



# Comprehensive Annual Financial Report

**Fiscal Year Ended December 31, 2013**  
The Woodlands Township, Montgomery County, Texas



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**The Woodlands Township  
Comprehensive Annual Financial Report**

**Fiscal Year Ended  
December 31, 2013**

**Prepared by the  
Finance and Administration Department**

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

# The Woodlands Township

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# **INTRODUCTORY SECTION**



September 23, 2014

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

The Comprehensive Annual Financial Report (CAFR) of The Woodlands Township (the Township) for the fiscal year ended December 31, 2013 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, 2012, the 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 unmodified ("clean") opinion on the Township's financial statements for the year ended December 31, 2013. The Independent Auditors' Report is located at the front of the Financial Section of this report.

Management's Discussion and 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 Township is the local government for a master-planned community located just off Interstate 45 in the southeastern region of the State of Texas and 27 miles north of downtown Houston. The Township encompasses a land area of approximately 44 square miles and serves a population of approximately 107,700. Founded in 1974, The Woodlands was one of the nation's first sustainable communities. It is currently ranked #1 in Texas and #8 in the nation as a top selling master-planned community according to a recent survey by Robert Charles Lesser & Co., an independent real estate advisory firm. Two of the community's golf courses, the Jack Nicklaus Signature Golf Course and the Tom Fazio Championship Golf Course, were ranked in the "Top Ten Golf Courses in Texas" and in the "Top 200 Golf Courses in the United States" by Golf Digest in 2013.

Since its inception, more than \$15.7 billion has been invested in The Woodlands, which includes nine residential villages and a 1,000-acre business district known as the Town Center. The current number of households totaling 41,500 is projected to grow to 46,000 households with a population of over 121,000 when development of the community is completed. A total of 29.8 million square feet of commercial, retail, industrial and institutional development provides jobs for more than 54,500 people. The community also offers a variety of amenities to its residents and visitors including over 7,000 acres of green space and forest preserves, 200 miles of pathways, 130 parks, 14 public swimming facilities, seven golf courses, two major sports parks, a recreation center, and a 1,700 acre nature preserve.

The 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. 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 non-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 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 and use taxes and other revenues. The Community Associations were legally dissolved in August 2010 and all responsibilities were assumed by The Woodland Township.

All services provided by the Township, as well as those provided by The Woodlands Convention & Visitors Bureau and The Woodlands Township Economic Development Zone, are included in the Township's financial statements for the year ended December 31, 2013. These entities provide a full range of services to residents, visitors and business communities including law enforcement, fire protection, first responder emergency services, facilities and park maintenance, recreation, transportation services, visitor services, waste management and recycling, and economic development programs. These services are supplemented by services provided by Montgomery County, Harris County and other governmental agencies and political subdivisions. Inter-local partnerships and strategic alliances are the key to efficient and cost-effective service delivery for the Township.

The 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 to two-year staggered terms. Board elections are held annually in November.

## **LOCAL ECONOMY**

South Montgomery County, Texas, which includes the Township, has enjoyed unprecedented commercial growth over the last several years. The County and the 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.

The Township is home to a total of 1,901 businesses and corporations including Anadarko Petroleum Corporation, Aon Hewitt, CB&I, Chevron Phillips Chemical Company, Fox Networks Group, Baker Hughes, Huntsman Corporation, Lexicon Pharmaceuticals, Maersk Line, McKesson Specialty Health and Repsol USA. Continued commercial development is anticipated to create an additional 13,000 jobs over the next several years, increasing the total jobs in the community to 67,500. The Township's business community is very important to the vitality of the local economy.

The Township's access to major modes of regional, national, and international transportation, as well as its proximity to quality healthcare facilities, also contribute 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 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 review the five-year business plan to ensure that current budget decisions do not negatively impact long-term financial goals.



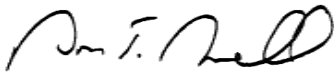
In 2013, the Township completed a Capital Asset Reserve study. The purpose of the study was to evaluate the existing capital assets in the Township and determine the appropriate level of monies to be reserved annually to ensure adequate funding is available to repair or replace the community's \$217 million in capital assets as they age. Establishing and maintaining a capital asset reserve account significantly reduces the need to issue debt to fund capital replacements.

The Board 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 General Fund operating expenditures. As of December 31, 2013, the Township's General Fund had a balance of \$31.0 million, which 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 for their leadership and support in maintaining the highest standards of professionalism in the management of the Township's finances.

Respectfully submitted,



Don T. Norrell  
President/General Manager



Monique Sharp  
Assistant General Manager  
Finance and Administration

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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**The Woodlands Township**  
**Texas**

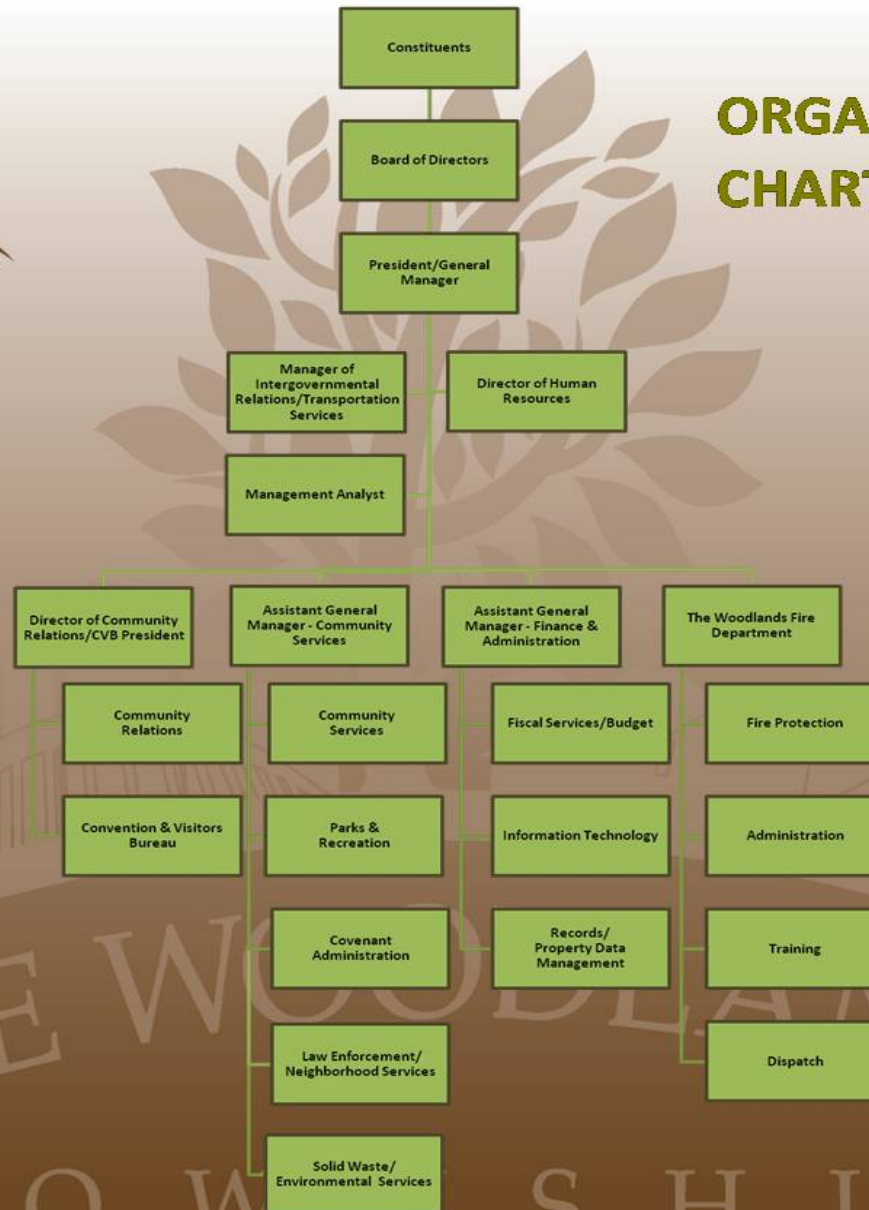
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2012**

Executive Director/CEO



# ORGANIZATIONAL CHART



**THE WOODLANDS TOWNSHIP  
BOARD OF DIRECTORS**

Chairman <b>Mr. Bruce Tough</b> (Re-elected by the Board as Chairman, November 20, 2013) <i>Position 7 - Term Expires: November 2015</i>
Vice Chairman <b>Ms. Peggy S. Hausman</b> (Re-elected by the Board as Vice Chairman, November 20, 2013) <i>Position 6 - Term Expires: November 2015</i>
Secretary <b>Dr. Edmund W. Robb III</b> (Re-elected by the Board as Secretary, November 20, 2013) <i>Position 4 - Term Expires: November 2014</i>
Treasurer <b>Mr. Gordy Bunch</b> (Re-elected by the Board as Treasurer, November 20, 2013) <i>Position 1 - Term Expires: November 2014</i>
Director <b>Mr. Mike Bass</b> <i>Position 2 - Term Expires: November 2014</i>
Director <b>Mr. John P. McMullan</b> <i>Position 5 - Term Expires: November 2015</i>
Director <b>Mr. Jeff Long</b> <i>Position 3 - Term Expires: November 2014</i>

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# **FINANCIAL SECTION**

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## Independent Auditors' Report

To the Board of Directors of  
The Woodlands Township:

### Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 15-23 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

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 and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Blazek & Vetterling*

September 23, 2014

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**The Woodlands Township  
Management's Discussion and Analysis  
For the year ended December 31, 2013  
(unaudited)**

As management of The Woodlands Township (the Township), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2013. 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 and deferred outflows of resources of the Township exceeded its liabilities and deferred inflows of resources at December 31, 2013 by \$153.1 million (*net position*). Of this amount, \$38.7 million (*unrestricted net position*) may be used to meet the Township's ongoing obligations to its citizens and creditors.
- The Township's total net position increased by \$20.6 million, primarily due to increases in sales and use tax, property tax and hotel occupancy tax revenues and a decrease in operating expenditures in the Parks and Recreation departments.
- At December 31, 2013, the unassigned fund balance for the General Fund was \$9.0 million or 13.1% of the total General Fund's expenditures.

**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 position* presents information on all of the Township's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the net of the four reported as *net position*. Evaluated over a period of time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in the net position 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 position and the statement of activities are prepared utilizing the accrual basis of accounting.

Included in the government-wide financial statements is The Woodlands Convention & Visitors Bureau. The Woodlands Convention & Visitors Bureau is considered a blended component unit, meaning its financial information is included with that of the Township.

The government-wide financial statements can be found on pages 27-28 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 revenue, 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 revenue, 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 29-32 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 33-50 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$153.1 million at December 31, 2013.

By far the largest part of the Township's net position, \$89.0 million (58%) 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 \$25.3 million (16.5%) of the Township's net position represents resources that are subject to external restriction on how they may be utilized. The remaining balance of unrestricted net position, \$38.7 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 position, 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 position as of December 31, 2013 and 2012:

	CONDENSED STATEMENTS OF NET POSITION (ROUNDED TO 000'S)	
	YEAR ENDED	YEAR ENDED (RESTATED)
	DECEMBER 31, 2013	DECEMBER 31, 2012
Current and other assets	\$ 131,794,000	\$ 121,270,000
Long-term receivables and other assets	2,239,000	2,479,000
Capital assets	<u>180,623,000</u>	<u>177,101,000</u>
Total assets	<u>314,656,000</u>	<u>300,850,000</u>
Deferred outflows of resources	<u>557,000</u>	<u>597,000</u>
Current and other liabilities	35,317,000	34,836,000
Long-term liabilities outstanding	<u>103,704,000</u>	<u>110,856,000</u>
Total liabilities	<u>139,021,000</u>	<u>145,692,000</u>
Deferred inflows of resources	<u>23,114,000</u>	<u>23,249,000</u>
Invested in capital assets net of outstanding debt	89,038,000	85,988,000
Restricted	25,314,000	13,710,000
Unrestricted	<u>38,726,000</u>	<u>32,808,000</u>
Total net position	<u>\$ 153,078,000</u>	<u>\$ 132,506,000</u>

The following table summarizes the changes in the Township's net position as a result of its activities for the years ended December 31, 2013 and 2012:

	CONDENSED STATEMENTS OF CHANGES IN NET POSITION (ROUNDED TO 000'S)	
	YEAR ENDED	YEAR ENDED (RESTATED)
	DECEMBER 31, 2013	DECEMBER 31, 2012
REVENUE:		
Tax revenue	\$ 96,116,000	\$ 88,525,000
Program service fees	5,694,000	5,819,000
Grants and contributions	3,245,000	2,402,000
Investment earnings	217,000	345,000
Other income	<u>105,000</u>	<u>86,000</u>
Total revenue	<u>105,377,000</u>	<u>97,177,000</u>
EXPENSES:		
General and administrative	8,707,000	8,456,000
Public safety	31,812,000	29,748,000
Parks and recreation	19,421,000	20,761,000
Economic development	7,108,000	6,522,000
Community services	12,638,000	12,293,000
Community relations	1,108,000	1,046,000
Interest and debt related expenses	<u>4,011,000</u>	<u>4,053,000</u>
Total expenses	<u>84,805,000</u>	<u>82,879,000</u>
CHANGES IN NET POSITION	20,572,000	14,298,000
Net position, beginning of year	<u>132,506,000</u>	<u>118,208,000</u>
Net position, end of year	<u>\$ 153,078,000</u>	<u>\$ 132,506,000</u>

The Township's net position increased \$20.6 million from the 2012 ending balance of \$132.5 million to the 2013 ending balance of \$153.1 million. The reasons for this increase are explained in the following section.

### Governmental Activities

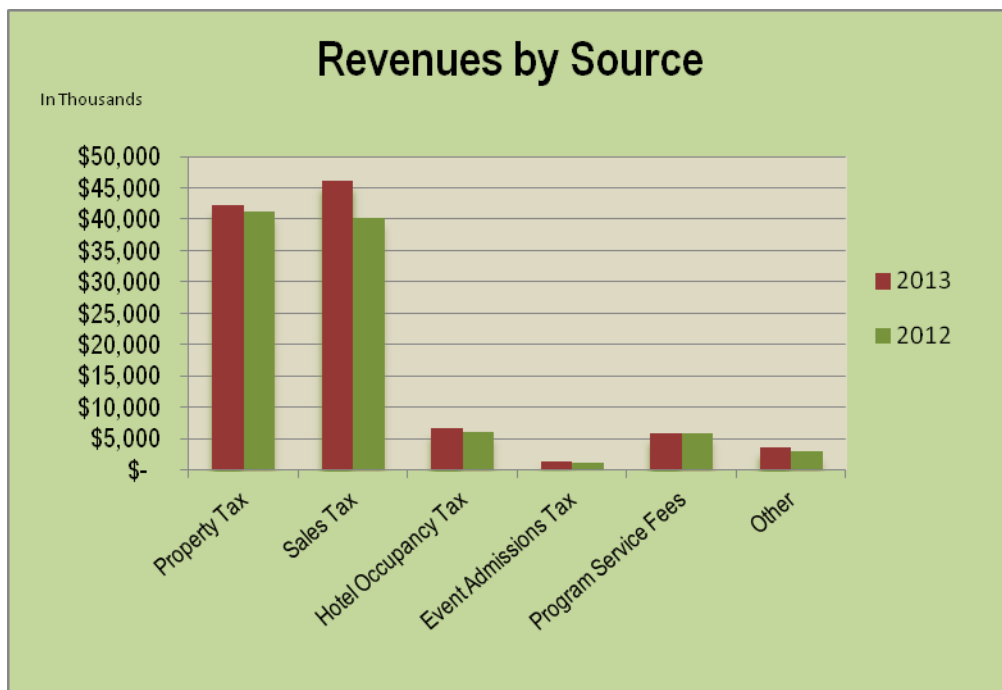
Governmental activities increased the Township's net position by \$20.6 million during the current fiscal year. Key elements of this increase are as follows:

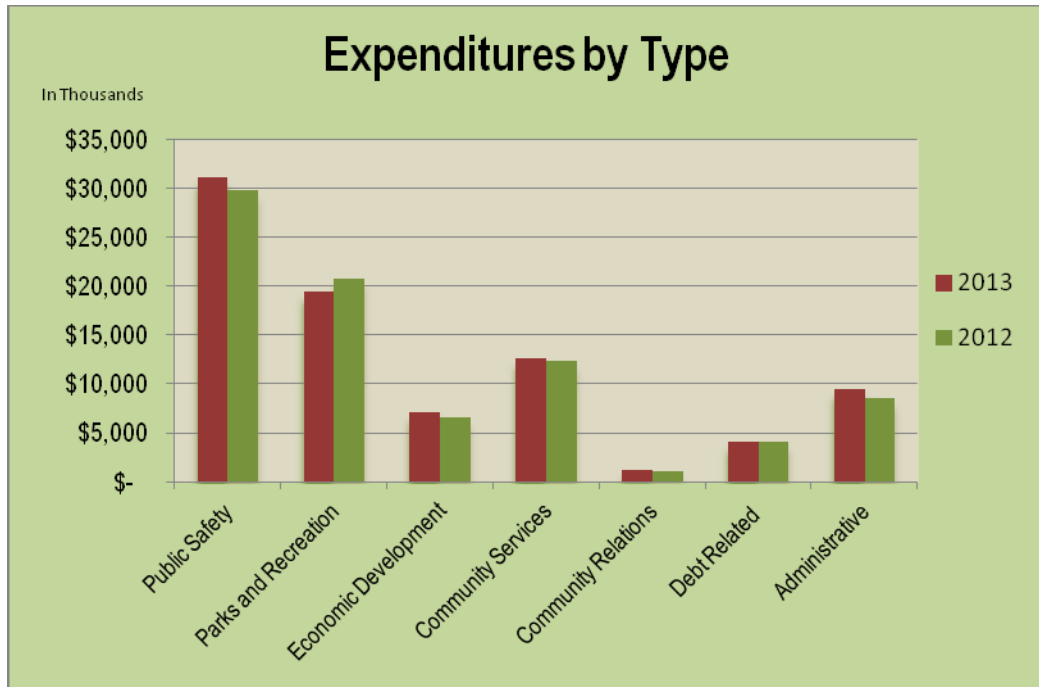
Revenue in 2013 increased by \$8.2 million due to:

- Sales and use tax revenue increased 14.6% due to increased sales activity within the area as the Township continues to grow and promote tourism and commerce in the community. In addition to continued growth in retail sales, the Township also experienced significant growth in use tax. The growth was primarily in the categories of wholesale trade, real estate and rental leasing, professional services, transportation, and warehousing and construction.
- Property tax collections increased 2.4% due to new property additions as well as revaluation of existing property, although the latter was offset by the Board of Director's election to decrease the tax rate from \$.3250 per \$100 of value in 2012 to \$.3173 per \$100 of value in 2013.
- Hotel occupancy tax revenue increased 9.3% due to an increase in tourism, record high occupancy, and maximizing room rates.

Expenses in 2013 increased by \$1.9 million due to:

- An increase in sales and use tax revenue generated higher regional participation agreement payments to the City of Conroe and the City of Houston.
- An increase in sales tax revenue generated higher annual payments for the Town Green Park and Waterway Square projects from the Special Revenue Fund.
- An increase in event admissions tax revenue generates higher payments to The Cynthia Woods Mitchell Pavilion. 90% of this revenue is returned to the Pavilion to fund cultural events and education.
- An increase in public safety related to the inter-local agreements with the Montgomery County Sheriff's Office and Harris County Constable's Office and the impact of accrued sick-time provisions for The Woodlands Fire Department.





## 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, 2013, the Township's governmental funds reported a combined ending fund balance of \$82.8 million, an increase of \$12.6 million or 17.9% from the prior year.

	<u>2013</u>	<u>2012</u>	INCREASE (DECREASE)
Fund balances:			
General Fund	\$ 31,007,000	\$ 35,946,000	\$ (4,939,000)
Capital Projects Fund	38,415,000	33,614,000	4,801,000
Debt Service Fund	19,680,000	7,074,000	12,606,000
Special Revenue Fund	<u>(6,333,000)</u>	<u>(6,452,000)</u>	<u>119,000</u>
Total fund balances	<u>\$ 82,769,000</u>	<u>\$ 70,182,000</u>	<u>\$ 12,587,000</u>

Approximately \$9.0 million of the \$82.8 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 annual General Fund operating expenditures or \$13.8 million). In 2013, the operating reserve policy calculation was changed from 20% of the consolidated revenue to 20% of annual General Fund operating expenditures, therefore decreasing the amount required. The remaining fund balances are non-spendable, 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 (\$16.9 million) and capital reserves of \$11.4 million; 2) to pay debt service (\$19.7 million); 3) an economic development reserve (\$5.6 million); 4) for receivable of future sales tax revenue from the Special Revenue Fund related to repayment of construction costs for Town Green Park and Waterway Square (\$6.3 million); and 5) for prepayment of expenses related to fiscal 2013 (\$1.6 million). The increase of \$4.8 million in the Capital Projects Fund balance is related to 2013 funded capital projects not completed and now scheduled for 2014, plus contributions for capital from the General Fund. The Debt Service Fund balance increase of \$12.6 million is due to an increase in transfers related to amount required for the anticipated retirement of the Series 2009 Sales Tax and Hotel Occupancy Tax Revenue Bonds.

**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, 2013, the General Fund had an unassigned fund balance of \$9.0 million and a total fund balance of \$31.0 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 13.1% of total General Fund expenditures, while total fund balance represents 45.0%. Pursuant to Board policy, the Township maintains an assigned General Fund balance at a minimum amount equal to 20% of annual General Fund operating expenditures.

The Township’s General Fund balance decreased \$4.0 million or 13.7% during the current fiscal year. The key factor for this decrease is the amount transferred for the anticipated retirement of the Series 2009 Sales Tax and Hotel Occupancy Tax Revenue Bonds.

**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 \$4.8 million during the current fiscal year. This increase is due primarily to transfers in from the General Fund of \$14.5. These increases were partially offset by capital outlay expenditures of \$9.7 million.

At December 31, 2013, the Capital Projects Fund had an ending balance of \$38.4 million. Pursuant to Board policy, \$33.9 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 \$4.5 million will be used for bond-funded capital projects related to the Fire Department, parks and pathways, and projects not completed in 2013. 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 operating reserve maintains a balance equal to 20% of the annual General Fund operating expenditures. The remaining cash generated from favorable budget variances is allocated to the capital reserve and/or 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 21).

**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. The interest and sinking portion of property tax is pledged for the payment of the Unlimited Tax Bonds, while Hotel Occupancy Tax revenues of nine percent and up to one-half of one percent of general sales tax collected by the Township are pledged for the payment of the Revenue Bonds.

The Debt Service Fund had a total fund balance of \$19.7 million at the end of the fiscal year, all of which is set aside for the payment of debt service and the retirement of the Series 2009 Sales Tax and Hotel Occupancy Tax Revenue Bonds.

Additional information on the Township’s debt administration can be found in the accompanying notes to the financial statements (page 46) and in the Long-Term Debt section of this management’s discussion and analysis (page 22).

**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 General Fund for payment of the Fire Department's operations.

For 2013, the Special Revenue Fund recorded \$22.9 million in sales tax revenues. Of this amount, \$2.8 million was paid to the authorized Zone projects for the purpose of paying down debt service, and \$20.1 million was transferred to the General Fund to pay for fire department operations. The year-end deficit balance of \$6.3 million in this fund largely is due to a \$4.1 million liability related to the Town Green Park project and a \$2.2 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.

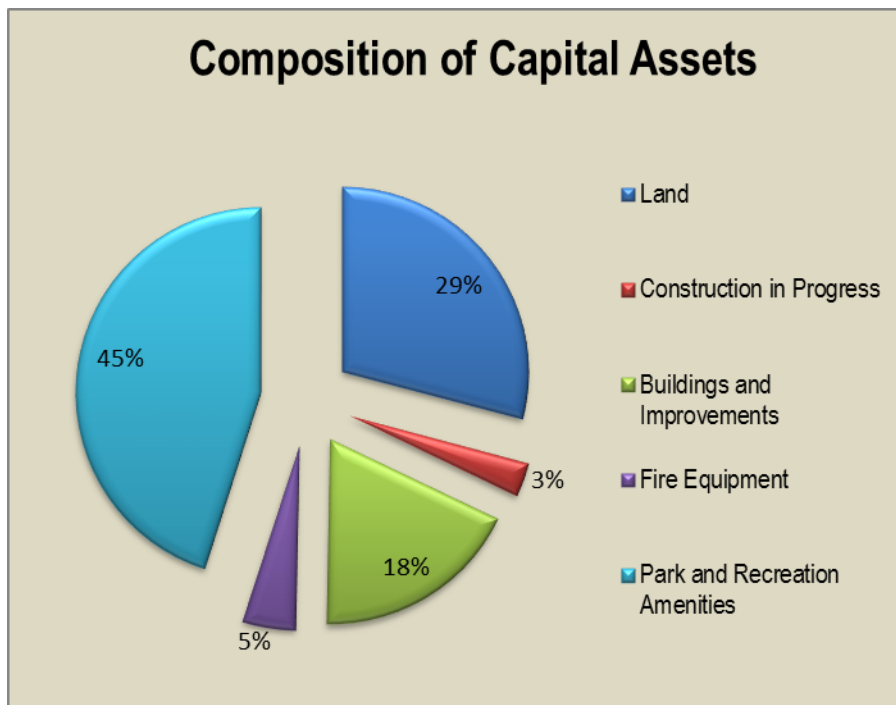
### General Fund Budgetary Highlights

The actual revenues for the year totaled \$71.7 million, which were \$7.6 million higher than the final budget. The primary reasons for the favorable variance include increased collections of tax revenues and a favorable variance in recreation and aquatic programs in excess of budgeted amounts. Actual expenditures for the year were \$68.8 million, an amount of \$1.3 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 parks and pathway maintenance, facility maintenance, and lease obligations.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

The Township's investment in capital assets for its governmental activities as of December 31, 2013 amounted to \$180.6 million (net of accumulated depreciation). This amount represents a net increase (including additions and deductions) of \$3.5 million over the prior year. The investment in capital assets includes land, buildings and improvements, park and recreation amenities, fire equipment, information technology, construction in progress, and other machinery and equipment.



Major capital asset events during the year ended December 31, 2013 included:

- Completion of new Central Fire Station #1
- New development of parks and pathways
- Completion of two artificial turf sports fields at Bear Branch and Alden Bridge

Additional information about capital assets can be found in Note 11 to the financial statements (page 41).

### Long-Term Debt

At December 31, 2013, the Township had total debt outstanding of \$107.3 million; a decrease of \$5.2 million from the prior year's ending debt balance.

	<u>2013</u>	<u>2012</u>
Debt instruments:		
Series 2009 Revenue Bonds	\$ 15,015,000	\$ 15,740,000
Series 2010 Unlimited Tax Bonds	31,270,000	32,630,000
Series 2010 Sales Tax and Hotel Occupancy Tax Refunding Bonds	36,625,000	38,510,000
Series 2010 Sales Tax and Hotel Occupancy Tax Bonds	10,865,000	11,530,000
Series 2011 Unlimited Tax Bonds	9,520,000	9,900,000
Series 2012 Unlimited Tax Bonds	<u>4,030,000</u>	<u>4,205,000</u>
Total debt instruments	<u>\$ 107,325,000</u>	<u>\$ 112,515,000</u>

Current ratings\* on debt issues are as follows:

<u>UNLIMITED TAX BONDS</u>	<u>MOODY'S</u>	<u>S&amp;P</u>		
2010	NR	AA		
2011	NR	AA		
2012	NR	AA		
<u>SALES TAX AND HOTEL OCCUPANCY TAX BONDS</u>	<u>UNDERLYING</u>		<u>INSURED</u>	
2009 Revenue	A1	A+	NR	NR
2010 Refunding	A1	A+	A1	FSA-AA
2010	A1	A+	A1	FSA-AA

\*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 16 (page 46) 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 blended 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 2014 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 2014 equal \$106 million, which is a 2.7% increase from 2013 actual revenue of \$103.2 million. The increase is primarily the result of anticipated higher revenue from property tax, sales and use tax, hotel occupancy tax, and program service fees.

Property tax revenue is based on a property tax rate of \$0.2940 applied to the taxable property value base of \$14.5 billion, an increase of \$1.2 billion from last year's tax base of \$13.3 billion. Total property tax revenue is projected to be \$42.4 million, an increase of \$200,000 or .05% from the 2013 total of \$42.2 million. Revenue from property tax comprises 40% of total revenue.

Sales and use tax revenue for 2014 is projected to be \$47.3 million, which is a 2.6% increase over the \$46.1 million collected for 2013. Revenue from a nine percent hotel occupancy tax is anticipated to generate \$6.9 million, which is a 6.2% increase from the 2013 total of \$6.5 million. Revenue from sales and use tax comprises 45% of total revenue.

The 2014 budget includes \$114.1 million in expenditures, representing a 26% increase over the 2013 total of \$90.6 million. The increase is primarily related to \$14.3 million budgeted for the early retirement of the Series 2009 Sales Tax and Hotel Occupancy Tax Revenue Bonds and an additional \$1.4 million budgeted in capital for park and pathway improvements and other capital projects deferred to 2014.

The 2010 U. S. Census changes resulted in the creation of the Conroe-Woodlands Large Urbanized Area. The Township is now responsible for transit planning and operating of certain modes of transportation. To provide those services, an additional \$1.4 million is included in the 2014 budget.

The 2014 budget also provides for an increase in parks and recreation operating expenditures, contracted services for utilities and maintenance, and police protection as a result of growth in the community.

Operating expenditures for The Woodlands Convention & Visitors Bureau, a blended component unit of the Township increased slightly. The increase in expenditures is primarily for additional programs in 2014.

Debt service requirements for 2014 are projected at \$23.6 million. This includes the amount required for the retirement of the Series 2009 Sales Tax and Hotel Occupancy Tax Revenue Bonds.

## **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 Boulevard, The Woodlands, Texas, 77381.

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## **BASIC FINANCIAL STATEMENTS**

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# The Woodlands Township

Statement of Net Position as of December 31, 2013

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## ASSETS

Cash and cash equivalents	\$ 98,052,439
Receivables, net	32,994,161
Prepaid expenses	747,743
Capital lease receivable	2,238,782
Capital assets not being depreciated	58,066,153
Capital assets, net of depreciation	<u>122,556,890</u>
Total assets	<u>314,656,168</u>

## DEFERRED OUTFLOWS OF RESOURCES

Capitalized charge on refunding	<u>557,014</u>
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## LIABILITIES

Accounts payable and accrued liabilities	6,175,533
Accrued interest payable	1,348,916
Unearned property tax revenue	21,292,159
Long-term liabilities:	
Due within one year:	
Bonds payable	5,370,000
Unearned revenue related to operating lease	177,500
Compensated absences	952,104
Due in more than one year:	
Bonds payable	101,955,000
Unearned revenue related to operating lease	1,508,750
Net other postemployment benefit liability	129,557
Capital lease liability	<u>110,903</u>
Total liabilities	<u>139,020,422</u>

## DEFERRED INFLOWS OF RESOURCES

Unearned bond financing premium	1,556,834
Unavailable property tax revenue	<u>21,557,516</u>
Total deferred inflows of resources	<u>23,114,350</u>

## NET POSITION

Invested in capital assets, net of related debt	89,038,043
Restricted for future capital projects	4,530,939
Restricted for debt retirement	19,679,961
Restricted for healthcare obligations	800,000
Restricted for cultural events and education	303,240
Unrestricted	<u>38,726,227</u>
Total net position	<u>\$ 153,078,410</u>

*See accompanying notes to financial statements.*

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## The Woodlands Township

Statement of Activities for the year ended December 31, 2013

	<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	\$ 8,707,097	\$ 447,202	\$ 31,235	\$ 2,596,688	\$ (5,631,972)
Public safety	31,811,856	1,177,730			(30,634,126)
Parks and recreation	19,421,173	3,269,967	168,020		(15,983,186)
Economic development	7,108,713	671,525	297,750		(6,139,438)
Community services	12,638,013	113,303	136,000		(12,388,710)
Community relations	1,108,653	14,000	15,500		(1,079,153)
Interest expense	4,010,066				(4,010,066)
Total primary government	<u>\$ 84,805,571</u>	<u>\$ 5,693,727</u>	<u>\$ 648,505</u>	<u>\$ 2,596,688</u>	<u>(75,866,651)</u>
General revenue:					
Taxes:					
Property					42,201,573
Sales					46,102,554
Hotel occupancy					6,520,692
Event admissions					1,291,655
Investment earnings					217,076
Other income					105,397
Total general revenue					<u>96,438,947</u>
Change in net position					20,572,296
Net position, beginning of year (Note 2)					<u>132,506,114</u>
Net position, end of year					<u>\$ 153,078,410</u>

*See accompanying notes to financial statements.*

# The Woodlands Township

Balance Sheet – Governmental Funds as of December 31, 2013

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 63,903,090	\$ 27,261,732	\$ 6,887,583	\$ 34	\$ 98,052,439
Receivables, net	26,107,091		2,065,096	4,821,974	32,994,161
Due from other funds	4,796,478	11,497,076	14,359,647		30,653,201
Prepaid expenditures	747,743				747,743
Long-term receivables from other funds	<u>6,333,179</u>				<u>6,333,179</u>
<b>TOTAL ASSETS</b>	<u>\$ 101,887,581</u>	<u>\$ 38,758,808</u>	<u>\$ 23,312,326</u>	<u>\$ 4,822,008</u>	<u>\$ 168,780,723</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 5,604,385			\$ 571,148	\$ 6,175,533
Due to other funds	25,856,723	\$ 343,792	\$ 201,860	4,250,826	30,653,201
Unearned property tax revenue	17,861,654		3,430,505		21,292,159
Long-term payable to other funds				<u>6,333,179</u>	<u>6,333,179</u>
Total liabilities	<u>49,322,762</u>	<u>343,792</u>	<u>3,632,365</u>	<u>11,155,153</u>	<u>64,454,072</u>
Deferred inflows of resources:					
Unavailable property tax revenue	<u>21,557,516</u>				<u>21,557,516</u>
Fund balances:					
Nonspendable:					
Prepaid expenditures	747,743				747,743
Long-term receivables	6,333,179				6,333,179
Restricted for:					
Capital projects		4,530,939			4,530,939
Committed for:					
Capital reserves		16,808,790			16,808,790
Capital projects		11,453,346			11,453,346
Debt service			19,679,961		19,679,961
Economic development reserve		5,621,941			5,621,941
Healthcare obligation	800,000				800,000
Cultural events and education	303,240				303,240
Assigned for:					
Operating reserve	13,768,442				13,768,442
Unassigned	<u>9,054,699</u>			<u>(6,333,145)</u>	<u>2,721,554</u>
Total fund balances	<u>31,007,303</u>	<u>38,415,016</u>	<u>19,679,961</u>	<u>(6,333,145)</u>	<u>82,769,135</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 101,887,581</u>	<u>\$ 38,758,808</u>	<u>\$ 23,312,326</u>	<u>\$ 4,822,008</u>	<u>\$ 168,780,723</u>

See accompanying notes to financial statements.

## The Woodlands Township

### Reconciliation of the Balance Sheet – Government Funds to the Statement of Net Position for the year ended December 31, 2013

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Total fund balances, governmental funds	\$ 82,769,135
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements.	180,623,043
Certain unearned revenue is not earned in the current period and therefore is not reported in fund financial statements.	
Unearned revenue related to operating lease	(1,686,250)
Unearned bond financing premiums	(1,556,834)
Certain assets and deferred outflows of resources included in the statement of net position are not available to pay current period expenditures and are therefore not reported as assets in the governmental fund financial statements.	
Capital lease receivable	2,238,782
Capitalized charge on refunding	557,014
Some liabilities and deferred inflows of resources that are not due and payable in the current period are not reported as liabilities in the governmental fund financial statement, but are reported in the governmental activities of the statement of net position.	
Bonds payable	(107,325,000)
Accrued interest payable	(1,348,916)
Capital lease liability	(110,903)
Compensated absences	(952,104)
Net other postemployment benefit liability	<u>(129,557)</u>
Net position of governmental activities in the statement of net position	<u>\$ 153,078,410</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, 2013

	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
<b>REVENUE:</b>					
Property taxes	\$ 38,704,661		\$ 3,496,912		\$ 42,201,573
Sales taxes	23,217,404			\$ 22,885,150	46,102,554
Hotel occupancy taxes	1,449,043		5,071,649		6,520,692
Event admissions taxes	1,291,655				1,291,655
Investment earnings	73,942	\$ 15,446	28,408	307	118,103
Investment earnings from other funds	431,284				431,284
Program service fees and grants	6,536,764				6,536,764
<b>Total revenue</b>	<b>71,704,753</b>	<b>15,446</b>	<b>8,596,969</b>	<b>22,885,457</b>	<b>103,202,625</b>
<b>EXPENDITURES:</b>					
General and administrative	8,036,722				8,036,722
Public safety	29,163,979				29,163,979
Parks and recreation	13,234,866				13,234,866
Economic development	4,681,182			2,269,255	6,950,437
Community services	12,638,013				12,638,013
Community relations	1,087,448				1,087,448
Capital outlay		9,745,644			9,745,644
Interest expense to other funds				431,284	431,284
Debt service:					
Principal			5,190,000		5,190,000
Interest			4,137,986		4,137,986
<b>Total expenditures</b>	<b>68,842,210</b>	<b>9,745,644</b>	<b>9,327,986</b>	<b>2,700,539</b>	<b>90,616,379</b>
Excess (deficiency) of revenue over (under) expenditures	2,862,543	(9,730,198)	(731,017)	20,184,918	12,586,246
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	20,066,168	14,530,937	13,336,800		47,933,905
Transfers out	(27,867,737)			(20,066,168)	(47,933,905)
<b>Total other financing sources (uses)</b>	<b>(7,801,569)</b>	<b>14,530,937</b>	<b>13,336,800</b>	<b>(20,066,168)</b>	<b>0</b>
<b>CHANGES IN FUND BALANCES</b>					
Fund balances, beginning of year	35,946,331	33,614,277	7,074,176	(6,451,895)	70,182,889
Fund balances, end of year	\$ 31,007,305	\$ 38,415,016	\$ 19,679,959	\$ (6,333,145)	\$ 82,769,135

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, 2013

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Changes in fund balances \$ 12,586,246

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

Governmental 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	9,745,644
Depreciation expense	(8,819,839)

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	2,596,688
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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.

Payments received on capital leases receivable, net	(167,663)
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Governmental funds do not recognize revenue that is not available to pay current obligations.

Garage lease revenue	177,500
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Government 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	5,190,000
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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	58,824
Amortization of discount on refunding	(39,787)
Amortization of financing premiums	108,883
Net other postemployment benefit liability	(25,412)
Compensated absences	(838,788)

Change in net position of governmental activities	<u>\$ 20,572,296</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, 2013

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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. This vote paved the way for the receipt of assets and liabilities from the Woodlands Community Associations and transformed the Township into the organization it is today with a seven-member fully-elected governing body, providing public safety, parks and recreation, economic development and other community services in the Woodlands community.

As required by generally accepted accounting principles, these statements include the Township and its component unit, an entity for which the Township is considered to be financially accountable. The component unit is included in the Township's reporting entity because of the significance of its 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 may be discretely presented. The Township has one blended component unit and no discretely presented component units.

#### **Blended Component Unit**

***The Woodlands Convention & Visitors Bureau*** – The Woodlands Convention & 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, 2013, 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 the 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 substantially all of the support of the CVB.

Transactions and internal balances between the General Fund and the component unit 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 Position and a Statement of Activities. These statements present information on all of the activities of the primary government and its component unit. 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 Position have been eliminated.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or activity are 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.

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. Accompanying schedules are presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position 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 it is 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 it is 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, event admissions tax, program service fees and grants. Under the modified accrual basis of 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 the government-wide 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's source of revenue is sales tax assessed on commercial transactions occurring in specific geographical areas. 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, DEFERRED OUTFLOWS / INFLOWS OF RESOURCES, AND NET POSITION / FUND BALANCES**

**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.

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 way-finding 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 reported as 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 included in the results of operations of the governmental funds.

## **Compensated Absences**

Annual paid time off is granted to employees (excluding firefighters) 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.

Firefighters are compensated for vacation and sick days. Vacation days earned must be used within the fiscal year. Sick time earned may be rolled over into the next fiscal year. Upon termination, firefighters are compensated for up to 360 hours of unused sick time.

## **Fund Balances and Net Position**

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 the Board of Directors.
- *Assigned fund balance* includes amounts that are set aside by the Township for specific purposes that do not meet the criteria to be classified as restricted or committed. The Township’s Board of Directors has established a reserve policy that defines amounts that are to be set aside.
- *Unassigned fund balance* includes amounts that are available for the Township’s future use for any purpose.

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The Township reports three categories of net position, as follows:

- *Invested in capital assets, net of related debt* consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
- *Restricted net position* – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Township’s bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.
- *Unrestricted net position* consists of all other net position that does not meet the definition of the above two components and is available for general use by the Township.

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. None of the Township’s restricted balances results from its enabling legislation.

## **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 – RESTATEMENT OF BEGINNING NET ASSETS**

The Township restated its net position in compliance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The restatement resulted in a \$2,306,702 decrease in net position as of December 31, 2012.

## **NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

### **New Accounting Standards**

During fiscal year 2013, the Township adopted the following GASB Statements; the adoption of these statements had no impact on the financial statements of the entity:

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. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, 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.

The GASB has issued the following statements which will be effective in future years as described below. The Township has not yet determined the impact of implementing these above new pronouncements.

Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, 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.

Statement No. 69, *Government Combinations and Disposals of Government Operations*, is effective for the Township in fiscal 2014. The objective of this statement is to establish accounting and financial reporting standards for government entities for various government transactions including government entity mergers, acquisitions and transfers of operations. The statement requires certain disclosures related to the nature and financial effect of those transactions.

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, is effective for the Township in fiscal 2014. The objective of this statement is to clarify and conform the accounting for and disclosures of nonexchange financial guarantees. It defines when a guarantee should be recognized as a liability on the part of the guarantor and when the entity receiving the guarantee should recognize revenue. The statement further requires disclosures in the financial statements of both those who extend and those who receive nonexchange financial guarantees.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

#### **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 \$6.3 million as of December 31, 2013. 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 4 – CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The Township's cash and cash equivalents and investments at December 31, 2013 consist of the following:

Cash on hand	\$ 3,789
Demand deposits	8,446,103
Certificates of deposit	3,916,173
Investments:	
TexPool	77,013,717
TexSTAR	<u>8,672,655</u>
Total cash and cash equivalents and investments	<u>\$ 98,052,437</u>

**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
- Bankers acceptance notes
- Commercial paper with a stated maturity of 270 days or fewer
- No-load money market mutual funds
- Investment pools
- 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. 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. As of December 31, 2013, 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	\$ 51,866,492	<90 days	AAAm
TexSTAR	General	3,269,969	<90 days	AAAm
TexSTAR**	General	801,403	<90 days	AAAm
TexPool	Debt Service	1,922,037	<90 days	AAAm
TexSTAR	Debt Service	564,740	<90 days	AAAm
TexPool	Capital Projects	23,225,188	<90 days	AAAm
TexSTAR	Capital Projects	<u>4,036,543</u>	<90 days	AAAm
Total investments		<u>\$ 85,686,372</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.

At December 31, 2013, the following deposits including accrued interest as of December 31, 2013, 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>
Cadence Bank	Certificate of Deposit	General	\$3,169,535	390 days
Cadence Bank	Certificate of Deposit	Debt Service	\$746,638	39 days

The carrying value of demand deposits of the primary government at December 31, 2013 was \$8,446,103 and the related bank balances were \$9,923,289. Consistent with the Township's policies, all deposits in financial institutions are fully collateralized.

**NOTE 5 – 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	\$ 20,488,124		\$ 1,683,249		\$ 22,171,373
Sales tax	4,899,790			\$ 4,821,974	9,721,764
Hotel occupancy tax			398,040		398,040
Events admission tax	77,055				77,055
Other receivables	<u>836,472</u>		<u>639</u>		<u>837,111</u>
Total receivables	26,301,441		2,081,928	4,821,974	33,205,343
Less: allowance for uncollectible accounts	<u>(194,350)</u>		<u>(16,832)</u>		<u>(211,182)</u>
Receivables, net	<u>\$ 26,107,091</u>	<u>\$ 0</u>	<u>\$ 2,065,096</u>	<u>\$ 4,821,974</u>	<u>\$ 32,994,161</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 \$21,557,516 and unearned property tax revenue of \$21,292,159.

**NOTE 6 – 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 7 – 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. 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 and are recognized in the Special Revenue Fund.

The Township recorded revenue of \$23,217,404 in the General Fund and \$22,885,150 in the Special Revenue Fund from the levy of sales tax for the fiscal year ended December 31, 2013.

**NOTE 8 – 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 and a supplemental tax of a rate of up to an additional 2%. By Board order, the Township has imposed the maximum 9% tax. 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 9 – EVENT ADMISSIONS TAX**

The Township’s enabling legislation provides for the imposition of an Event Admissions 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 10 – GRANT REVENUE**

The Township was awarded a grant for transportation studies and trail enhancements. The projects were substantially completed in 2013 and revenue of \$236,000 was recognized.

**NOTE 11 – CAPITAL ASSETS**

The Township’s investment in capital assets at December 31, 2013 consists of the following:

	BALANCE JANUARY 1, 2013	ADDITIONS	COMPLETING/ DISPOSALS	BALANCE DECEMBER 31, 2013
Depreciable capital assets:				
Parks and pathways	\$ 134,094,100	\$ 10,419,574		\$ 144,513,674
Buildings and leasehold improvements	35,334,717	7,528,024		42,862,741
Equipment	<u>23,252,962</u>	<u>1,554,383</u>	\$ (192,273)	<u>24,615,072</u>
Depreciable capital assets, at cost	192,681,779	19,501,981	(192,273)	211,991,487
Accumulated depreciation:				
Parks and pathways	57,158,430	5,968,378		63,126,808
Equipment	15,047,837	1,446,489	(192,273)	16,302,053
Buildings and leasehold improvements	<u>8,600,764</u>	<u>1,404,972</u>	<u>                    </u>	<u>10,005,736</u>
Total depreciable capital assets, net	<u>111,874,748</u>	<u>10,682,142</u>	<u>                    0</u>	<u>122,556,890</u>
Nondepreciable capital assets:				
Land	52,345,723	192,080		52,537,803
Construction in progress	12,746,793	1,381,951	(8,733,680)	5,395,064
Sculpture and art	<u>133,286</u>	<u>                    </u>	<u>                    </u>	<u>133,286</u>
Total nondepreciable capital assets	<u>65,225,802</u>	<u>1,574,031</u>	<u>(8,733,680)</u>	<u>58,066,153</u>
Total capital assets, net	<u>\$ 177,100,550</u>	<u>\$ 12,256,173</u>	<u>\$ (8,733,680)</u>	<u>\$ 180,623,043</u>

For the year ended December 31, 2013, depreciation expense was charged to functions as follows:

General and administrative	\$ 589,175
Public safety	1,864,877
Parks and recreation	6,186,306
Economic development	158,276
Community relations	<u>21,205</u>
Total depreciation expense	<u>\$ 8,819,839</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. Additionally, the Township assumed the responsibility from the Community Associations for the mutual development of certain public areas in conjunction with the Development Company. From time to time, the Waterway and various other areas that have been developed are conveyed to the Township by special warranty deed and fee transfers. Conveyances are recorded at the cost of the project provided by the Development Company that approximates fair value.

**NOTE 12 – CAPITAL PROJECTS AND COMMITMENTS**

As of December 31, 2013, 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	\$29,559,741	\$28,184,820	\$1,374,921
Fire equipment	\$568,872	\$54,857	\$514,015
Fire station renovation	\$113,750	\$65,007	\$48,743

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 2013, the Township remitted \$1,416,428 to the funds. This amount is included in the expenditures for economic development.

**NOTE 13 – INTERFUND BALANCES AND TRANSFERS**

Interfund receivables and payables as of December 31, 2013 are as follows:

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
General	Special Revenue	\$ 4,250,826
General	Capital Projects	343,792
General	Debt Service	201,860
Capital Projects	General	11,497,076
Debt Service	General	<u>14,359,647</u>
Total interfund receivables and payables		<u>\$ 30,653,201</u>

\$4,250,826 due to the General Fund from the Special Revenue Fund is for sales tax revenue to be transferred. \$343,792 due to the General Fund relates to reimbursement due from the Capital Projects Fund for capital expenditures paid by the General fund on behalf of the Capital Projects Fund. \$201,860 due to the General Fund

from the Debt Service Fund is for hotel occupancy tax (HOT) revenue to be transferred. \$11,497,076 due to the Capital Projects Fund from the General Fund is for designated capital reserves. \$14,359,647 due to the Debt Service Fund from the General Fund is for property tax revenue to be transferred. 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, 2013 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	\$ 20,066,168				\$ 20,066,168
General		\$ 14,530,937	\$ 13,336,800		27,867,737
Total	\$ 20,066,168	\$ 14,530,937	\$ 13,336,800	\$ 0	\$ 47,933,905
Transfers in	\$ 20,066,168	\$ 14,530,937	\$ 13,336,800		\$ 47,933,905
Transfers out	(27,867,737)			\$ (20,066,168)	(47,933,905)
Total	\$ (7,801,569)	\$ 14,530,937	\$ 13,336,800	\$ (20,066,168)	\$ 0

Transfers for the year ended December 31, 2013 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	\$ 14,530,937		\$ 14,530,937
Sales tax pledged for debt service		\$ 13,336,800	13,336,800
Total transfer from General Fund	\$ 14,530,937	\$ 13,336,800	\$ 27,867,737

Transfers from the Special Revenue Fund to the General Fund of \$20.07 million represent sales tax collections in the expanded Zone which are designated for fire protection services.

#### **NOTE 14 – 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. 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.

#### **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 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, 2013, aggregate net revenue payments including interest to the developer totaled \$7,039,749 and priority payments to the Township totaled \$1,600,000.

### **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, 2013, aggregate net revenue payments including interest to the developer totaled \$4,400,892 and priority payments to the Township totaled \$3,500,000.

### **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 2013 from the Zone and the expanded boundaries was \$20,066,168.

## **NOTE 15 – 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 \$8,800,000 in total remaining lease payments over the term of the lease. The future minimum lease payments are \$1,873,782 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>
2014	\$ 1,081	\$ 98,919	\$ 100,000
2015	1,138	98,862	100,000
2016	1,198	98,802	100,000
2017	1,262	98,738	100,000
2018	1,328	98,672	100,000
2019-2023	7,770	492,230	500,000
2024-2028	10,049	489,951	500,000
2029-2033	12,996	487,004	500,000
2034-2038	16,809	483,191	500,000
2039-2043	21,739	478,261	500,000
2044-2048	28,116	471,884	500,000
2049-2053	36,364	463,636	500,000
2054-2058	47,030	452,970	500,000
2059-2063	60,826	439,174	500,000
2064-2068	78,668	421,332	500,000
2069-2073	101,745	398,255	500,000
2074-2078	131,590	368,410	500,000
2079-2083	170,190	329,810	500,000
2084-2088	220,112	279,888	500,000
2089-2093	284,679	215,321	500,000
2094-2098	368,185	131,815	500,000
2099-2101	<u>270,907</u>	<u>29,093</u>	<u>300,000</u>
Total	<u>\$ 1,873,782</u>	<u>\$ 6,926,218</u>	<u>\$ 8,800,000</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, 2013, the principal amount of the Township's remaining debt on bonds issued to construct the leased facilities was \$36,625,000.

During 2011, the Township entered into a three-year capital lease with the Montgomery County Hospital District (the Hospital 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 Utility District) provided funding of approximately 30% of the purchase price with the understanding that if the station was sold or leased, the Utility District would receive a proportional share of the proceeds. In 2014, the \$365,000 final payment from the Hospital District is due and the Township expects to pay the Utility District its corresponding amount of the proceeds (\$110,903) in 2014.

***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	\$781,405	\$2,319,409

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 is reported as unearned revenue and is being amortized over the term of the lease. Revenue recognized each year is \$177,500.

#### NOTE 16 – LONG-TERM DEBT

The following is a summary of the Township's long-term debt for the year ended December 31, 2013:

	<u>BALANCE DECEMBER 31, 2012</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE DECEMBER 31, 2013</u>	<u>PAYABLE WITHIN ONE YEAR</u>
Revenue bonds	\$ 65,780,000		\$ (3,275,000)	\$ 62,505,000	\$ 3,405,000
General obligation bonds	46,735,000		(1,915,000)	44,820,000	1,965,000
Compensated absences	113,316	\$ 1,912,976	(1,074,188)	952,104	952,104
Unearned financing premium	<u>1,665,717</u>		<u>(108,883)</u>	<u>1,556,834</u>	<u>108,883</u>
Total	<u>\$ 114,294,033</u>	<u>\$ 1,912,976</u>	<u>\$ (6,373,071)</u>	<u>\$ 109,833,938</u>	<u>\$ 6,430,987</u>

The following table displays the total principal debt outstanding by issuance as of December 31, 2013:

<u>DESCRIPTION</u>	<u>ISSUANCE DATE</u>	<u>INTEREST RATES</u>	<u>FINAL MATURITY DATE</u>	<u>OUTSTANDING PRINCIPAL AMOUNT</u>
Series 2009 Revenue Bonds	March 1, 2009	3.5%-5.0%	March 1, 2028	\$15,015,000
Series 2010 Unlimited Tax Bonds	April 22, 2010	3%-4.125%	March 1, 2030	\$31,270,000
Series 2010 Sales Tax and Hotel Occupancy Tax Refunding Bonds	October 1, 2010	2.5%-5%	March 1, 2027	\$36,625,000
Series 2010 Sales Tax and Hotel Occupancy Tax Bonds	December 1, 2010	3.5%-5.0%	March 1, 2026	\$10,865,000
Series 2011 Unlimited Tax Bonds	November 17, 2011	1.5%-3.45%	March 1, 2032	\$9,520,000
Series 2012 Unlimited Tax Bonds	February 1, 2012	1%-3%	March 1, 2032	\$4,030,000

Annual debt service requirements to maturity are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2014	\$ 5,370,000	\$ 3,944,808	\$ 9,314,808
2015	5,575,000	3,736,759	9,311,759
2016	5,775,000	3,523,951	9,298,951
2017	5,990,000	3,315,896	9,305,896
2018	6,175,000	3,126,546	9,301,546
2019-2023	34,325,000	12,112,506	46,437,506
2024-2028	36,045,000	4,897,544	40,942,544
2029-2033	<u>8,070,000</u>	<u>413,942</u>	<u>8,483,942</u>
Total	<u>\$ 107,325,000</u>	<u>\$ 35,071,952</u>	<u>\$ 142,396,952</u>

At December 31, 2013, the Township had \$1,035,000 of authorized but unissued unlimited tax bonds.

## **NOTE 17 – 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, 2013, 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; authorize or discontinue the levy of taxes; authorize 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) may not directly employ peace officers; 2) may not directly employ any fire protection personnel before January 1, 2012; and 3) 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 are required for expenditures greater than \$25,000.

#### **NOTE 18 – POSTEMPLOYMENT BENEFITS**

All Township employees participate in Social Security. The Township contributes 6.2% of eligible wages paid. In 2013, the Township paid \$1,283,111 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 \$1,843,495 to the Section 457 plan in 2013.

#### **Defined Contribution Plan**

The Township maintains, for its employees, a defined contribution plan that meets the requirements of Internal Revenue Code Section 401(a). The plan was established under its current provisions on January 1, 2010. 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 14% of eligible employees' salaries for 2013, provided an employee made salary deferral contributions of 7% of their salary. For the year ended December 31, 2013, the Township's contributions to this plan totaled \$2,506,335. The plan is fully funded on a current basis.

#### **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 unit, 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 2014 for the year ended December 31, 2013. 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, 2013 and the ARC is as follows.

Normal cost	\$ 43,000
Interest on normal cost	2,000
Amortization of unfunded liability	33,000
Interest on amortization	<u>2,000</u>
Total ARC	<u>\$ 80,000</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, 2013 is as follows:

ARC	\$ 80,000
Interest on normal net OPEB obligation	5,000
Adjustment to ARC	(4,000)
Less: contributions made	<u>(55,588)</u>
Estimated increase in net OPEB obligation	25,412
Net OPEB obligation, January 1, 2013	<u>104,145</u>
Net OPEB obligation, December 31, 2013	<u>\$ 129,557</u>

The following outlines the estimated annual OPEB cost and net OPEB obligations for each of the prior three years:

<u>YEAR</u>	<u>ANNUAL OPEB COST</u>	<u>% OF ANNUAL OPEB COST CONTRIBUTED</u>	<u>NET OPEB OBLIGATION</u>
2011	\$65,000	19.0%	\$94,048
2012	\$75,000	86.5%	\$104,145
2013	\$81,000	68.7%	\$129,557

*Funding Status and Funding Progress* – As of January 1, 2014 and 2012, the most recent valuation dates, the funded status of the plan was as follows:

	<u>2014</u>	<u>2012</u>
Plan assets	\$0	\$0
Actuarial accrued liability	\$746,000	\$953,000
Unfunded actuarial accrued liability	\$746,000	\$953,000
Funded ratio	0%	0%
Covered payroll	\$21,946,728	\$21,200,035
Unfunded actuarial accrued liability as a percentage of covered payroll	3.3%	4.5%

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 shown above 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.

*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, 2014 and utilized the projected Unit Credit 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 9% in the year ending December 31, 2013 and grading down by 0.5% each year to a rate of 5% healthcare cost trend rate. The Health Consumer Price Index is assumed to increase at a rate of 3% each year. The remaining open 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 \$85,000 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, 2011	\$ 165,430
Claims incurred	2,800,707
Claims paid	(2,689,519)
Third-party reimbursement of claims made in excess of \$80,000	<u>(89,944)</u>
Balance at December 31, 2012	186,674
Claims incurred	3,140,967
Claims paid	(2,883,977)
Third-party reimbursement of claims made in excess of \$85,000	<u>(274,860)</u>
Balance at December 31, 2013	<u>\$ 168,804</u>

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

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# **STATISTICAL SECTION**

**The Woodlands Township  
Statistical Section  
as of December 31, 2013**

*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 required supplementary information says about the Township'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 Township's financial performance and well-being have changed over time.*

**Revenue Capacity**

*These schedules contain information to help the reader assess the Township'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 Township'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 Township's financial activities take place.*

**Operating Information**

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

**Sources:** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Township implemented GASB Statement No. 34 in 2005; schedules presenting government-wide information include information beginning in that year. In addition, all significant increases in 2010 are due to the merger of The Woodlands Township and the Community Associations.*

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

**Exhibit S-1**

	<b>Fiscal Year</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 89,038,043	\$ 85,987,494	\$ 65,271,080	\$ 73,219,481	\$ 67,770,992
Restricted for capital projects	4,530,939	5,661,945	17,167,406	15,085,853	-
Restricted for debt retirement	19,679,961	7,074,176	3,197,965	3,038,105	3,933,967
Restricted for health care obligations	800,000	800,000	800,000	800,011	-
Restricted for cultural events/education	303,240	174,074	72,144	-	-
Unrestricted	38,726,227	35,115,127	34,037,438	21,088,129	(18,745,899)
Total governmental activities net position	<u>\$ 153,078,410</u>	<u>\$ 134,812,816</u>	<u>\$ 120,546,033</u>	<u>\$ 113,231,579</u>	<u>\$ 52,959,060</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 position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,835,196</u>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 89,038,043	\$ 85,987,494	\$ 65,271,080	\$ 73,219,481	\$ 70,289,596
Restricted for capital projects	4,530,939	5,661,945	17,167,406	15,085,853	-
Restricted for debt service	19,679,961	7,074,176	3,197,965	3,038,105	3,933,967
Restricted for health care obligations	800,000	800,000	800,000	800,011	-
Restricted for cultural events/education	303,240	174,074	72,144	-	-
Unrestricted	38,726,227	35,115,127	34,037,438	21,088,129	(18,429,307)
Total primary government net position	<u>\$ 153,078,410</u>	<u>\$ 134,812,816</u>	<u>\$ 120,546,033</u>	<u>\$ 113,231,579</u>	<u>\$ 55,794,256</u>

**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**  
**Net Position by Component**  
**Last Nine Fiscal Years**  
(accrual basis of accounting)

**Exhibit S-1**  
*(continued)*

	<b>Fiscal Year</b>				
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 65,571,217	\$ 10,977,452	\$ 6,675,173	\$ 2,154,135	n/a
Restricted for capital projects	-	-	-	-	n/a
Restricted for debt retirement	4,800,759	4,623,629	4,437,813	1,163,663	n/a
Restricted for health care obligations	-	-	-	-	n/a
Restricted for cultural events/education	-	-	-	-	n/a
Unrestricted	(17,147,464)	(25,248,944)	(26,445,286)	(26,445,901)	n/a
Total governmental activities net position	<u>\$ 53,224,512</u>	<u>\$ (9,647,863)</u>	<u>\$ (15,332,300)</u>	<u>\$ (23,128,103)</u>	<u>n/a</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	n/a
Restricted	-	-	-	-	n/a
Unrestricted	-	-	-	-	n/a
Total business-type activities net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>n/a</u>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 65,571,217	\$ 10,977,452	\$ 6,675,173	\$ 2,154,135	n/a
Restricted for capital projects	-	-	-	-	n/a
Restricted for debt service	4,800,759	4,623,629	4,437,813	1,163,663	n/a
Restricted for health care obligations	-	-	-	-	n/a
Restricted for cultural events/education	-	-	-	-	n/a
Unrestricted	(17,147,464)	(25,248,944)	(26,445,286)	(26,445,901)	n/a
Total primary government net position	<u>\$ 53,224,512</u>	<u>\$ (9,647,863)</u>	<u>\$ (15,332,300)</u>	<u>\$ (23,128,103)</u>	<u>n/a</u>

**The Woodlands Township**  
**Changes in Net Position**  
**Last Nine Fiscal Years**  
(accrual basis of accounting)

**Exhibit S-2**

<b>Expenses</b>	<b>Fiscal Year</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Governmental activities:					
General and administrative	\$ 8,707,097	\$ 8,456,125	\$ 8,918,830	\$ 8,541,489	\$ 2,936,574
Public safety	31,811,856	29,747,881	28,154,907	25,246,482	19,752,922
Parks and recreation	19,421,173	20,761,581	18,312,703	17,760,347	-
Economic development	7,108,713	6,522,378	5,368,027	4,661,526	5,952,351
Community services	12,638,013	12,293,064	12,662,126	11,892,104	3,033,631
Community relations	1,108,653	1,045,859	1,272,425	1,055,094	456,034
Interest expense and other financing charges	4,010,066	4,084,005	4,333,201	4,030,513	3,538,611
Total governmental activities expenses	<u>84,805,571</u>	<u>82,910,893</u>	<u>79,022,219</u>	<u>73,187,555</u>	<u>35,670,123</u>
Total business-type activities expenses	-	-	-	-	17,980,414
Total primary government expenses	<u>\$ 84,805,571</u>	<u>\$ 82,910,893</u>	<u>\$ 79,022,219</u>	<u>\$ 73,187,555</u>	<u>\$ 53,650,537</u>
<b>Program revenues</b>					
Governmental activities:					
Charges for services:					
General and administrative	\$ 447,202	\$ 518,279	\$ 430,391	\$ -	\$ -
Public safety	1,177,730	1,093,550	577,075	-	-
Parks and recreation	3,269,967	3,208,219	2,924,756	2,840,416	-
Economic development	671,525	855,054	755,078	-	-
Community services	113,303	129,997	112,386	636,864	200,548
Community relations	14,000	14,000	28,397	38,636	27,100
Operating grants and contributions	648,505	144,748	227,719	200,997	-
Capital grants and contributions	2,596,688	2,257,611	1,011,097	2,140,633	-
Total governmental activities program revenues	<u>8,938,920</u>	<u>8,221,458</u>	<u>6,066,899</u>	<u>5,857,546</u>	<u>227,648</u>
Total business-type activities program revenues	-	-	-	-	19,440,848
Total primary government program revenues	<u>\$ 8,938,920</u>	<u>\$ 8,221,458</u>	<u>\$ 6,066,899</u>	<u>\$ 5,857,546</u>	<u>\$ 19,668,496</u>
<b>Net (expense)/revenue</b>					
Governmental activities	\$ (75,866,651)	\$ (74,689,435)	\$ (72,955,320)	\$ (67,330,009)	\$ (35,442,475)
Business-type activities	-	-	-	-	1,460,434
Total primary government net expense	<u>\$ (75,866,651)</u>	<u>\$ (74,689,435)</u>	<u>\$ (72,955,320)</u>	<u>\$ (67,330,009)</u>	<u>\$ (33,982,041)</u>
<b>General revenues and other changes in net position</b>					
Governmental activities:					
Taxes:					
Property	\$ 42,201,573	\$ 41,205,807	\$ 39,657,768	\$ 38,091,288	\$ -
Sales and use	46,102,554	40,213,060	35,021,092	31,307,932	29,814,070
Other	7,812,347	7,105,774	5,536,771	3,607,297	3,330,819
Unrestricted investment earnings	217,076	344,801	320,152	419,701	1,053,350
Other revenues	105,397	86,776	-	-	29,831
Total governmental activities	<u>96,438,947</u>	<u>88,956,218</u>	<u>80,535,783</u>	<u>73,426,218</u>	<u>34,228,070</u>
Gain (loss) on disposal of property	-	-	(266,009)	-	-
Total primary government	<u>\$ 96,438,947</u>	<u>\$ 88,956,218</u>	<u>\$ 80,269,774</u>	<u>\$ 73,426,218</u>	<u>\$ 34,228,070</u>
<b>Changes in net position</b>					
Governmental activities	\$ 20,572,296	\$ 14,266,783	\$ 7,314,454	\$ 6,096,209	\$ (1,214,405)
Business-type activities	-	-	-	-	1,460,434
Due to transition agreement	-	-	-	71,479,090	-
Total primary government changes in net position	<u>\$ 20,572,296</u>	<u>\$ 14,266,783</u>	<u>\$ 7,314,454</u>	<u>\$ 77,575,299</u>	<u>\$ 246,029</u>

**Note:**

- 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.

**The Woodlands Township**  
**Changes in Net Position**  
**Last Nine Fiscal Years**  
(accrual basis of accounting)

**Exhibit S-2**  
*(continued)*

<b>Expenses</b>	<b>Fiscal Year</b>				
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Governmental activities:					
General and administrative	\$ 994,155	\$ 3,724,658	\$ 2,860,142	\$ 2,693,038	n/a
Public safety	12,223,166	4,149,065	3,816,320	3,982,691	n/a
Parks and recreation	-	-	-	-	n/a
Economic development	315,601	684,582	350,586	506,998	n/a
Community services	1,414,033	736,789	266,677	197,178	n/a
Community relations	360,275	2,222,446	1,584,088	1,484,622	n/a
Interest expense and other financing charges	2,505,017	2,425,408	2,480,262	2,544,774	n/a
Total governmental activities expenses	<u>17,812,248</u>	<u>13,942,948</u>	<u>11,358,075</u>	<u>11,409,300</u>	<u>n/a</u>
Total business-type activities expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>n/a</u>
Total primary government expenses	<u>\$ 17,812,248</u>	<u>\$ 13,942,948</u>	<u>\$ 11,358,075</u>	<u>\$ 11,409,300</u>	<u>n/a</u>
<b>Program revenues</b>					
Governmental activities:					
Charges for services:					
General and administrative	\$ -	\$ -	\$ -	\$ -	n/a
Public safety	-	-	-	-	n/a
Parks and recreation	-	-	-	-	n/a
Economic development	-	-	-	-	n/a
Community services	191,612	109,654	-	-	n/a
Community relations	25,100	455,121	388,894	378,143	n/a
Operating grants and contributions	-	-	-	-	n/a
Capital grants and contributions	-	-	2,505,000	-	n/a
Total governmental activities program revenues	<u>216,712</u>	<u>564,775</u>	<u>2,893,894</u>	<u>378,143</u>	<u>n/a</u>
Total business-type activities program revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>n/a</u>
Total primary government program revenues	<u>\$ 216,712</u>	<u>\$ 564,775</u>	<u>\$ 2,893,894</u>	<u>\$ 378,143</u>	<u>n/a</u>
<b>Net (expense)/revenue</b>					
Governmental activities	\$ (17,595,536)	\$ (13,378,173)	\$ (8,464,182)	\$ (11,031,157)	n/a
Business-type activities	-	-	-	-	n/a
Total primary government net expense	<u>\$ (17,595,536)</u>	<u>\$ (13,378,173)</u>	<u>\$ (8,464,182)</u>	<u>\$ (11,031,157)</u>	<u>n/a</u>
<b>General revenues and other changes in net position</b>					
Governmental activities:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	n/a
Sales and use	26,930,229	14,222,505	12,002,873	10,336,875	n/a
Other	4,132,397	3,758,367	3,273,005	2,568,060	n/a
Unrestricted investment earnings	830,534	1,070,997	973,171	661,421	n/a
Other revenues	12,712	10,743	10,935	60,137	n/a
Total governmental activities	<u>31,905,872</u>	<u>19,062,612</u>	<u>16,259,984</u>	<u>13,626,493</u>	<u>n/a</u>
Gain (loss) on disposal of property	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>n/a</u>
Total primary government	<u>\$ 31,905,872</u>	<u>\$ 19,062,612</u>	<u>\$ 16,259,984</u>	<u>\$ 13,926,493</u>	<u>n/a</u>
<b>Changes in net position</b>					
Governmental activities	\$ 14,310,336	\$ 5,684,439	\$ 7,795,803	\$ 2,895,336	n/a
Business-type activities	-	-	-	-	n/a
Due to transition agreement	-	-	-	-	n/a
Total primary government changes in net position	<u>\$ 14,310,336</u>	<u>\$ 5,684,439</u>	<u>\$ 7,795,803</u>	<u>\$ 2,895,336</u>	<u>n/a</u>

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

**Exhibit S-3**

	<b>Fiscal Year</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
General Fund					
Nonspendable	\$ 7,080,922	\$ 7,884,084	\$ 7,870,337	\$ -	\$ -
Committed	1,103,240	974,074	872,144	-	-
Assigned	13,768,442	19,268,851	19,189,514	-	-
Unassigned	9,054,699	7,819,322	7,535,672	-	-
Unreserved, undesignated	-	-	-	22,774,184	21,968,883
Unreserved, designated	-	-	-	-	-
Reserved for long-term receivable	-	-	-	6,665,722	6,376,288
Reserved for prepaids	-	-	-	880,720	185,037
Total general fund	<u>31,007,303</u>	<u>35,946,331</u>	<u>35,467,667</u>	<u>30,320,626</u>	<u>28,530,208</u>
All other governmental funds					
Restricted	4,530,939	5,661,945	17,167,406	-	-
Committed	53,564,038	35,026,508	19,310,321	-	-
Unassigned	(6,333,145)	(6,451,895)	(6,562,558)	-	-
Reserved for debt service	-	-	-	6,458,933	4,943,669
Reserved for capital projects	-	-	-	26,483,201	-
Unreserved, designated reported in:					
Capital projects	-	-	-	-	1,294,477
Special revenue	-	-	-	-	-
Unreserved, undesignated reported in:					
Special revenue	-	-	-	(7,311,827)	(7,290,051)
Total all other governmental funds	<u>51,761,832</u>	<u>34,236,558</u>	<u>29,915,169</u>	<u>25,630,307</u>	<u>(1,051,905)</u>
Total all fund balances	<u>\$ 82,769,135</u>	<u>\$ 70,182,889</u>	<u>\$ 65,382,836</u>	<u>\$ 55,950,933</u>	<u>\$ 27,478,303</u>

**Note:**

- Beginning in 2011, fund balances are stated in accordance with the requirements of GASB Statement No. 54.

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

**Exhibit S-3**  
*(continued)*

	Fiscal Year				
	2008	2007	2006	2005	2004
General Fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Unreserved, undesignated	17,767,082	12,835,980	10,040,421	9,024,029	12,279,239
Unreserved, designated	4,451,163	-	-	-	-
Reserved for long-term receivable	6,851,522	8,134,629	3,715,575	1,504,986	-
Reserved for prepaids	56,195	-	-	-	-
Total general fund	<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>
All other governmental funds					
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved for debt service	4,800,759	4,623,629	4,437,813	1,996,742	1,979,088
Reserved for capital projects	-	-	-	68,256	66,340
Unreserved, designated reported in:					
Capital projects	935,695	1,433,704	5,341,991	7,102,752	4,063,591
Special revenue	-	848,902	1,129,335	-	-
Unreserved, undesignated reported in:					
Special revenue	<u>(6,851,522)</u>	<u>(6,634,493)</u>	<u>(3,565,945)</u>	<u>(627,429)</u>	<u>503,782</u>
Total all other governmental funds	<u>(1,115,068)</u>	<u>271,742</u>	<u>7,343,194</u>	<u>8,540,321</u>	<u>6,612,801</u>
Total all fund balances	<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>



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

**Exhibit S-4**

	<b>Fiscal Year</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Revenues</b>					
Property tax	\$ 42,201,573	\$ 41,205,807	\$ 39,657,768	\$ 38,091,288	\$ -
Sales tax	46,102,554	40,213,060	35,021,092	31,307,932	29,814,070
Hotel occupancy tax	6,520,692	6,086,477	4,807,693	3,607,297	3,330,819
Event admissions tax	1,291,655	1,019,297	729,078	-	-
Investment earnings	118,103	245,776	221,078	320,588	1,053,350
Intergovernmental revenue	431,284	439,334	213,319	200,997	200,548
Program service fees	6,536,764	7,134,504	4,918,158	3,438,408	-
Other revenues	-	-	-	-	57,767
<b>Total revenues</b>	<b>103,202,625</b>	<b>96,344,255</b>	<b>85,568,186</b>	<b>76,966,510</b>	<b>34,456,554</b>
<b>Expenditures</b>					
General and administrative	8,036,722	8,102,699	8,257,871	7,938,138	4,512,725
Public safety	29,163,979	28,214,207	26,604,702	23,610,653	19,732,304
Parks and recreation	13,234,866	14,833,317	12,705,645	12,014,668	-
Economic development	6,950,437	6,365,106	5,244,454	4,661,526	5,952,351
Community services	12,638,013	12,238,660	12,543,864	11,759,355	1,635,935
Community relations	1,087,448	1,022,199	1,245,903	988,242	396,890
Capital outlay	9,745,644	16,192,115	12,115,143	13,747,069	243,384
Debt service:					
Principal	5,190,000	4,520,000	3,545,000	21,872,403	1,440,969
Interest and fiscal charges	4,569,270	4,288,016	4,327,239	6,036,495	3,408,542
Bond refundings	-	-	-	40,530,000	-
<b>Total expenditures</b>	<b>90,616,379</b>	<b>95,776,319</b>	<b>86,589,821</b>	<b>143,158,549</b>	<b>37,323,100</b>
Excess of revenues over (under) expenditures	12,586,246	567,936	(1,021,635)	(66,192,039)	(2,866,546)
<b>Other financing sources (uses)</b>					
Developer contributions	-	-	-	-	-
Transfers in (out)	-	-	-	-	-
Debt issuance	-	4,205,000	9,900,000	87,775,000	-
Capital leases	-	-	-	-	-
Proceeds from sale of property	-	-	502,045	-	-
Other contractual obligations	-	27,117	51,493	1,918,830	1,385,000
<b>Total financing sources (uses)</b>	<b>-</b>	<b>4,232,117</b>	<b>10,453,538</b>	<b>89,693,830</b>	<b>1,385,000</b>
Change in fund balance due to transition agreement	-	-	-	4,970,839	-
<b>Net change in fund balances</b>	<b>\$ 12,586,246</b>	<b>\$ 4,800,053</b>	<b>\$ 9,431,903</b>	<b>\$ 28,472,630</b>	<b>\$ (1,481,546)</b>
Debt service as a percentage of noncapital expenditures	12.1%	11.1%	10.6%	21.6%	13.1%

**Note:**

- The significant increases in 2010 are due to both the merger of the Township with 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**  
**Changes in Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

**Exhibit S-4**  
*(continued)*

	Fiscal Year				
	2008	2007	2006	2005	2004
<b>Revenues</b>					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	26,930,229	14,222,505	12,002,873	10,336,875	9,089,653
Hotel occupancy tax	4,132,397	3,758,367	3,273,005	2,568,060	2,279,445
Event admissions tax	-	-	-	-	-
Investment earnings	1,319,192	1,476,516	1,197,060	614,609	422,541
Intergovernmental revenue	216,712	455,121	388,894	378,143	364,110
Program service fees	-	-	-	-	-
Other revenues	13,506	11,497	11,651	60,137	39,538
Total revenues	<u>32,612,036</u>	<u>19,924,006</u>	<u>16,873,483</u>	<u>13,957,824</u>	<u>12,195,287</u>
<b>Expenditures</b>					
General and administrative	2,603,190	2,227,315	1,673,320	1,550,497	1,325,701
Public safety	4,375,103	4,148,784	3,816,702	3,983,156	3,588,614
Parks and recreation	-	-	-	-	-
Economic development	788,370	684,582	350,586	506,998	198,637
Community services	1,413,445	628,084	266,611	196,333	233,233
Community relations	361,119	2,221,997	1,583,192	1,484,804	1,393,670
Capital outlay	58,860,185	5,730,929	5,689,332	2,513,673	565,352
Debt service:					
Principal	1,379,372	1,332,957	1,260,415	1,279,919	1,220,374
Interest and fiscal charges	2,876,668	2,849,216	2,723,343	2,565,149	2,627,819
Bond refundings	-	-	-	-	-
Total expenditures	<u>72,657,452</u>	<u>19,823,864</u>	<u>17,363,501</u>	<u>14,080,529</u>	<u>11,153,400</u>
Excess of revenues over (under) expenditures	<u>(40,045,416)</u>	<u>100,142</u>	<u>(490,018)</u>	<u>(122,705)</u>	<u>1,041,887</u>
<b>Other financing sources (uses)</b>					
Developer contributions	54,601,038	-	2,505,000	-	-
Transfers in (out)	(7,787,080)	-	-	-	-
Debt issuance	16,440,000	-	-	-	-
Capital leases	-	43,019	14,873	-	-
Proceeds from sale of property	-	-	-	300,000	-
Other contractual obligations	(16,440,000)	-	-	-	-
Total financing sources (uses)	<u>46,813,958</u>	<u>43,019</u>	<u>2,519,873</u>	<u>300,000</u>	<u>-</u>
Change in fund balance due to transition agreement	-	-	-	-	-
Net change in fund balances	<u>\$ 6,768,542</u>	<u>\$ 143,161</u>	<u>\$ 2,029,855</u>	<u>\$ 177,295</u>	<u>\$ 1,041,887</u>
Debt service as a percentage of noncapital expenditures	30.8%	29.7%	34.1%	33.2%	36.3%

**The Woodlands Township**  
**Tax Revenues By Source, Governmental Funds**  
**Last Ten Fiscal Years**  
 (accrual basis of accounting)

**Exhibit S-5**

<u>Fiscal Year</u>	<u>Sales Tax</u>	<u>Hotel Occupancy Tax</u>	<u>Property Tax</u>	<u>Event Admissions Tax</u>	<u>Total</u>
2013	\$ 46,102,554	\$ 6,520,692	\$ 42,201,573	\$ 1,291,655	\$ 96,116,474
2012	40,213,060	6,086,477	41,205,807	1,019,297	88,524,641
2011	35,021,092	4,807,693	39,657,768	729,078	80,215,631
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

**Notes:**

- In 2008, the Township experienced a boundary expansion and creation of the community-wide zone.
- The Township's authority to levy property taxes commenced in 2010.
- The Township's authority to collect event admissions tax commenced in 2011.

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

Exhibit S-6

<b>Fiscal 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>
2013	\$10,836,811,964	\$1,711,979,119	\$987,431,191	\$775,960,901	\$1,141,814,981	\$13,170,368,194	0.3173
2012	10,433,783,509	1,621,963,590	967,010,708	743,534,831	1,141,521,287	12,624,771,351	0.3250
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
2009	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2008	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2007	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2006	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2005	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2004	n/a	n/a	n/a	n/a	n/a	n/a	n/a

**Sources:** Montgomery Central Appraisal District and Harris County Appraisal District

**Notes:**

- Valuations shown are certified taxable assessed values reported by the appraisal districts to the State 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.
- n/a = Not applicable as fiscal year 2010 was the first year the Township collected property taxes.

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

**Exhibit S-7**

<b>Sales Tax <sup>1</sup></b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
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 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>
<b>Hotel Occupancy Tax <sup>2</sup></b>										
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	0.0900	0.0900	0.0800	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700
The Woodlands Township EDZ	-	-	-	-	-	-	-	-	-	-
<b>Total Occupancy Tax</b>	<b>0.1500</b>	<b>0.1500</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>Property Tax <sup>3</sup></b>										
State of Texas	-	-	-	-	-	-	-	-	-	-
The Woodlands Township	0.3173	0.3250	0.3274	0.3280	-	-	-	-	-	-
The Woodlands Township EDZ	-	-	-	-	-	-	-	-	-	-
Montgomery County	0.4838	0.4838	0.4838	0.4838	0.4838	0.4888	0.4913	0.4963	0.4828	0.4710
Harris County	0.3912	0.3912	0.3881	0.3922	0.3892	0.3924	0.4024	0.3999	0.3999	0.3880
Conroe Independent School District	1.2900	1.2950	1.2950	1.2850	1.2700	1.2400	1.5900	1.7600	1.7325	1.7325
Magnolia Independent School District	1.3995	1.3995	1.3995	1.3800	1.4000	1.4200	1.6600	1.7900	1.6800	1.6800
Lone Star College System	0.1198	0.1210	0.1176	0.1101	0.1101	0.1144	0.1167	0.1207	0.1145	0.1145
Tomball Independent School District	1.3600	1.3600	1.3600	1.3600	1.3600	1.2750	1.5800	1.7100	1.7300	1.7300
Harris County Department of Education	0.0066	0.0066	0.0066	0.0061	0.0058	0.0059	0.0063	0.0063	0.0063	0.0063
Montgomery County Hospital District	0.0729	0.7450	0.0754	0.0755	0.0760	0.0777	0.0781	0.0850	0.0999	0.1082
Harris County Hospital District	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922	0.1902	0.1902
Harris County Flood Control District	0.0281	0.2809	0.2923	0.0292	0.0309	0.0311	0.0324	0.3322	0.3318	0.0417
Port of Houston Authority	0.0186	0.1856	0.0205	0.0164	0.0177	0.0144	0.0130	0.0147	0.0167	0.0200
The Woodlands Metro Center MUD	0.1750	0.1750	0.1900	0.1900	0.1900	0.2100	0.2300	0.2700	0.3000	0.3000
Montgomery County MUD #2	0.1500	0.1700	0.1900	0.2300	0.2300	0.2400	0.2700	0.3350	0.3750	0.4100
Montgomery County MUD #6	0.0800	0.8750	0.0950	0.1000	0.1100	0.1100	0.1100	0.2200	0.2500	0.3000
Montgomery County MUD #7	0.1675	0.1675	0.1750	0.1750	0.1750	0.2000	0.2000	0.3000	0.3400	0.3800
Montgomery County MUD #36	0.0350	0.0400	0.0550	0.1000	0.1100	0.1200	0.1200	0.3200	0.3600	0.3600
Montgomery County MUD #39	0.4200	0.4200	0.4300	0.4300	0.4400	0.4700	0.4800	0.5800	0.7000	0.7200
Montgomery County MUD #40	0.1500	0.1600	0.1700	0.1800	0.1900	0.2100	0.2100	0.2500	0.2800	0.3200
Montgomery County MUD #46	0.2550	0.2650	0.2750	0.2850	0.3100	0.3800	0.4200	0.5000	0.5800	0.6000
Montgomery County MUD #47	0.2450	0.2450	0.2500	0.2500	0.2600	0.2800	0.2800	0.3100	0.3600	0.3700
Montgomery County MUD #60	0.2275	0.2375	0.2400	0.2400	0.2650	0.2900	0.3000	0.3500	0.4200	0.4200
Montgomery County MUD #67	0.3125	0.3125	0.3200	0.3200	0.3200	0.3300	0.3400	0.4300	0.4500	0.4700
Harris-Montgomery County MUD #386	0.9400	0.9900	0.9900	1.1500	1.2500	1.2500	1.2500	-	-	-
Montgomery County WCID #1	0.8100	0.8100	0.7750	0.7750	0.7750	0.7750	0.8200	0.8200	0.8200	0.8200
The Woodlands Road Utility District #1	0.4063	0.4266	0.4300	0.4491	0.4738	0.4800	0.4800	0.4817	0.5000	0.5000

**Sources:** Montgomery Central Appraisal District, Montgomery County Auditor, The Woodlands Joint Powers 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.

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

**Exhibit S-8**

<b>Taxpayer</b>	<b>2013</b>			<b>2010</b>		
	<b>Taxable Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Township Taxable Assessed Value</b>	<b>Taxable Assessed Valuation</b>	<b>Rank</b>	<b>Percentage of Total Township Taxable Assessed Value</b>
Anadarko Realty Company	\$132,301,330	1	1.05%	\$ -	-	-
Woodlands Land Development Company, LP	93,987,470	2	0.74%	128,487,340	1	1.07%
The Woodlands Mall Associates, LLC	85,872,793	3	0.68%	61,956,137	2	0.52%
Kimco Market Street, LLC	81,268,300	4	0.64%	45,066,100	7	0.37%
JD Warmack Woodlands, LP	71,963,240	5	0.57%	40,970,170	9	0.34%
Hughes Christensen Company	66,350,761	6	0.53%	56,076,990	3	0.47%
Mept Boardwalk Town Center, LLC	59,646,890	7	0.47%	-	-	-
Waterway Ave Partners, LLC	50,365,550	8	0.40%	-	-	-
LCFRE Woodlands Waterway, LLC	49,467,470	9	0.39%	-	-	-
CSHV Woodlands, LP	47,969,910	10	0.38%	-	-	-
Lex-Gen Woodlands, LP	-	-	-	51,483,230	4	0.43%
SSR WM Texas, LP	-	-	-	48,539,050	5	0.40%
CVS Distribution Center & Regional	-	-	-	46,567,214	6	0.39%
Regency Centers, LP	-	-	-	44,409,390	8	0.37%
NNN Waterway Plaza, LLC	-	-	-	39,291,690	10	0.33%
	<u>\$739,193,714</u>		<u>5.86%</u>	<u>\$562,847,311</u>		<u>4.69%</u>

**Sources:** Montgomery Central Appraisal District and Harris County Appraisal District

**Note:**

- Fiscal year 2010 was the first year the Township collected property taxes.

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

**Exhibit S-9**

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected Within the Fiscal Year of the Levy</b>		<b>Collections (Refunds) in Subsequent Years</b>	<b>Total Collections to Date</b>	
			<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2013	2012	\$ 42,151,140	\$ 42,012,384	99.7%	\$ -	\$ 42,012,384	99.7%
2012	2011	41,145,045	40,984,794	99.6%	77,285	41,062,079	99.8%
2011	2010	39,535,097	39,409,114	99.7%	43,350	39,452,464	99.8%
2010	2009	38,136,495	38,034,113	99.7%	68,298	38,102,411	99.9%
2009	2008	n/a	n/a	n/a	n/a	n/a	n/a
2008	2007	n/a	n/a	n/a	n/a	n/a	n/a
2007	2006	n/a	n/a	n/a	n/a	n/a	n/a
2006	2005	n/a	n/a	n/a	n/a	n/a	n/a
2005	2004	n/a	n/a	n/a	n/a	n/a	n/a
2004	2003	n/a	n/a	n/a	n/a	n/a	n/a

**Source:** Montgomery County Tax Office

**Note:**

- n/a = Not applicable as fiscal year 2010 was the first year the Township collected property taxes.

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

**Exhibit S-10**

<b>Fiscal Year</b>	<b>Taxable Sales Generated</b>	<b>Sales Tax Collected</b>	<b>Number of Taxpayers</b>	<b>Per Taxpayer</b>	<b>Median Deposit</b>	<b>Average Deposit</b>	<b>Minimum Deposit</b>	<b>Maximum Deposit</b>	<b>Maximum as % of Total</b>
2013	\$2,321,740,363	\$23,217,404	5,188	\$ 4,475	\$ 125	\$ 4,541	\$ (9,795)	\$ 953,418	4%
2012	2,019,954,797	20,199,548	4,727	4,273	108	4,329	(9,357)	969,199	5%
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%

**Source:** Texas State Comptroller reports

**Notes:**

- Prior to 2011, these reports only include those taxpayers having remitted more than \$25,000 in state and local taxes to the Comptroller in the prior year.
- For 2011 and thereafter, reports include those taxpayers having remitted more than \$5,000 in state and local taxes to the Comptroller in the prior year.



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

Exhibit S-11

Fiscal Year	Largest Taxpayer			Top 5 Taxpayers			Top 10 Taxpayers		
	Total	Percentage Retail	Percentage Non-Retail	Total	Percentage Retail	Percentage Non-Retail	Total	Percentage Retail	Percentage Non-Retail
2013	4.05%	4.05%	n/a	14.11%	9.47%	4.64%	22.86%	16.58%	6.28%
2012	4.74%	4.74%	n/a	15.69%	12.98%	2.71%	24.75%	22.04%	2.71%
2011	5.29%	5.29%	n/a	16.67%	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	19.24%	16.51%	2.73%	30.09%	23.16%	6.93%
2008	6.34%	6.34%	n/a	20.77%	16.94%	3.83%	31.87%	23.09%	8.78%
2007	5.45%	5.45%	n/a	21.98%	21.98%	n/a	35.35%	27.47%	7.87%
2006	5.75%	5.75%	n/a	23.84%	19.44%	4.40%	36.78%	29.82%	6.96%
2005	6.97%	6.97%	n/a	26.37%	22.15%	4.21%	39.30%	35.09%	4.21%
2004	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

**Source:** Texas State Comptrollers Office

**Note:**

- Specific taxpayers may not be disclosed as such information is deemed confidential and protected by state law.

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

**Exhibit S-12**

<b>Industry</b>	<b>Fiscal Year</b>					
	<b>2013</b>	<b>2013 % Total</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Retail Trade	\$10,366,395	44%	\$10,220,424	\$ 8,906,872	\$ 8,233,076	\$ 8,222,453
Accommodation and Food Services	2,804,129	12%	2,731,280	2,454,925	2,143,342	2,134,205
Manufacturing	1,782,312	8%	1,107,831	1,153,341	1,012,955	578,298
Information	1,419,895	6%	1,238,836	856,407	619,491	523,113
Wholesale Trade	1,209,165	5%	975,481	701,979	694,951	573,707
Mining	857,637	4%	821,596	645,002	553,934	469,051
Professional, Scientific, and Technical Services	1,063,762	5%	705,375	574,582	509,086	488,761
Real Estate, Rental, and Leasing	1,259,235	5%	673,056	417,565	249,565	423,817
Utilities	377,436	2%	341,410	378,090	326,290	34,382
Arts, Entertainment, and Recreation	435,271	2%	402,569	366,545	326,492	299,166
Admin, Support, Waste Management, Remediation	448,310	2%	383,828	350,221	285,837	282,058
Construction	539,318	2%	235,967	270,823	164,608	163,874
Other Taxable Activity	993,299	4%	619,772	713,681	459,802	556,685
<b>Total</b>	<b>\$23,556,164</b>	<b>100%</b>	<b>\$20,457,425</b>	<b>\$17,790,033</b>	<b>\$15,579,429</b>	<b>\$14,749,570</b>

**Source:** Texas State Comptrollers Office

**Notes:**

- Effective 2005, the SIC system of reporting industry sectors changed to the North American Industry Classification System (NAICS) on the Texas State Comptroller reports.
- In 2008, the Township expanded its boundaries and imposed a sales and use tax of 1% within the expanded boundaries.

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

**Exhibit S-12  
(continued)**

<b>Industry</b>	<b>Fiscal Year</b>					<b>2004</b>
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>% Total</b>
Retail Trade	\$ 8,028,945	\$ 6,931,744	\$ 6,754,443	\$ 5,993,859	\$ 6,154,121	75%
Accommodation and Food Services	1,961,673	1,431,123	1,416,706	1,208,524	803,712	10%
Manufacturing	778,453	917,032	450,902	246,194	197,131	2%
Information	362,534	442,991	391,860	343,978	106,231	1%
Wholesale Trade	684,970	273,056	313,908	208,080	488,173	6%
Mining	599,175	443,265	464,343	400,338	-	0%
Professional, Scientific, and Technical Services	348,083	208,727	115,418	111,606	-	0%
Real Estate, Rental, and Leasing	397,270	485,279	150,846	105,291	39,468	0%
Utilities	30,028	25,792	5,956	5,242	13,573	0%
Arts, Entertainment, and Recreation	252,666	92,264	40,953	39,434	-	0%
Admin, Support, Waste Management, Remediation	262,816	167,163	115,640	85,314	-	0%
Construction	118,664	103,507	53,657	80,201	130,554	2%
Other Taxable Activity	492,451	204,063	109,414	210,620	256,883	3%
<b>Total</b>	<b>\$14,317,728</b>	<b>\$11,726,006</b>	<b>\$10,384,045</b>	<b>\$ 9,038,682</b>	<b>\$ 8,189,846</b>	<b>100%</b>

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

**Exhibit S-13**

<b>Fiscal Year</b>	<b>General Bonded Debt</b>			<b>Other Governmental Activities Debt</b>			<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
	<b>General Obligation Bond</b>	<b>% Actual Property Value</b>	<b>Per Capita</b>	<b>Sales/Hotel Occupancy Tax Revenue Bonds</b>	<b>Bond Anticipation Notes</b>	<b>Capital Leases</b>			
2013	\$ 44,820,000	0.34%	\$ 416	\$ 62,505,000	\$ -	\$ -	\$107,325,000	0.95%	\$ 996
2012	46,735,000	0.37%	444	65,780,000	-	-	112,515,000	1.01%	1,069
2011	43,865,000	0.36%	436	68,965,000	-	-	112,830,000	1.23%	1,121
2010	34,800,000	0.31%	359	71,675,000	-	-	106,475,000	0.92%	1,097
2009	-	n/a	n/a	61,395,000	-	-	61,395,000	0.57%	665
2008	-	n/a	n/a	44,995,000	16,440,000	15,149	61,450,149	0.60%	687
2007	-	n/a	n/a	46,360,000	-	29,521	46,389,521	0.47%	528
2006	-	n/a	n/a	47,670,000	-	9,458	47,679,458	0.52%	568
2005	-	n/a	n/a	48,925,000	-	-	48,925,000	0.58%	607
2004	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

**Notes:**

- Details regarding the Township's outstanding debt can be found in the notes to the financial statements.
- See Exhibit S-6 for taxable property value data.
- Population and personal income data can be found in Exhibit S-17.

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

**Exhibit S-14**

<b>Fiscal Year</b>	<b>Revenue Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total Outstanding</b>	<b>Total Pledged Revenue</b>	<b>Debt as a Percentage of Pledged Revenue</b>
2013	\$ 62,505,000	\$ 19,679,961	\$ 42,825,039	\$ 1,233,322,315	3%
2012	65,780,000	7,074,176	58,705,824	1,076,893,407	5%
2011	68,965,000	7,670,415	61,294,585	938,602,571	7%
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%
2004	n/a	n/a	n/a	n/a	n/a

**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.
- General obligation bonds are not included in analysis.

**The Woodlands Township**  
**Direct and Overlapping Governmental Activities Debt**  
**as of December 31, 2013**  
(unaudited)

**Exhibit S-15**

<u>Governmental Unit</u>	<u>Net Direct Debt<sup>1</sup></u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlap</u>
<b>Direct debt:</b>			
The Woodlands Township	\$ 107,325,000	100.00%	<u>\$ 107,325,000</u>
<b>Overlapping debt:</b>			
Conroe Independent School District	972,885,000	52.16%	507,456,816
Harris County <sup>2</sup>	1,717,368,704	0.14%	2,404,316
Harris County Department of Education	7,605,000	0.14%	10,647
Harris County Flood Control District	92,935,000	0.14%	130,109
Harris-Montgomery County MUD #386	91,170,000	100.00%	91,170,000
Lone Star College System	477,225,000	10.38%	49,535,955
Magnolia Independent School District	146,510,000	2.44%	3,574,844
Montgomery County	446,595,000	32.09%	143,312,336
Montgomery County MUD #7	4,765,000	100.00%	4,765,000
Montgomery County MUD #39	14,195,000	100.00%	14,195,000
Montgomery County MUD #40	1,230,000	100.00%	1,230,000
Montgomery County MUD #46	100,225,000	100.00%	100,225,000
Montgomery County MUD #47	28,560,000	100.00%	28,560,000
Montgomery County MUD #60	18,865,000	100.00%	18,865,000
Montgomery County MUD #67	15,835,000	100.00%	15,835,000
Montgomery County WCID #1	14,200,000	10.07%	1,429,940
Port of Houston Authority	717,624,397	0.14%	1,004,674
The Woodlands Metro Center MUD	16,870,000	100.00%	16,870,000
Montgomery County MUD #2	20,000	100.00%	20,000
The Woodlands Road Utility District #1	72,920,000	100.00%	72,920,000
Tomball Independent School District	285,395,000	7.62%	<u>21,747,099</u>
Total overlapping debt			<u>1,095,261,736</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 1,202,586,736</u></u>

**Source:** Municipal Advisory Council of Texas

**Notes:**

<sup>1</sup> The percentage of overlapping debt applicable is computed by dividing the other entity's net taxable assessed property value by the net taxable assessed property value in the Township.

<sup>2</sup> Does not include Harris County General Obligation debt that is supported by the Harris County Toll Road Authority.

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

**Exhibit S-16**

<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>Coverage</b>
	<b>Sales Tax Revenue</b>	<b>Hotel Occupancy Tax Revenue<sup>1</sup></b>		<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2013	\$ 11,608,702	\$ 5,071,649	\$ 16,680,351	\$ 3,275,000	\$ 2,617,113	\$ 5,892,113	2.83
2012	10,099,774	4,684,121	14,783,895	3,185,000	2,723,993	5,908,993	2.50
2011	8,777,945	4,256,565	13,034,510	1,155,000	2,415,786	3,570,786	3.65
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	11,475,760	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
2004	n/a	n/a	n/a	n/a	n/a	n/a	n/a

**Notes:**

<sup>1</sup>Supplemental hotel occupancy tax revenue is not included in this schedule to calculate pledged revenue coverage.

- 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.
- General obligation bonds are not included in analysis.
- n/a indicates not available.

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

**Exhibit S-17**

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income</b> (in thousands)	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Employers</b>	<b>Number of Jobs</b>	<b>Unemployment Rate</b>	<b>School Enrollment<sup>1</sup></b>
2013	107,769	\$11,332,018	\$ 105,151	37	1,901	54,504	2.4%	53,632
2012	105,283	11,096,618	105,398	36	1,870	51,940	2.9%	52,357
2011	100,670	9,199,023	91,378	40	1,755	49,960	4.7%	50,849
2010	97,023	11,517,018	118,704	42	1,712	47,100	4.7%	49,323
2009	92,348	10,779,967	116,732	37	1,650	45,380	5.5%	47,769
2008	89,397	10,323,655	115,481	45	1,587	44,202	4.9%	46,302
2007	87,867	9,851,384	112,117	50	1,551	43,200	3.6%	44,237
2006	83,884	9,195,532	109,622	45	1,511	42,190	3.3%	42,431
2005	80,659	8,501,943	105,406	42	1,310	39,541	3.9%	40,257
2004	77,128	10,412,280	135,000	40	1,219	37,175	4.8%	39,043

**Sources:** The Woodlands Development Company

**Notes:**

<sup>1</sup>Conroe Independent School District



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

**Exhibit S-18**

<b>Employer</b>	<b>2013</b>			<b>2003</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Employment</b>
Anadarko Petroleum Corporation	3,481	1	6%	2,500	1	8%
Conroe Independent School District	3,450	2	6%	2,100	2	7%
Aon Hewitt	1,800	3	3%	1,250	3	4%
Memorial Hermann, The Woodlands Hospital	1,400	4	3%	900	5	3%
St. Luke's, The Woodlands Hospital	1,348	5	2%	-	-	-
Huntsman Company, LLC	814	6	1%	-	-	-
Lone Star College - Montgomery	791	7	1%	500	10	2%
Woodforest National Bank	775	8	1%	1,000	4	3%
Baker Hughes	706	9	1%	-	-	-
McKesson Specialty Health	675	10	1%	600	8	2%
Woodlands Resort & Conference Center	-	-	-	760	6	2%
Hughes Christensen	-	-	-	655	7	2%
Lexicon Genetics, Inc.	-	-	-	580	9	2%
<b>Total</b>	<b>15,240</b>		<b>27%</b>	<b>10,845</b>		<b>35%</b>

**Source:** South Montgomery County Woodlands Economic Development Partnership

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

**Exhibit S-19**

	<b>Full-time Equivalent Employees as of December 31</b>									
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
General and administrative:	-	-	-	-	9.0	9.0	9.0	9.0	9.0	8.0
President's office	4.0	4.0	4.0	4.0						
Legislative and transportation	1.0	1.0	1.0	1.0						
Human resources	5.8	5.8	5.8	5.8						
Finance	14.0	15.0	15.0	15.0						
Information technology	11.0	9.0	9.0	9.0						
Records	7.0	8.0	8.0	8.0						
Parks and recreation:										
Park's administration	9.0	9.0	9.0	9.0						
Park's planning	10.0	10.0	10.0	10.0						
Park's operation	38.5	41.5	41.5	39.5						
Aquatics	70.0	67.0	67.0	67.0						
Recreation	15.5	18.0	18.0	18.0						
Operations and maintenance	-	-	-	-	3.0	3.0	3.0	2.0	2.0	2.0
Development and planning services:										
Community services	7.0	6.3	6.0	6.0						
Community relations	4.0	4.0	4.0	4.0						
Covenant administration	33.0	33.0	32.8	32.8						
Environmental services	4.3	4.3	4.3	4.3						
Public safety:										
Law enforcement	2.0	2.0	2.0	2.0						
Town Center ambassador personnel	-	-	7.8	7.8	6.0	5.0	5.0	4.0	5.0	5.0
Neighborhood services	6.3	6.0	7.0	7.0						
Public safety department	-	-	-	-	1.0	1.0	1.0	1.0	1.0	1.0
Convention and Visitors Bureau:										
Marketing and public affairs	5.3	4.3	4.3	4.3	4.0	4.0	4.0	4.0	3.0	2.0
Economic development	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0
<b>Total</b>	<b>248.6</b>	<b>249.0</b>	<b>257.5</b>	<b>255.5</b>	<b>25.0</b>	<b>24.0</b>	<b>24.0</b>	<b>22.0</b>	<b>22.0</b>	<b>20.0</b>

**Source:** The Woodlands Township Human Resources Department

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

**Exhibit S-20**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Public Safety</b>					
Patrol cars & equipment - Sheriff's Department <sup>1</sup>	\$ 417,411	\$ 702,384	\$ 537,978	\$ 504,748	\$ 567,847
Patrol bicycles & equipment - Sheriff's Department <sup>1</sup>	\$ -	\$ -	\$ 28,004	\$ 24,559	\$ 5,980
Rescue & haz-mat vehicles - Fire Department	\$ 34,621	\$ 2,122,012	\$ 590,611	\$ -	\$ 148,990
Special equipment - Fire Department	\$ 15,000	\$ 186,087	\$ 63,718	\$ 29,846	\$ -
Communications equipment - Fire Department	\$ 256,018	\$ 862,733	\$ 44,136	\$ 38,871	\$ -
Traffic controllers - Fire Department	\$ 8,147	\$ 32,409	\$ 13,089	\$ 44,600	\$ -
Patrol cars <sup>1</sup>	95	95	82	82	14
Patrol bicycles <sup>1</sup>	24	24	24	24	2
Fire stations	9	9	8	7	7
Fire apparatus	18	18	15	13	13
<b>Economic Development</b> <sup>2</sup>					
Hotel rooms booked for conventions	41,250	43,448	42,628	40,820	45,255
Total convention center square feet booked	12,250,550	13,024,445	14,685,250	12,812,550	13,250,150
<b>Operations</b>					
Wayfinding signs	260	260	255	207	155
Monument signs	408	408	392	360	6
Sculptures and public art	10	6	6	6	2
Miles of pathway <sup>3</sup>	202	198	194	185	-
Parks	130	127	123	116	2
Swimming pools	14	13	13	13	-
Park acreage	846	704	700	690	4

**Sources:**

<sup>1</sup> The Township reimburses these entities for a percentage of the equipment and capital to be used in servicing the Township; however, the Township does not own nor maintain these assets.

<sup>2</sup> Annual booking report for The Woodlands Waterway Marriott Hotel and Convention Center.

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

**Notes:**

- Sources not specifically noted include various government departments.

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

**Exhibit S-20**  
*(continued)*

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Public Safety</b>					
Patrol cars & equipment - Sheriff's Department <sup>1</sup>	\$ 75,458	\$ 65,911	\$ 76,913	\$ 55,145	n/a
Patrol bicycles & equipment - Sheriff's Department <sup>1</sup>	\$ 2,894	\$ 3,972	\$ 7,179	\$ 25,833	n/a
Rescue & haz-mat vehicles - Fire Department	\$ -	\$ 136,398	\$ 1,733	\$ -	n/a
Special equipment - Fire Department	\$ -	\$ 37,808	\$ 12,885	\$ 29,904	n/a
Communications equipment - Fire Department	\$ -	\$ 3,463	\$ 3,023	\$ 7,929	n/a
Traffic controllers - Fire Department	\$ -	\$ -	\$ -	\$ 54,645	n/a
Patrol cars <sup>1</sup>	2	2	2	2	n/a
Patrol bicycles <sup>1</sup>	2	-	-	9	n/a
Fire stations	6	5	5	5	n/a
Fire apparatus	12	12	8	7	n/a
<b>Economic Development <sup>2</sup></b>					
Hotel rooms booked for conventions	49,525	40,101	31,875	10,140	n/a
Total convention center square feet booked	16,716,580	12,482,300	10,605,190	3,268,930	n/a
<b>Operations</b>					
Wayfinding signs	143	89	92	92	n/a
Monument signs	6	6	6	6	n/a
Sculptures and public art	2	2	2	1	n/a
Miles of pathway <sup>3</sup>	-	-	-	-	n/a
Parks	2	1	1	1	n/a
Swimming pools	-	-	-	-	n/a
Park acreage	4	3	3	3	n/a

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

**Exhibit S-21**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Public Safety</b>					
Trooper hours - mounted patrol	28,085	28,760	29,996	36,719	36,758
Vehicle assists - mounted patrol	4,006	2,598	2,038	3,368	2,221
Other assist calls - mounted patrol	1,585	1,339	1,463	1,561	4,406
Traffic violation calls	18,745	8,796	10,710	8,686	4,270
Total Sheriff Department calls <sup>1</sup>	56,663	46,124	43,424	40,662	8,637
Total fire incident calls <sup>2</sup>	8,588	6,868	6,363	5,977	5,454
Montgomery County Sheriff's Department	\$ 6,903,490	\$ 6,708,814	\$ 6,337,658	\$ 5,637,895	\$ 1,686,848
Number of full-time MCSO positions	86	89.5	85	85	24
Constable Precinct 3	\$ 94,934	\$ 96,404	\$ 119,154	\$ 118,902	\$ 116,979
Justice of the Peace Precinct 3	\$ 50,711	\$ 46,575	\$ 43,331	\$ 38,429	\$ 39,819
City of Oak Ridge North	\$ -	\$ -	\$ -	\$ 100,000	\$ 216,472
City of Shenandoah	\$ 202,215	\$ 195,000	\$ -	\$ 100,000	\$ 216,468
The Woodlands Fire Department	\$ 17,312,577	\$ 16,643,150	\$ 15,056,962	\$ 14,085,800	\$ 14,725,000
<b>Marketing and Public Affairs/CVB</b>					
Events produced	30	30	30	38	24
Visitor guides distributed	113,981	135,773	137,355	155,103	77,395
Discovery guides distributed	25,062	25,580	24,490	-	-
Sponsorships sold	\$ 297,750	\$ 295,750	\$ 261,095	\$ 225,000	\$ 267,600
<b>Economic Development</b>					
Convention center bookings <sup>3</sup>	929	1,028	1,425	1,351	1,258
Number of jobs <sup>4</sup>	54,504	51,940	49,960	47,100	45,380
ISO rating	2	2	2	2	2
<b>Operations and Transportation</b>					
Transportation - trolley ridership	87,737	103,600	127,326	144,906	113,077
Transportation - Friendship shuttle trips <sup>5</sup>	n/a	3,621	5,090	5,301	5,087

**Sources:**

<sup>1</sup> Beginning in 2013, the Sheriff's Department included additional call categories in their policing reports.

<sup>2</sup> Total fire calls for 2008 represent the Township as a whole, as previous years represent only Town Center calls.

<sup>3</sup> The Woodlands Waterway Marriott Hotel and Convention Center

<sup>4</sup> The Woodlands Development Company

<sup>5</sup> Contract compliance reports provided by The Friendship Center. Funding not provided by the Township in 2013.

- Sources not specifically noted include various government departments.

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

**Exhibit S-21**  
*(continued)*

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Public Safety</b>					
Trooper hours - mounted patrol	35,665	35,434	35,620	47,473	n/a
Vehicle assists - mounted patrol	8,634	5,905	4,419	9,348	n/a
Other assist calls - mounted patrol	9,005	2,994	5,632	8,652	n/a
Traffic citations	3,629	1,393	1,040	1,320	n/a
Total Sheriff Department calls <sup>1</sup>	8,083	5,862	5,574	5,912	n/a
Total fire incident calls <sup>2</sup>	5,859	684	612	611	n/a
Montgomery County Sheriff's Department	\$ 1,414,833	\$ 1,142,287	\$ 1,141,977	\$ 889,114	n/a
Number of full-time MCSO positions	22	19	19	16	n/a
Constable Precinct 3	\$ 112,000	\$ 106,230	\$ 100,903	\$ 95,050	n/a
Justice of the Peace Precinct 3	\$ 37,522	\$ 37,047	\$ 35,211	\$ 50,332	n/a
City of Oak Ridge North	\$ 216,472	\$ 215,635	\$ 215,635	\$ 215,635	n/a
City of Shenandoah	\$ 216,464	\$ 216,472	\$ 216,464	\$ 216,472	n/a
The Woodlands Fire Department	\$ 6,603,000	\$ 472,905	\$ 405,600	\$ 390,000	n/a
<b>Marketing and Public Affairs/CVB</b>					
Events produced	8	6	6	5	n/a
Visitor guides distributed	128,490	73,276	36,049	48,889	n/a
Discovery guides distributed	-	-	-	-	n/a
Sponsorships sold	\$ 237,725	\$ 272,595	\$ 287,300	\$ 199,175	n/a
<b>Economic Development</b>					
Convention center bookings <sup>3</sup>	1,685	1,095	864	n/a	n/a
Number of jobs <sup>4</sup>	44,202	43,200	42,190	39,541	n/a
ISO rating	3	3	3	3	n/a
<b>Operations and Transportation</b>					
Transportation - trolley ridership	97,424	-	-	-	n/a
Transportation - Friendship shuttle trips <sup>5</sup>	5,600	5,456	13,173	13,219	n/a