,646,861	2,646,862
Bond refundings	-	40,530,000	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>\$ 86,589,821</b>	<b>\$ 143,158,549</b>	<b>\$ 37,323,100</b>	<b>\$ 72,657,452</b>	<b>\$ 19,823,863</b>	<b>\$ 17,363,502</b>	<b>\$ 14,080,529</b>	<b>\$ 11,153,400</b>	<b>\$ 9,322,601</b>	<b>\$ 40,620,988</b>
Revenue over (under)	\$ (1,021,635)	\$ (66,192,039)	\$ (2,866,546)	\$ (40,045,416)	\$ 100,143	\$ (490,019)	\$ (122,705)	\$ 1,041,887	\$ 389,299	\$ (30,561,554)
<b>Other financing sources (uses)</b>										
Developer contributions	\$ -	\$ -	\$ -	\$ 54,601,038	\$ -	\$ 2,505,000	\$ -	\$ -	\$ -	\$ -
Transfers in (out)	-	-	-	(7,787,080)	-	-	-	-	-	-
Debt issuance	9,900,000	87,775,000	-	16,440,000	-	-	-	-	-	-
Capital leases	-	-	-	-	43,019	14,873	-	-	-	-
Proceeds from sales of proper	502,045	-	-	-	-	-	300,000	-	-	-
Other contractual obligations	51,493	1,918,830	1,385,000	(16,440,000)	-	-	-	-	-	-
<b>Total financing sources (uses)</b>	<b>\$ 10,453,538</b>	<b>\$ 89,693,830</b>	<b>\$ 1,385,000</b>	<b>\$ 46,813,958</b>	<b>\$ 43,019</b>	<b>\$ 2,519,873</b>	<b>\$ 300,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Change in fund balance due to										
Transition Agreement	-	4,970,839	-	-	-	-	-	-	-	-
<b>Net change in fund balances</b>	<b>\$ 9,431,903</b>	<b>\$ 28,472,630</b>	<b>\$ (1,481,546)</b>	<b>\$ 6,768,542</b>	<b>\$ 143,162</b>	<b>\$ 2,029,854</b>	<b>\$ 177,295</b>	<b>\$ 1,041,887</b>	<b>\$ 389,299</b>	<b>\$ (30,561,554)</b>
Debt service as a % of non-capital expense	10.0%	21.6%	13.1%	30.8%	29.7%	34.1%	33.2%	36.3%	31.9%	33.1%

Source: Audited Comprehensive Annual Financial Reports.

Note: The significant increases in 2010 are due to the merger of the Township and the Associations and the issuance of three bond offerings. See the accompanying notes to the financial statements for information on the Transition Agreement and bond offerings.



**The Woodlands Township**  
**Governmental Activities Tax Revenue By Source**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

<u>Fiscal Year</u>	<u>Sales Tax</u>	<u>Hotel Occupancy Tax</u>	<u>Property Tax</u>	<u>Events Admission Tax</u>	<u>Total</u>
2011	\$ 35,021,092	\$ 4,807,693	\$ 39,657,768	\$ 729,078	\$ 79,486,553
2010	\$ 31,307,932	\$ 3,607,297	\$ 38,091,288	\$ -	\$ 73,006,517
2009	\$ 29,814,070	\$ 3,330,819	\$ -	\$ -	\$ 33,144,889
2008	\$ 26,930,229	\$ 4,132,397	\$ -	\$ -	\$ 31,062,626
2007	\$ 14,222,505	\$ 3,758,367	\$ -	\$ -	\$ 17,980,872
2006	\$ 12,002,873	\$ 3,273,005	\$ -	\$ -	\$ 15,275,878
2005	\$ 10,336,875	\$ 2,568,060	\$ -	\$ -	\$ 12,904,935
2004	\$ 9,089,653	\$ 2,279,445	\$ -	\$ -	\$ 11,369,098
2003	\$ 7,401,165	\$ 1,803,198	\$ -	\$ -	\$ 9,204,363
2002	\$ 7,398,908	\$ 1,446,148	\$ -	\$ -	\$ 8,845,056

Source: Audited Comprehensive Annual Financial Reports.

Notes: \*In 2008, the Township experienced a boundary expansion and creation of the community-wide Economic Development Zone.

\*The Township's authority to levy property taxes commenced in 2010.

\*2011 was the first year for the imposition of the events admission tax.

**The Woodlands Township**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Two Years**  
**(unaudited)**

<b>Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Other Property</b>	<b>Personal Property</b>	<b>Less: Tax Exempt Property</b>	<b>Total Assessed Value</b>	<b>Total Direct Tax Rate</b>
2011	\$ 9,907,934,065	\$ 2,126,473,485	\$ 384,081,193	\$ 753,516,775	\$ 1,147,799,968	\$ 12,024,205,550	0.3274
2010	\$ 9,344,123,810	\$ 1,534,425,219	\$ 922,517,161	\$ 713,065,799	\$ 1,109,068,851	\$ 11,405,063,138	0.3280

Sources: Montgomery County Appraisal District and Harris County Appraisal District.

Notes:

\*Valuations shown are certified taxable assessed values reported by the Appraisal Districts to the Texas Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal Districts update records.

\*Property is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to the actual value. Tax rates are per \$100 of assessed value.

\*Data prior to fiscal year 2010 is not presented as 2010 was the first year the Township collected property taxes.

**The Woodlands Township**  
**Property Tax Levies and Collections**  
**Last Two Years**  
**(unaudited)**

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Total Tax Levy</b>	<b>Collected Within the</b>		<b>Collections in</b>	<b>Total Collections to Date</b>	
			<b>Fiscal Year of the Levy</b>	<b>% of Levy</b>		<b>Subsequent Years</b>	<b>Total Tax Collections</b>
2011	2010	\$ 39,535,097	\$ 39,359,414	99.6%	\$ -	\$ 39,359,414	99.6%
2010	2009	\$ 38,136,495	\$ 38,034,113	99.7%	\$ 102,382	\$ 38,136,495	100.0%

Source: Montgomery County Tax Office.

Note: Data prior to fiscal year 2010 is not presented as 2010 was the first year the Township collected property taxes.

**The Woodlands Township  
Principal Property Taxpayers  
Current Year and One Year Ago  
(unaudited)**

<b>Taxpayer</b>	<b>Industry</b>	<b>2011</b>			<b>2010</b>		
		<b>Assessed Valuation</b>	<b>Rank</b>	<b>% of Total Assessed</b>	<b>Assessed Valuation</b>	<b>Rank</b>	<b>% of Total Assessed</b>
The Woodlands Land Development Company L.P.	Developer	\$ 140,821,706	1	1.17%	\$ 128,487,340	1	1.13%
The Woodlands Mall Associates, LLC	Retail stores	137,104,330	2	1.14%	61,956,137	2	0.54%
Hughes Christensen Company	Oil and gas	71,016,816	3	0.59%	56,076,990	3	0.49%
Lex-Gen Woodlands Gp, LLC	Chemical company	57,890,098	4	0.48%	51,483,230	4	0.45%
Ssr Wm Texas, L.P.	Developer	57,008,487	5	0.47%	48,539,050	5	0.43%
CVS Distribution Center & Regional Offices	Retail stores	42,247,510	6	0.35%	46,567,214	6	0.41%
Kimco Market Street/Building 11, LLC	Developer	40,970,170	7	0.34%	45,066,100	7	0.40%
Regency Centers, L.P.	Developer	37,761,470	8	0.31%	44,409,390	8	0.39%
JD Warmack Woodlands, L.P.	Developer	36,156,556	9	0.30%	40,970,170	9	0.36%
NNN Waterway Plaza, LLC	Developer	35,000,000	10	0.29%	39,291,690	10	0.34%
		<u>\$ 655,977,143</u>		<u>5.46%</u>	<u>\$ 562,847,311</u>		<u>4.94%</u>

Sources: Montgomery County Appraisal District and Harris County Appraisal District.

Note: Fiscal year 2010 was the first year the Township collected property taxes.

**The Woodlands Township**  
**Top Sales Tax Sources**  
**Last Eight Years**  
**(unaudited)**

<b>Fiscal Year</b>	<b>Largest Taxpayer</b>			<b>Top 5 Taxpayers</b>			<b>Top 10 Taxpayers</b>		
	<b>Total</b>	<b>% Retail</b>	<b>% Non-Retail</b>	<b>Total</b>	<b>% Retail</b>	<b>% Non-Retail</b>	<b>Total</b>	<b>% Retail</b>	<b>% Non-Retail</b>
2011	5.29%	5.29%	N/A	16.68%	13.59%	3.08%	26.54%	21.62%	4.92%
2010	6.18%	6.18%	N/A	18.43%	15.26%	3.17%	28.61%	23.62%	4.99%
2009	6.67%	6.67%	N/A	19.25%	16.51%	2.73%	30.08%	23.16%	6.93%
2008	6.34%	6.34%	N/A	20.78%	16.95%	3.83%	31.87%	23.09%	8.78%
2007	5.45%	5.45%	N/A	21.98%	21.98%	N/A	35.35%	27.48%	7.87%
2006	5.76%	5.76%	N/A	23.84%	19.44%	4.40%	36.79%	29.82%	6.96%
2005	6.97%	6.97%	N/A	26.37%	22.16%	4.21%	39.30%	35.09%	4.21%
2004	<10%	<10%	N/A	27.30%	23.30%	4.00%	42.00%	35.20%	6.80%

Source: Texas Comptroller of Public Accounts.

Note: Specific taxpayers may not be disclosed as such information is deemed confidential and protected by state law. Information not available prior to 2004.

N/A = Not applicable.

**The Woodlands Township**  
**Taxable Sales by Category**  
**Last Ten Fiscal Years**  
**(unaudited)**

<u>Industry</u>	<u>2011</u>	<u>2011</u> <u>% of</u> <u>Total</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2002</u> <u>% of</u> <u>Total</u>
Retail trade	\$ 8,906,872	50%	\$ 8,233,076	\$ 8,222,453	\$ 8,028,945	\$ 6,931,744	\$ 6,754,443	\$ 5,993,859	\$ 6,154,121	\$ 5,494,602	\$ 4,804,403	66%
Accommodation and food services	2,454,925	14%	2,143,342	2,134,205	1,961,673	1,431,123	1,416,706	1,208,524	803,712	640,415	905,639	13%
Manufacturing	1,153,341	6%	1,012,955	578,298	778,453	917,032	450,902	246,194	197,131	224,074	395,456	5%
Information	856,407	5%	619,491	523,113	362,534	442,991	391,860	343,978	106,231	157,779	159,626	2%
Wholesale trade	701,979	4%	694,951	573,707	684,970	273,056	313,908	208,080	488,173	568,513	677,411	9%
Mining	645,002	4%	553,934	469,051	599,175	443,265	464,343	400,338	-	19,487	8,164	0%
Professional, scientific and technical services	574,582	3%	509,086	488,761	348,083	208,727	115,418	111,606	-	-	-	0%
Real estate, rental and leasing	417,565	2%	249,565	423,817	397,270	485,279	150,846	105,291	39,468	4,266	21,165	0%
Utilities	378,090	2%	326,290	34,382	30,028	25,792	5,956	5,242	13,573	10,019	7,883	0%
Arts, entertainment and recreation	366,545	2%	326,492	299,166	252,666	92,264	40,953	39,434	-	-	-	0%
Administration, support, waste management and remediation	350,221	2%	285,837	282,058	262,816	167,163	115,640	85,314	-	-	-	0%
Construction	270,823	2%	164,608	163,874	118,664	103,507	53,657	80,201	130,554	31,958	34,311	0%
Other taxable activity	713,681	4%	459,802	556,685	492,451	204,063	109,414	210,620	256,883	(2,964)	211,604	3%
<b>Total</b>	<b>\$ 17,790,033</b>	<b>100%</b>	<b>\$ 15,579,428</b>	<b>\$ 14,749,570</b>	<b>\$ 14,317,727</b>	<b>\$ 11,726,006</b>	<b>\$ 10,384,045</b>	<b>\$ 9,038,682</b>	<b>\$ 8,189,846</b>	<b>\$ 7,148,149</b>	<b>\$ 7,225,662</b>	<b>100%</b>

Source: Texas Comptroller of Public Accounts Office.

Notes:

\*Effective 2005, the SIC system of reporting industry sectors changed to the North American Industry Classification System (NAICS) on the Texas Comptroller of Public Accounts reports.

\*In 2008, the Township expanded its boundaries to include 28,000 acres and imposed a sales and use tax of 1% within the expanded boundaries.

**The Woodlands Township**  
**Ratios of Outstanding Debt by Type**  
**Last Seven Fiscal Years**  
**(unaudited)**

Fiscal Year	General Bonded Debt			Other Governmental Activities Debt			Total Primary Government <sup>1</sup>	Per Capita
	General Obligation Bond	% of Actual Property	Per Capita	Sales Tax/Hotel Occupancy Tax	Bond Anticipation Notes	Capital Leases		
2011	\$ 43,865,000	0.36%	\$ 436	\$ 68,965,000	\$ -	\$ -	\$ 112,830,000	\$ 1,121
2010	\$ 34,800,000	0.31%	\$ 359	\$ 71,675,000	\$ -	\$ -	\$ 106,475,000	\$ 1,097
2009	\$ -	-	\$ -	\$ 61,395,000	\$ -	\$ -	\$ 61,395,000	\$ 665
2008	\$ -	-	\$ -	\$ 44,995,000	\$ 16,440,000	\$ 15,149	\$ 61,450,149	\$ 687
2007	\$ -	-	\$ -	\$ 46,360,000	\$ -	\$ 29,521	\$ 46,389,521	\$ 528
2006	\$ -	-	\$ -	\$ 47,670,000	\$ -	\$ 9,458	\$ 47,679,458	\$ 568
2005	\$ -	-	\$ -	\$ 48,925,000	\$ -	\$ -	\$ 48,925,000	\$ 607

Notes:

\*Details regarding the Township's outstanding debt can be found in the notes to the financial statements.

\*Information not available prior to 2005.

<sup>1</sup> Includes general bonded debt and other governmental activities debt.

**The Woodlands Township**  
**Ratios of Revenue Bonds Outstanding**  
**Last Seven Fiscal Years**  
**(unaudited)**

<u>Fiscal Year</u>	<u>Revenue Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total Outstanding</u>	<u>Total Pledged Revenue</u>	<u>Debt as a % of Pledged Revenue</u>
2011	\$ 68,965,000	\$ 7,670,414	\$ 61,294,586	\$ 946,475,829	6%
2010	\$ 71,675,000	\$ 6,458,933	\$ 65,216,067	\$ 841,201,351	8%
2009	\$ 61,395,000	\$ 4,943,669	\$ 56,451,331	\$ 801,345,096	7%
2008	\$ 44,995,000	\$ 4,800,759	\$ 40,194,241	\$ 793,370,594	5%
2007	\$ 46,360,000	\$ 4,623,629	\$ 41,736,371	\$ 647,410,957	6%
2006	\$ 47,670,000	\$ 4,437,813	\$ 43,232,187	\$ 573,947,214	8%
2005	\$ 48,925,000	\$ 1,996,742	\$ 46,928,258	\$ 495,279,371	9%

Notes:  
 \*Details regarding the Township's outstanding debt can be found in the notes to the financial statements.  
 \*To the extent that there is a shortfall in any annual period of hotel occupancy tax sufficient enough to service annual debt payments, 1/2 of 1% of sales tax collections are pledged to fulfill the remaining annual debt service requirement.  
 \*Series 2010 General Obligation Bond is not included in analysis.  
 \*Information not available prior to 2005.



**The Woodlands Township**  
**Pledged Revenue Coverage**  
**Last Seven Fiscal Years**  
**(unaudited)**

<b>Fiscal Year</b>	<b>Sales Tax/ Hotel Occupancy Tax Bonds</b>		<b>Total Revenue Available for Debt Service</b>	<b>Debt Service Requirements</b>			<b>Times Coverage</b>
	<b>Sales Tax Revenue</b>	<b>Hotel Occupancy Tax Revenue</b>		<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2011	\$ 8,777,945	\$ 4,807,693	\$ 13,585,638	\$ 1,155,000	\$ 2,415,786	\$ 3,570,786	3.80
2010	\$ 7,896,685	\$ 3,607,297	\$ 11,503,982	\$ 2,165,000	\$ 2,984,027	\$ 5,149,027	2.23
2009	\$ 7,537,620	\$ 3,330,819	\$ 10,868,439	\$ 1,425,000	\$ 2,751,721	\$ 4,176,721	2.60
2008	\$ 7,343,364	\$ 4,132,397	\$ 11,475,761	\$ 1,365,000	\$ 2,386,796	\$ 3,751,796	3.06
2007	\$ 5,937,200	\$ 3,758,367	\$ 9,695,567	\$ 1,310,000	\$ 2,441,661	\$ 3,751,661	2.58
2006	\$ 5,271,900	\$ 3,273,005	\$ 8,544,905	\$ 1,255,000	\$ 2,499,236	\$ 3,754,236	2.28
2005	\$ 4,585,928	\$ 2,568,060	\$ 7,153,988	\$ 1,190,000	\$ 2,560,361	\$ 3,750,361	1.91

Notes:

\*Details regarding the Township's outstanding debt can be found in the notes to the financial statements.

\*Per the Township's Bond Resolution, pledged revenue shall be at least 1.3 times the annual debt service during any fiscal year on the remaining outstanding revenue bonds.

\*Series 2010 General Obligation Bond is not included in analysis.

\*Information not available prior to 2005.

**The Woodlands Township**  
**Direct and Overlapping Governmental Activities Debt**  
**For Year Ended December 31, 2011**  
(unaudited)

<u>Governmental Unit</u>	<u>Estimated Debt</u>	<u>% Overlap</u>	<u>\$ Overlap</u>
<b>Direct Debt:</b>			
The Woodlands Township	\$ 112,830,000	100.00%	\$ 112,830,000
Subtotal Direct Debt	<u>\$ 112,830,000</u>		<u>\$ 112,830,000</u>
<b>Overlapping Debt:</b>			
Conroe Independent School District	\$ 982,540,000	52.16%	\$ 512,492,864
Harris County <sup>1</sup>	2,322,211,628	0.14%	3,251,096
Harris County Department of Education	7,795,000	0.14%	10,913
Harris County Flood Control District	100,020,000	0.14%	140,028
Harris-Montgomery County Municipal Utility District #386	51,005,000	100.00%	51,005,000
Lone Star College System	523,190,000	10.38%	54,307,122
Magnolia Independent School District	162,575,459	2.44%	3,966,841
Montgomery County	468,280,000	32.09%	150,271,052
Montgomery County Municipal Utility District #07	7,350,000	100.00%	7,350,000
Montgomery County Municipal Utility District #39	16,360,000	100.00%	16,360,000
Montgomery County Municipal Utility District #40	2,875,000	100.00%	2,875,000
Montgomery County Municipal Utility District #46	106,565,000	100.00%	106,565,000
Montgomery County Municipal Utility District #47	32,550,000	100.00%	32,550,000
Montgomery County Municipal Utility District #60	22,350,000	100.00%	22,350,000
Montgomery County Municipal Utility District #67	19,185,000	100.00%	19,185,000
Montgomery County Water Control & Improvement District #1	11,435,000	10.07%	1,151,505
Port of Houston Authority	745,874,397	0.14%	1,044,224
The Woodlands Metro Center MUD	16,525,000	100.00%	16,525,000
The Woodlands Municipal Utility District #2	500,000	100.00%	500,000
The Woodlands Road Utility District #1	82,790,000	100.00%	82,790,000
Tomball Independent School District	305,360,000	7.62%	23,268,432
Subtotal Overlapping Debt	<u>\$ 5,987,336,484</u>		<u>\$ 1,107,959,077</u>
<b>Total Direct and Overlapping Debt</b>	<u><u>\$ 6,100,166,484</u></u>		<u><u>\$ 1,220,789,077</u></u>

Source: Texas Municipal Advisory Council.

Notes:

<sup>1</sup> Does not include Harris County General Obligation debt that is supported by the Harris County Toll Road Authority.

**The Woodlands Township**  
**Direct and Overlapping Government Tax Rates**  
**Last Ten Fiscal Years**  
**(unaudited)**

<u>Sales Tax</u> <sup>1</sup>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
State of Texas	0.0625	0.0625	0.0625	0.0625	0.0625	0.0625	0.0625	0.0625	0.0625	0.0625
Montgomery County	-	-	-	-	-	-	-	-	-	-
The Woodlands Township	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100
The Woodlands Township EDZ	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100	0.0100
<b>Total Direct &amp; Overlapping Sales Tax</b>	<b>0.0825</b>	<b>0.0825</b>	<b>0.0825</b>	<b>0.0825</b>	<b>0.0825</b>	<b>0.0825</b>	<b>0.0825</b>	<b>0.0825</b>	<b>0.0825</b>	<b>0.0825</b>
<u>Hotel Occupancy Tax</u> <sup>2</sup>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
State of Texas	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600
Montgomery County	-	-	-	-	-	-	-	-	-	-
The Woodlands Township	0.0800	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700
The Woodlands Township EDZ	-	-	-	-	-	-	-	-	-	-
<b>Total Direct &amp; Overlapping Hotel Occupancy Tax</b>	<b>0.1400</b>	<b>0.1300</b>	<b>0.1300</b>	<b>0.1300</b>	<b>0.1300</b>	<b>0.1300</b>	<b>0.1300</b>	<b>0.1300</b>	<b>0.1300</b>	<b>0.1300</b>
<u>Property Tax</u> <sup>3</sup>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
State of Texas	-	-	-	-	-	-	-	-	-	-
The Woodlands Township	0.3274	0.3280	-	-	-	-	-	-	-	-
The Woodlands Township EDZ	-	-	-	-	-	-	-	-	-	-
Montgomery County	0.4838	0.4838	0.4838	0.4888	0.4913	0.4963	0.4828	0.4710	0.4710	0.4747
Harris County	0.3881	0.3922	0.3892	0.3924	0.4024	0.3999	0.3999	0.3880	0.3881	0.3839
Conroe Independent School District	1.2950	1.2850	1.2700	1.2400	1.5900	1.7600	1.7325	1.7325	1.7225	1.7025
Magnolia Independent School District	1.3995	1.3800	1.4000	1.4200	1.6600	1.7900	1.6800	1.6800	1.6900	1.6900
Lone Star College System	0.1176	0.1101	0.1101	0.1144	0.1167	0.1207	0.1145	0.1145	0.1055	0.1100
Tomball Independent School District	1.3600	1.3600	1.3600	1.2750	1.5800	1.7100	1.7300	1.7300	1.7500	1.6800
Harris County Department of Education	0.0066	0.0061	0.0058	0.0059	0.0063	0.0063	0.0063	0.0063	0.0063	0.0063
Montgomery County Hospital District	0.0754	0.0755	0.0760	0.0777	0.0781	0.0850	0.0999	0.1082	0.1338	0.1378
Harris County Hospital District	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922	0.1902	0.1902	0.1902	0.1902
Harris County Flood Control District	0.2923	0.0292	0.0309	0.0311	0.0324	0.3322	0.3318	0.0417	0.0417	0.0476
Port of Houston Authority	0.0205	0.0164	0.0177	0.0144	0.0130	0.0147	0.0167	0.0200	0.0199	0.0183
The Woodlands Metro Center MUD	0.1900	0.1900	0.1900	0.2100	0.2300	0.2700	0.3000	0.3000	0.3200	0.4000
Montgomery Co. Municipal Utility District #2	0.1900	0.2300	0.2300	0.2400	0.2700	0.3350	0.3750	0.4100	0.4400	0.4600
Montgomery Co. Municipal Utility District #6	0.0950	0.1000	0.1100	0.1100	0.1100	0.2200	0.2500	0.3000	0.5000	0.5550
Montgomery Co. Municipal Utility District #7	0.1750	0.1750	0.1750	0.2000	0.2000	0.3000	0.3400	0.3800	0.4200	0.4400
Montgomery Co. Municipal Utility District #36	0.0550	0.1000	0.1100	0.1200	0.1200	0.3200	0.3600	0.3600	0.3600	0.3900
Montgomery Co. Municipal Utility District #39	0.4300	0.4300	0.4400	0.4700	0.4800	0.5800	0.7000	0.7200	0.7200	0.7200
Montgomery Co. Municipal Utility District #40	0.1700	0.1800	0.1900	0.2100	0.2100	0.2500	0.2800	0.3200	0.3650	0.4050
Montgomery Co. Municipal Utility District #46	0.2750	0.2850	0.3100	0.3800	0.4200	0.5000	0.5800	0.6000	0.6300	0.6950
Montgomery Co. Municipal Utility District #47	0.2500	0.2500	0.2600	0.2800	0.2800	0.3100	0.3600	0.3700	0.3950	0.4200
Montgomery Co. Municipal Utility District #60	0.2400	0.2400	0.2650	0.2900	0.3000	0.3500	0.4200	0.4200	0.4500	0.5500
Montgomery Co. Municipal Utility District #67	0.3200	0.3200	0.3200	0.3300	0.3400	0.4300	0.4500	0.4700	0.4700	0.4700
Harris-Montgomery Co. Municipal Utility Dist. #386	0.9900	1.1500	1.2500	1.2500	1.2500	-	-	-	-	-
Harris-Montgomery Co. Municipal Utility Dist. #387	-	-	-	-	-	-	-	-	-	-
Montgomery Co. Water Control & Imp. Dist. #1	0.7750	0.7750	0.7750	0.7750	0.8200	0.8200	0.8200	0.8200	0.8200	0.8500
The Woodlands Road Utility Dist. #1	0.4300	0.4491	0.4738	0.4800	0.4800	0.4817	0.5000	0.5000	0.5000	0.5000
<b>Total Direct &amp; Overlapping Property Tax</b>	<b>10.5433</b>	<b>10.5325</b>	<b>10.4346</b>	<b>10.5967</b>	<b>11.6724</b>	<b>12.0740</b>	<b>12.5196</b>	<b>12.4525</b>	<b>12.9091</b>	<b>13.2963</b>

Sources: Montgomery County Appraisal District, Montgomery County Auditor, The Woodlands Joint Power Agency, Harris County Appraisal District.

Notes:

<sup>1</sup> Per \$1.00 of taxable sales.

<sup>2</sup> Per \$1.00 of taxable room revenue.

<sup>3</sup> Per \$100 of assessed valuation of property.

**The Woodlands Township**  
**The Woodlands Area Demographic and Economic Statistics**  
**Last Ten Fiscal Years**  
**(unaudited)**

<b>Fiscal Year</b>	<b>Population<sup>1</sup></b>	<b>Median Household Income<sup>1</sup></b>	<b>Median Age</b>	<b>Employers<sup>1</sup></b>	<b>Jobs<sup>1</sup></b>	<b>Unemployment Rate<sup>1</sup></b>	<b>School Enrollment<sup>2</sup></b>
2011	100,670	\$ 91,378	39.5	1,755	49,960	4.7	50,849
2010	97,023	\$ 118,704	42	1,712	47,100	4.7	49,323
2009	92,348	\$ 116,732	37	1,650	45,380	5.5	48,700
2008	89,397	\$ 115,481	45	1,587	44,202	4.9	46,302
2007	87,867	\$ 112,117	50	1,551	43,200	3.6	44,237
2006	83,884	\$ 109,622	45	1,511	42,190	3.3	42,431
2005	80,659	\$ 105,406	42	1,310	39,541	3.9	42,613
2004	77,128	\$ 135,000	40	1,219	37,175	4.8	40,432
2003	74,358	\$ 127,900	39	1,140	31,500	4.8	39,246
2002	70,050	\$ 110,000	40	1,112	30,096	4.8	38,016

Sources:

<sup>1</sup>The Woodlands Development Company/The Woodlands, Texas.

<sup>2</sup>Conroe Independent School District.

**The Woodlands Township**  
**Sales Tax Revenue Statistics**  
**Last Ten Fiscal Years**  
**(unaudited)**

Fiscal Year	Taxable Sales Generated	Sales Tax Collected	Based on Texas Comptroller of Public Accounts Reports*						
			# of Taxpayers	Per Taxpayer	Median Deposit	Average Deposit	Minimum Deposit	Maximum Deposit	Maximum as % of Total
2011	\$ 1,755,589,000	\$ 17,555,890	4,249	\$ 4,132	\$ 110	\$ 4,187	\$ (8,056)	\$ 941,035	5%
2010	\$ 1,579,337,074	\$ 15,793,371	2,878	\$ 5,488	\$ 144	\$ 5,418	\$ (24,429)	\$ 965,196	6%
2009	\$ 1,507,523,924	\$ 15,075,239	2,586	\$ 5,830	\$ 160	\$ 5,757	\$ (13,714)	\$ 1,005,575	7%
2008	\$ 1,468,672,705	\$ 14,686,727	2,408	\$ 6,099	\$ 141	\$ 6,090	\$ (106,165)	\$ 931,537	6%
2007	\$ 1,187,440,000	\$ 11,874,400	2,193	\$ 5,415	\$ 120	\$ 5,460	\$ (1,483)	\$ 646,806	5%
2006	\$ 1,054,380,000	\$ 10,543,800	2,103	\$ 5,014	\$ 121	\$ 5,048	\$ (6,559)	\$ 607,202	6%
2005	\$ 917,185,600	\$ 9,171,856	1,954	\$ 4,694	\$ 109	\$ 4,567	\$ (29,101)	\$ 629,205	7%
2004	\$ 831,722,200	\$ 8,317,222	1,756	\$ 4,736	\$ 87	\$ 4,382	\$ (26,299)	\$ 591,773	7%
2003	\$ 725,468,300	\$ 7,254,683	1,582	\$ 4,586	\$ 82	\$ 4,578	\$ (63,825)	\$ 572,929	8%
2002	\$ 730,362,100	\$ 7,303,621	1,506	\$ 4,850	\$ 74	\$ 4,759	\$ (25,300)	\$ 560,211	8%

Source: Texas Comptroller of Public Accounts reports.

Notes:

\*Prior to 2004 these reports only include those taxpayers having remitted more than \$100,000 in state and local taxes to the Comptroller in the prior year.

\*For 2004 and thereafter, reports include those taxpayers having remitted more than \$25,000 in state and local taxes to the Comptroller in the prior year.

**The Woodlands Township**  
**Principal Non-Retail Employers of The Woodlands Area**  
**Current Year and Nine Years Ago**  
**(unaudited)**

<u>Employer</u>	<u>2011</u>			<u>2002</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total Employment</u>
Conroe Independent School District	3,321	1	7%	-	-	-
Anadarko Petroleum Corporation	2,901	2	6%	2,000	1	7%
Hewitt Associates, LLC	1,800	3	4%	1,300	2	4%
Memorial Hermann The Woodlands Hospital	1,330	4	3%	700	4	2%
St. Luke's Community Medical Center	1,180	5	2%	-	-	-
Woodforest National Bank	744	6	1%	-	-	-
Huntsman Company, LLC	734	7	1%	-	-	-
Baker Hughes	705	8	1%	-	-	-
Chevron Phillips Chemical Co.	618	9	1%	600	6	2%
McKesson Specialty Health	583	10	1%	-	-	-
Woodlands Resort & Conference Center	-	-	-	760	3	3%
Hughes Christensen	-	-	-	655	5	2%
Montgomery College	-	-	-	500	7	2%
Lexicon Genetics	-	-	-	500	8	2%
Montgomery College	-	-	-	500	9	2%
Eckerd Drug Distribution Center	-	-	-	423	10	1%
	<u>13,916</u>		<u>28%</u>	<u>7,938</u>		<u>26%</u>
	49,960	Total Jobs		30,096	Total Jobs	

Source: South Montgomery County Woodlands Economic Development Partnership.

**The Woodlands Township**  
**Full-time Equivalent Government Employees by Function**  
**Last Ten Fiscal Years**  
**(unaudited)**

	<b>Full-time Equivalent Employees as of December 31</b>									
	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>
<b>General &amp; Administrative</b>	-	-	9	9	9	9	9	8	8	7
President's Office	4	4	-	-	-	-	-	-	-	-
Legislative and transportation	1	1	-	-	-	-	-	-	-	-
Human resources	5.75	5.75	-	-	-	-	-	-	-	-
Finance	15	15	-	-	-	-	-	-	-	-
Information technology	9	9	-	-	-	-	-	-	-	-
Records	8	8	-	-	-	-	-	-	-	-
<b>Parks &amp; Recreation</b>										
Parks administration	9	9	-	-	-	-	-	-	-	-
Parks planning	10	10	-	-	-	-	-	-	-	-
Parks operation	41.5	39.5	-	-	-	-	-	-	-	-
Aquatics	67	67	-	-	-	-	-	-	-	-
Recreation	17.95	17.95	-	-	-	-	-	-	-	-
Operations and maintenance	-	-	3	3	3	2	2	2	2	2
<b>Development &amp; Planning Services</b>										
Community services	6	6	-	-	-	-	-	-	-	-
Community relations	4	4	-	-	-	-	-	-	-	-
CAD	32.75	32.75	-	-	-	-	-	-	-	-
Environmental services	4.25	4.25	-	-	-	-	-	-	-	-
<b>Public Safety</b>										
Law enforcement	2	2	-	-	-	-	-	-	-	-
Town Center ambassador personnel	7.75	7.75	6	5	5	4	5	5	0	0
Neighborhood services	7	7	-	-	-	-	-	-	-	-
Public safety department	-	-	1	1	1	1	1	1	1	1
<b>Convention &amp; Visitors Bureau</b>										
Marketing and public affairs	4.25	4.25	4	4	4	4	3	2	2	1
Economic development	1	1	2	2	2	2	2	2	2	2
	<b><u>257.20</u></b>	<b><u>255.20</u></b>	<b><u>25</u></b>	<b><u>24</u></b>	<b><u>24</u></b>	<b><u>22</u></b>	<b><u>22</u></b>	<b><u>20</u></b>	<b><u>15</u></b>	<b><u>13</u></b>

Source: The Woodlands Township Human Resources Department.

Note: The significant increases in 2010 are due to the merger of the Township and the Associations.

**The Woodlands Township**  
**Capital Asset Statistics by Function**  
**Last Seven Fiscal Years**  
**(unaudited)**

<b>Function</b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
<b>Public Safety</b>							
Patrol cars and equipment - Sheriff's Department <sup>1</sup>	\$537,978.00	\$504,747.64	\$567,846.50	\$75,458.38	\$65,910.80	\$76,912.79	\$55,144.70
Patrol bicycles and equipment - Sheriff's Department <sup>1</sup>	28,004	24,559	5,980	2,894	3,972	7,179	25,833
Rescue and Haz-Mat vehicles - Fire Department	590,611	-	148,990	-	136,398	1,733	-
Special equipment - Fire Department	63,718	29,846	-	-	37,808	12,885	29,904
Communications equipment - Fire Department	44,136	38,871	-	-	3,463	3,023	7,929
Traffic controllers - Fire Department	13,089	44,600	-	-	-	-	54,645
Patrol cars <sup>1</sup>	82	82	14	2	2	2	2
Patrol bicycles <sup>1</sup>	24	24	2	2	-	-	9
Fire stations	8	7	7	6	5	5	5
Fire apparatus	15	13	13	12	12	8	7
<b>Economic Development</b> <sup>2</sup>							
Hotel rooms booked for conventions	42,628	40,820	45,255	49,525	40,101	31,875	10,140
Total convention center square feet booked	14,685,250	12,812,550	13,250,150	16,716,580	12,482,300	10,605,190	3,268,930
<b>Operations</b>							
Wayfinding signs	255	207	155	143	89	92	92
Monument signs	360	360	6	6	6	6	6
Sculptures and public art	6	6	2	2	2	2	1
Miles of pathway <sup>3</sup>	194	185	-	-	-	-	-
Parks	123	116	2	2	1	1	1
Swimming pools	13	13	-	-	-	-	-
Park acreage	700	690	4	4	3	3	3

Sources:

<sup>1</sup> The Township reimburses the entities for a percentage of equipment and capital to be used in servicing the Township; however, the Township does not own or maintain the assets.

<sup>2</sup> Annual Booking Report for The Woodlands Waterway Marriott Hotel & Convention Center.

<sup>3</sup> The Woodlands Development Company.

\*Sources not specifically noted include various government departments.

Notes:

\*The significant increases in 2010 are due to the merger of the Township and the Associations.

\*Information not available prior to 2005.



**The Woodlands Township**  
**Operating Indicators by Function**  
**Last Seven Fiscal Years**  
**(unaudited)**

<b>Function</b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
<b>Public Safety</b>							
# of trooper hours - Mounted Patrol	29,996	36,719	36,758	35,665	35,434	35,620	47,473
# of vehicle assists - Mounted Patrol	2,038	3,368	2,221	8,634	5,905	4,419	9,348
# of other assist calls - Mounted Patrol	1,463	1,561	4,406	9,005	2,994	5,632	8,652
Traffic citations	10,710	8,686	4,270	3,629	1,393	1,040	1,320
Total Sheriff Department calls	43,424	40,662	8,637	8,083	5,862	5,574	5,912
Total fire incident calls <sup>1</sup>	6,363	5,977	5,454	5,859	684	612	611
Montgomery County Sheriff's Department	\$ 6,337,658	\$ 5,637,895	\$ 1,686,848	\$ 1,414,833	\$ 1,142,287	\$ 1,141,977	\$ 889,114
# of full-time MCSO positions	89.5	85	24	22	19	19	16
Constable Precinct 3	\$ 119,154	\$ 118,902	\$ 116,979	\$ 112,000	\$ 106,230	\$ 100,903	\$ 95,050
Justice of the Peace Precinct 3	\$ 43,331	\$ 38,429	\$ 39,819	\$ 37,522	\$ 37,047	\$ 35,211	\$ 50,332
City of Oak Ridge North	\$ -	\$ 100,000	\$ 216,472	\$ 216,472	\$ 215,635	\$ 215,635	\$ 215,635
City of Shenandoah	\$ -	\$ 100,000	\$ 216,468	\$ 216,464	\$ 216,472	\$ 216,464	\$ 216,472
The Woodlands Fire Department	\$ 15,056,962	\$ 14,085,800	\$ 14,725,000	\$ 6,603,000	\$ 472,905	\$ 405,600	\$ 390,000
<b>Marketing and Public Affairs/CVB</b>							
Events produced	30	38	24	8	6	6	5
Visitor guides distributed	137,355	155,103	77,395	128,490	73,276	36,049	48,889
Discovery guides distributed	24,490	-	-	-	-	-	-
Sponsorships sold	\$ 261,095	\$ 225,000	\$ 267,600	\$ 237,725	\$ 272,595	\$ 287,300	\$ 199,175
<b>Economic Development</b>							
Convention center bookings <sup>2</sup>	1,425	1,351	1,258	1,685	1,095	864	-
# of jobs <sup>3</sup>	49,960	47,100	45,380	44,202	43,200	42,190	39,541
ISO rating	2	2	2	3	3	3	3
<b>Operations and Transportation</b>							
Transportation - Trolley ridership	127,326	144,906	113,077	97,424	-	-	-
Transportation - Friendship shuttle trips <sup>4</sup>	5,090	5,301	5,087	5,600	5,456	13,173	13,219

Sources:

<sup>1</sup> Total fire calls for 2008 represent the Township as a whole, as previous years represent only Town Center calls.

<sup>2</sup> The Woodlands Waterway Marriott Hotel.

<sup>3</sup> The Woodlands Development Company.

<sup>4</sup> Contract compliance reports provided by The Friendship Center.

\*Sources not specifically noted include various government departments.

Notes:

\*The significant increases in 2010 are due to the merger of the Township and the Associations.

\*Information not available prior to 2005.