

# Comprehensive Annual Financial Report

**Fiscal Year Ended December 31, 2014**

The Woodlands Township, Montgomery County, Texas



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# **The Woodlands Township Comprehensive Annual Financial Report**

**Fiscal Year Ended  
December 31, 2014**

**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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# The Woodlands Township

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# **INTRODUCTORY SECTION**



June 16, 2015

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, 2014 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.

Blazek & Vetterling, Certified Public Accountants, have issued an unmodified ("clean") opinion on The Woodlands Township's financial statements for the year ended December 31, 2014. 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 located 27 miles north of downtown Houston, Texas, just off Interstate 45 in the southeastern region of the State of Texas, and is the local government for one of the country's leading master-planned communities. This 28,000-acre residential and commercial development is home to more than 108,000 residents and approximately 2,000 businesses. The current number of households totals 43,950 and is projected to grow to 46,000 households with a population of over 121,000 when development of the community is completed.

Founded in 1974, The Woodlands was one of the nation's first sustainable communities. It is currently ranked #3 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. 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 Town Center. Town Center, which has become the heart and soul of The Woodlands, encompasses The Woodlands Waterway, a 1.4 mile-long water feature, transportation and linear park. The Waterway links the Class A office buildings, shopping, dining and entertainment venues in Town Center. The Woodlands Mall, a 1.3 million square-foot regional mall; 34-acre "Main Street" style Market Street; The Cynthia Woods Mitchell Pavilion, and two Cinemark movie theaters combine with dozens of upscale restaurants and shops to enhance Town Center.

The community also offers a variety of amenities to its residents and visitors including over 5,500 acres of green space and forest preserves, 205 miles of pathways, 131 developed parks, 81 play areas with play equipment, 14 public swimming facilities, 3 children's spray grounds, 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 not-for-profit corporation, provided municipal-type services to The Woodlands community on behalf of The Woodlands Community Association, The Woodlands Association and The Woodlands Commercial Owners Association (collectively the Community Associations). On January 1, 2010, pursuant to a Transition Agreement between the relevant parties, the Community Associations assigned their respective covenants, responsibilities, obligations, contracts, rights and operations to the 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 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 tax and other revenues. The Community Associations were legally dissolved in August 2010 and all responsibilities were assumed by the 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, 2014. 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 was 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 in the last several years and fiscal year 2014 was no different. Net property values grew 5.7% to \$16.8 billion as of January 2013; an increase of \$1.8 billion over 2012 values. 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 over 1,900 businesses including many major national and international corporations. Some of the major corporations include Anadarko Petroleum Corporation, Aon Hewitt, Black Forest Ventures, CB&I, Baker Hughes, Chevron Phillips Chemical Company, Fox Networks Group, Halliburton, Huntsman Corporation, Nexeo Solutions, Maersk Line, McKesson Specialty Health, Repsol USA, St. Luke's Hospital, Waste Connections and many others.

There is significant construction in the medical field planned for 2015 with the 470,000 square-foot Houston Methodist Hospital and 135,000 square-foot medical building just south of the FM 242 and I-45 intersection and the new 548,000 square-foot Texas Children's Hospital south of CHI St. Luke's on I-45. A total of 32.5 million square feet of completed and started commercial, retail, industrial, and institutional development provides jobs for more than 58,400 people. The continued commercial development is anticipated to create an additional 14,000 jobs over the next several years, increasing the total jobs in the community to 72,500.

Economic development is a vital aspect of the success of the Township. Strategic partners in economic development include the Township, South Montgomery County, Woodlands Economic Development Partnership, Greater Houston Partnership, Opportunity Houston, and the Center for Houston's Future. The Township's Board and The Convention & Visitors Bureau Board of Directors support Ad Hoc committees designed to plan for future development and address potential legislative needs. The Woodlands' status as a premier destination for visitors and travelers enables a strong local economy, which in turn allows the Township to pay for services and amenities that enhance local property values. The Township strongly supports efforts to attract and retain quality businesses, which in return supports job retention and fosters economic growth.



## 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.

Through sound fiscal management, the Township has positioned itself well to cope with growth, create a positive atmosphere for economic development, and provide flexibility on budgetary issues. The Township continues to balance revenues and expenditures, maintain or enhance services, and retain an excellent bond rating and low debt per capita ratio. The Board consistently strives to lower the tax rate while maintaining the level of services the residents of The Woodlands have long enjoyed.

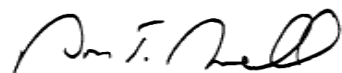
The Board has approved policies establishing appropriate levels of cash reserves for operations, capital replacement, economic development, and debt service. Operating reserves are required to be maintained at a minimum level of 20 percent of annual General Fund operating expenditures. As of December 31, 2014, the Township's General Fund had a balance of \$34.4 million, which met all policy requirements.

## AWARDS AND ACKNOWLEDGEMENTS

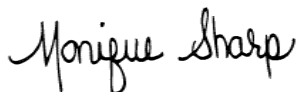
For the fiscal year ended December 31, 2014, the Township received the "Certificate of Achievement for Excellence in Financial Reporting" from the Government Finance Officers Association of the United States, which recognizes the Township as a government unit who's CAFR achieved the highest standards in governmental accounting and financial reporting. The Township also earned four communications and advertising awards through the work of its Community Relations Department. "Welcome to The Woodlands Township," an online video, earned a bronze Telly Award. It competed in a field of nearly 12,000 entries from the United States and other countries. The "Welcome to The Woodlands Township" online video also received a Merit Award from the Service Industry Advertising Awards, produced by SilverRock Productions. The Woodlands Community Magazine, featuring the Action Guide, earned an "Award of Distinction" from The Communicator Awards, the largest and most competitive awards program honoring creative excellence for communications professionals, as well as the "Gold Award" from the Service Industry Advertising Awards. This competition recognizes outstanding creative achievement by marketing and communication professionals in the service industry. The judges evaluated over 1,500 entries received from more than 400 advertising agencies and over 700 institutions. Parks and Recreation staff worked with Community Relations staff in creating the Action Guide.

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**

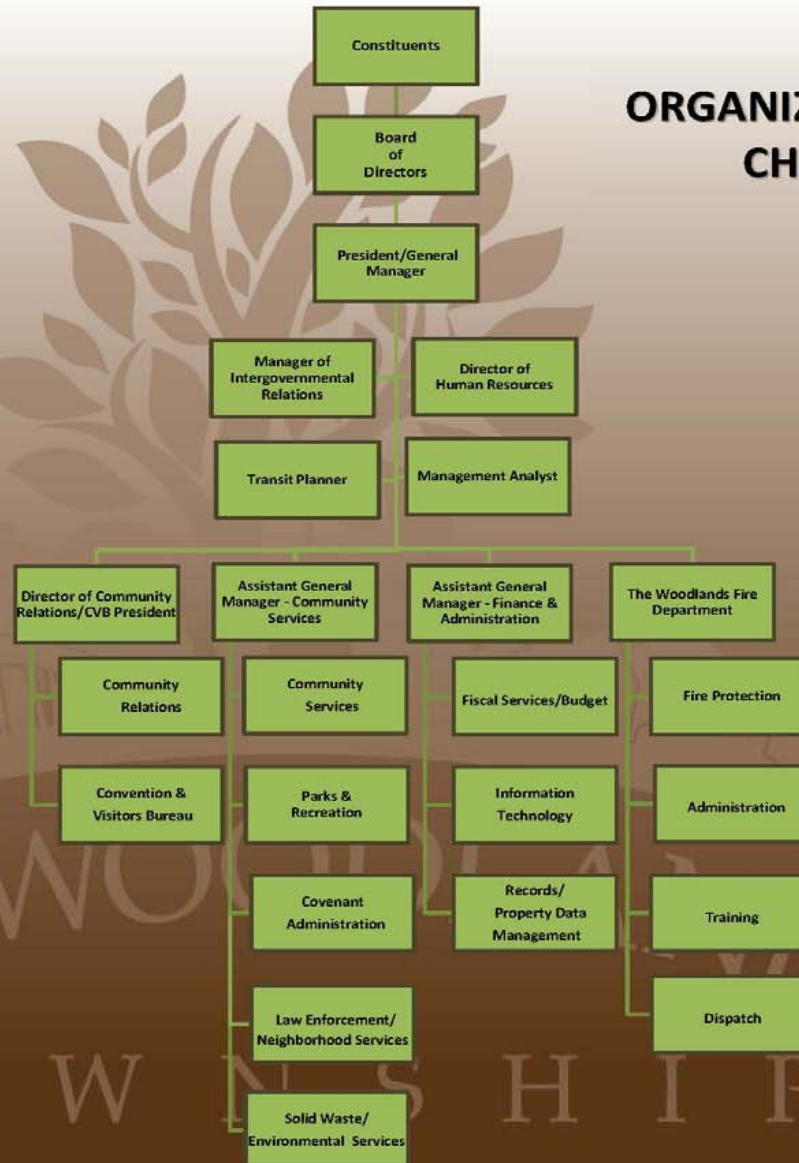
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2013**

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 19, 2014) <i>Position 7 - Term Expires: November 2015</i>
Vice Chairman <b>Dr. Edmund W. Robb III</b> (Elected by the Board as Vice-Chairman, November 19, 2014) <i>Position 4 - Term Expires: November 2016</i>
Secretary <b>Mr. Mike Bass</b> (Elected by the Board as Secretary, November 19, 2014) <i>Position 2 - Term Expires: November 2016</i>
Treasurer <b>Mr. Gordy Bunch</b> (Re-elected by the Board as Treasurer, November 19, 2014) <i>Position 1 - Term Expires: November 2016</i>
Director <b>Ms. Peggy S. Hausman</b> <i>Position 6 - Term Expires: November 2015</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 2016</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, 2014, 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, 2014, 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*

June 16, 2015

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**The Woodlands Township  
Management's Discussion and Analysis  
For the year ended December 31, 2014  
(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, 2014. 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, 2014 by \$178.3 million (*net position*). Of this amount, \$67.6 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 \$25.2 million, primarily due to increases in sales and use tax, property tax and hotel occupancy tax revenues; an increase in grant revenue and a decrease in debt related expenses.
- At December 31, 2014, the unassigned fund balance for the General Fund was \$11.9 million or 16.4% 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 \$178.3 million at December 31, 2014.

By far the largest part of the Township's net position, \$97.4 million (55%) 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 \$13.3 million (7.5%) 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, \$67.6 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, 2014 and 2013:

	CONDENSED STATEMENTS OF NET POSITION (ROUNDED TO 000'S)	
	YEAR ENDED	YEAR ENDED (RESTATED)
	DECEMBER 31, 2014	DECEMBER 31, 2013
Current and other assets	\$ 133,278,000	\$ 131,794,000
Long-term receivables and other assets	2,448,000	2,239,000
Capital assets	<u>182,895,000</u>	<u>180,623,000</u>
Total assets	<u>318,621,000</u>	<u>314,656,000</u>
Deferred outflows of resources	<u>517,000</u>	<u>557,000</u>
Current and other liabilities	35,788,000	35,316,000
Long-term liabilities outstanding	<u>85,714,000</u>	<u>103,704,000</u>
Total liabilities	<u>121,502,000</u>	<u>139,020,000</u>
Deferred inflows of resources	<u>19,320,000</u>	<u>23,114,000</u>
Invested in capital assets net of outstanding debt	97,405,000	89,038,000
Restricted	13,312,000	25,315,000
Unrestricted	<u>67,599,000</u>	<u>38,726,000</u>
Total net position	<u>\$ 178,316,000</u>	<u>\$ 153,079,000</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, 2014 and 2013:

	CONDENSED STATEMENTS OF CHANGES IN NET POSITION (ROUNDED TO 000'S)	
	YEAR ENDED	YEAR ENDED (RESTATED)
	DECEMBER 31, 2014	DECEMBER 31, 2013
REVENUE:		
Tax revenue	\$ 101,991,000	\$ 96,116,000
Program service fees	5,814,000	5,694,000
Grants and contributions	4,118,000	3,245,000
Investment earnings	161,000	217,000
Other income	<u>548,000</u>	<u>106,000</u>
Total revenue	<u>112,632,000</u>	<u>105,378,000</u>
EXPENSES:		
General and administrative	9,380,000	8,707,000
Public safety	32,619,000	31,812,000
Parks and recreation	20,762,000	19,421,000
Economic development	7,264,000	7,108,000
Community services	13,076,000	12,638,000
Community relations	1,015,000	1,108,000
Interest and debt related expenses	<u>3,279,000</u>	<u>4,011,000</u>
Total expenses	<u>87,395,000</u>	<u>84,805,000</u>
CHANGES IN NET POSITION	25,237,000	20,573,000
Net position, beginning of year	<u>153,079,000</u>	<u>132,506,000</u>
Net position, end of year	<u>\$ 178,316,000</u>	<u>\$ 153,079,000</u>

The Township's net position increased \$25.2 million from the 2013 ending balance of \$153.1 million to the 2014 ending balance of \$178.3 million. The reasons for this increase are explained in the following section.

### Governmental Activities

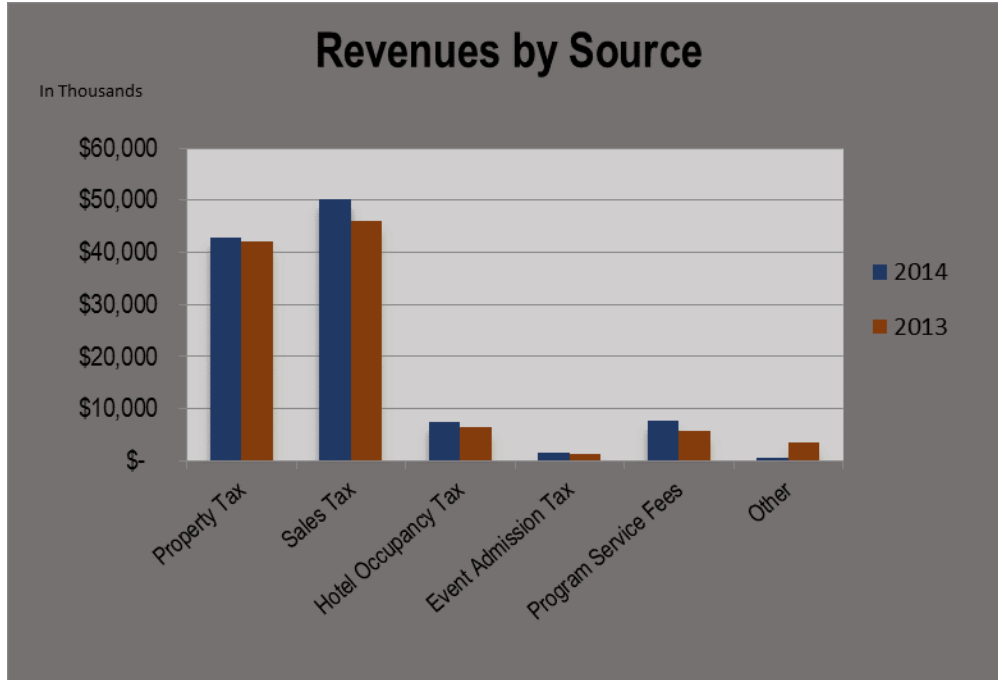
Governmental activities increased the Township's net position by \$25.2 million during the current fiscal year. Key elements of this increase are as follows:

Long-term liabilities outstanding were decreased by \$18.0 million due to:

- Long-term debt was decreased primarily as a result of the early retirement of the Series 2009 Sales Tax and Hotel Occupancy Tax Revenue Bonds.

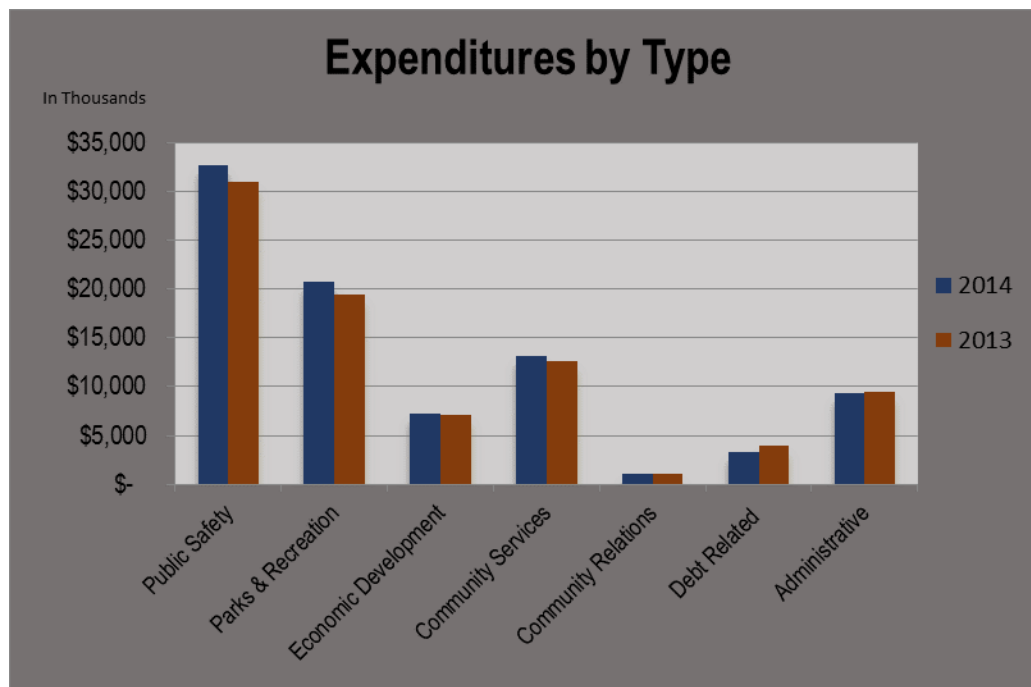
Revenue in 2014 increased by \$7.2 million due to:

- Sales and use tax revenue increased 8.7% 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 growth in use tax. According to the North American Industry Classification System (NAICS) and provided by the Texas State Comptroller, other industries in the Township that experienced increases were wholesale trade, real estate and rental leasing, professional services, transportation, and warehousing and construction.
- Property tax collections increased 1.5% 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 \$.3173 per \$100 of value in 2013 to \$.2940 per \$100 of value in 2014.
- Hotel occupancy tax revenue increased 13.0% due to an increase in tourism, record high occupancy, the opening of the 146 room Hyatt Place hotel and maximizing room rates.



Expenses in 2014 increased by \$2.6 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 Market Street Public Enhancement and Mall Expansion Public Enhancement 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.
- An increase in capital expenditures for park and pathway improvements.



## 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 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, 2014, the Township's governmental funds reported a combined ending fund balance of \$85.7 million, an increase of nearly \$3.0 million or 3.5% from the prior year.



	<u>2014</u>	<u>2013</u>	<u>INCREASE (DECREASE)</u>
Fund balances:			
General Fund	\$ 34,405,000	\$ 31,007,000	\$ 3,398,000
Capital Projects Fund	47,602,000	38,415,000	9,187,000
Debt Service Fund	9,928,000	19,680,000	(9,752,000)
Special Revenue Fund	<u>(6,206,000)</u>	<u>(6,333,000)</u>	<u>127,000</u>
Total fund balances	<u>\$ 85,729,000</u>	<u>\$ 82,769,000</u>	<u>\$ 2,960,000</u>

Approximately \$11.9 million of the \$85.7 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 \$14.5 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 or committed to indicate that funds are not available for new spending because they have already been committed to the following:

- Committed 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 (\$6.2 million).
- Committed for prepayment of expenses related to fiscal 2014 (\$1.8 million).
- Committed for authorized capital projects (\$12.3 million) and capital reserves (\$29.7 million).
- Committed for economic development reserve (\$5.6 million).
- Committed to pay debt service (\$9.9 million).

**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, 2014, the General Fund had an unassigned fund balance of \$11.9 million and a total fund balance of \$34.4 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 16.4% of total General Fund expenditures, while total fund balance represents 47.4%. 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 increased \$3.4 million or 11% during the current fiscal year. The key factor for this increase is related to an increase of \$1.8 million assigned for future transportation initiatives and increased sales and use and hotel occupancy tax revenue.

**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 \$9.2 million during the current fiscal year. The increase is related to 2013 funded capital projects not completed and re-scheduled for 2014, plus an increase in capital reserve contributions for capital contingencies generated by favorable variances at year end in the General Fund.

At December 31, 2014, the Capital Projects Fund had an ending balance of \$47.6 million. Pursuant to Board policy, \$35.3 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 \$12.3 million will be used for bond-funded capital projects related to 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, in this order, to the capital replacement fund, the bond redemption reserve fund, the economic development reserve and the capital contingency fund. Allocated amounts are determined by the Board during the annual budget process.

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 balance decrease of \$9.8 million is related to retirement of the Series 2009 Sales Tax and Hotel Occupancy Tax Revenue Bonds in fiscal year 2014.

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 2014, the Special Revenue Fund recorded \$25.1 million in sales tax revenues. Of this amount, \$2.7 million was paid to the authorized Zone projects for the purpose of paying down debt service, and \$22.4 million was transferred to the General Fund to pay for Fire Department operations. The year-end deficit balance of \$6.2 million in this fund largely is due to a \$4.1 million liability related to the Market Street/Town Green Park project and a \$2.1 million liability related to the Mall Expansion/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.

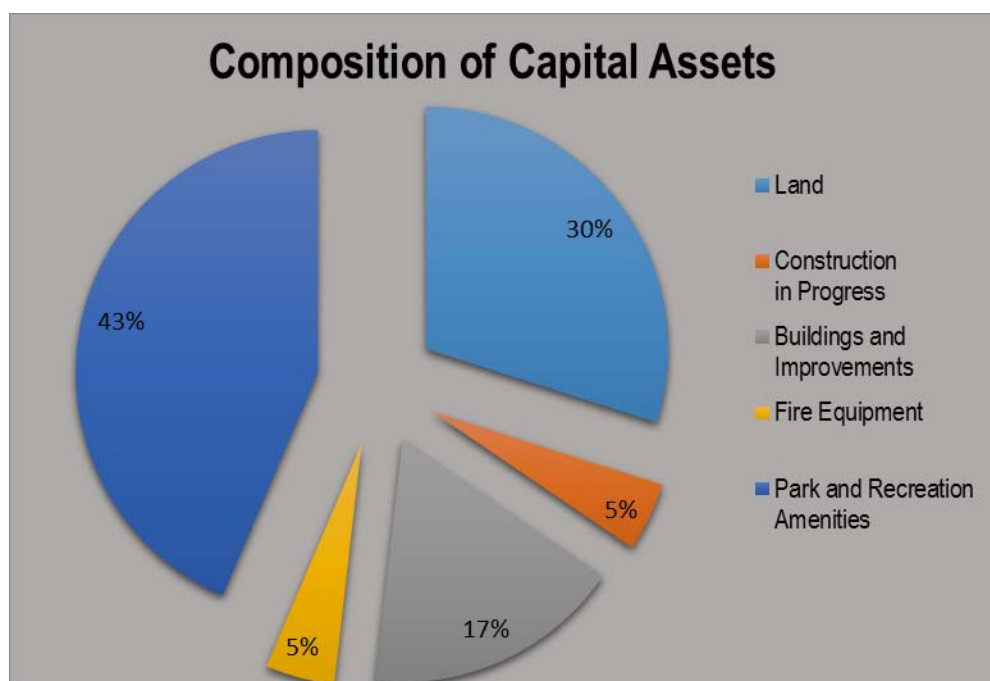
### **General Fund Budgetary Highlights**

The actual revenues for the year ended December 31, 2014, totaled \$75.9 million, which were \$2.7 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 \$72.5 million, an amount of \$12.8 million lower than the final budget. The primary reasons for the favorable variance are a savings in contracted services mainly related to the delay in transportation services being provided by the Township, budgeted transportation initiatives not completed in 2014, 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, 2014 amounted to \$182.9 million (net of accumulated depreciation). This amount represents a net increase (including additions and deductions) of \$2.3 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, 2014 included:

- Renovation of Fire Station #2 and the purchase of a new fire engine.
- New development of parks and pathways primarily at Waterway Square and Hughes Landing.
- Renovation of Shadowbend Park.

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

### Long-Term Debt

At December 31, 2014, the Township had total debt outstanding of \$87.7 million; a decrease of \$19.6 million from the prior year's ending debt balance.

	<u>2014</u>	<u>2013</u>
Debt instruments:		
Series 2009 Revenue Bonds		\$ 15,015,000
Series 2010 Unlimited Tax Bonds	\$ 29,885,000	31,270,000
Series 2010 Sales Tax and Hotel Occupancy Tax Refunding Bonds	34,650,000	36,625,000
Series 2010 Sales Tax and Hotel Occupancy Tax Bonds	10,180,000	10,865,000
Series 2011 Unlimited Tax Bonds	9,135,000	9,520,000
Series 2012 Unlimited Tax Bonds	<u>3,835,000</u>	<u>4,030,000</u>
Total debt instruments	<u>\$ 87,685,000</u>	<u>\$ 107,325,000</u>

Current ratings\* on debt issues are as follows:

<u>GENERAL OBLIGATION 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>	
	<u>MOODY'S</u>	<u>S&amp;P</u>	<u>MOODY'S</u>	<u>S&amp;P</u>
2010 Refunding	A1	A+	FSA-A2	FSA-AA
2010	A1	A+	FSA-A2	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 15 (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 2015 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 2015 equal \$121 million, which is a 9.7% increase from 2014's actual revenue of \$110.3 million. The increase is primarily the result of an increase in transportation revenue relating to grant funding for the park and ride, bus fares, and anticipated higher revenue from sales and use tax, and hotel occupancy tax.

Property tax revenue is based on a property tax rate of \$0.2500 applied to the taxable property value base of \$16.3 billion, an increase of \$1.8 billion from last year's tax base of \$14.5 billion. Total property tax revenue is projected to be \$40.5 million, a decrease of \$2.3 million or 5.6% from the 2014 total of \$42.8 million. Although the tax base increased, the reduction of the overall tax rate from .2940 per \$100 of valuation to .2500 per \$100 of valuation resulted in an overall decrease in property tax revenue. Revenue from property tax comprises 34% of total 2015 budgeted revenue.

Sales and use tax revenue for 2015 is projected to be \$51.4 million, which is a 2% increase over the \$50.1 million collected for 2014. Revenue from a nine percent hotel occupancy tax is anticipated to generate \$7.2 million, which is a 2.7% decrease from the 2014 total of \$7.4 million. Revenue from sales and use tax comprises 41% of total 2015 revenue.

The 2015 budget includes \$118.8 million in expenditures, representing a 10.7% increase over the 2014 expenditures total of \$107.3 million.

The Township is currently responsible for transit planning and the operation of The Woodlands Express Park & Ride and other modes of transportation. To provide these services, an additional \$4 million for operating expenditures, \$2.8 million for capital expenditures relating to the purchase of commuter buses and \$5 million for the construction of a transit center is included in the 2015 transportation budget. The budget projects a large percentage of these expenditures to be offset by bus fares and grant revenue. This change is due to the 2010 U. S. Census, which resulted in the creation of the Conroe-Woodlands Large Urbanized Area.

As a result of growth in The Woodlands community, the 2015 budget also provides for an increase in parks and recreation operating expenditures, contracted services for streetscape, utilities and maintenance, and additional police protection for Town Center, Hughes Landing, and the village of Creekside Park.

The 2015 budget also provides for increases in expenditures offset by corresponding increases in revenue.

- Cynthia Woods Mitchell Pavilion (offset by events admission tax)
- Regional Participation Agreement payments (offset by sales tax revenue), and
- Costco Agreement (offset by sales tax revenue)

Debt service requirements for 2015 are projected at \$7.9 million.

## **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, 2014

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### ASSETS

Cash and cash equivalents	\$ 101,929,879
Receivables, net	31,347,616
Prepaid expenses	575,380
Capital lease receivable	1,872,701
Capital assets not being depreciated	63,182,311
Capital assets, net of depreciation	<u>119,712,813</u>
Total assets	<u>318,620,700</u>

### DEFERRED OUTFLOWS OF RESOURCES

Capitalized charge on refunding	<u>517,227</u>
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### LIABILITIES

Accounts payable and accrued liabilities	7,108,060
Accrued interest payable	1,066,878
Unearned property tax revenue	21,695,171
Long-term liabilities:	
Due within one year:	
Bonds payable	4,903,883
Unearned revenue related to operating lease	177,500
Compensated absences	836,716
Due in more than one year:	
Bonds payable	84,229,068
Unearned revenue related to operating lease	1,331,250
Net other postemployment benefit liability	<u>153,515</u>
Total liabilities	<u>121,502,041</u>

### DEFERRED INFLOWS OF RESOURCES

Deferred property tax revenue	<u>19,320,290</u>
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### NET POSITION

Invested in capital assets, net of related debt	97,405,129
Restricted for future capital projects	2,195,005
Restricted for debt retirement	9,927,839
Restricted for healthcare obligations	800,000
Restricted for cultural events and education	389,121
Unrestricted	<u>67,598,502</u>
Total net position	<u>\$ 178,315,596</u>

*See accompanying notes to financial statements.*

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## The Woodlands Township

Statement of Activities for the year ended December 31, 2014

		PROGRAM REVENUE			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
<u>Functions/Programs</u>					
Primary government:					
General and administrative	\$ 9,380,163	\$ 302,683	\$ 17,103	\$ 3,454,947	\$ (5,605,430)
Public safety	32,619,196	1,203,294	4,500		(31,411,402)
Parks and recreation	20,762,371	3,525,099	102,155		(17,135,117)
Economic development	7,263,439	607,022	344,775		(6,311,642)
Community services	13,075,813	159,210	181,153		(12,735,450)
Community relations	1,014,817	16,727	12,900		(985,190)
Interest expense	<u>3,279,425</u>				<u>(3,279,425)</u>
Total primary government	<u>\$ 87,395,224</u>	<u>\$ 5,814,035</u>	<u>\$ 662,586</u>	<u>\$ 3,454,947</u>	<u>(77,463,656)</u>
General revenue:					
Taxes:					
Property					42,830,246
Sales					50,116,690
Hotel occupancy					7,366,412
Event admissions					1,677,866
Investment earnings					161,115
Other income					<u>548,513</u>
Total general revenue					<u>102,700,842</u>
Change in net position					25,237,186
Net position, beginning of year					<u>153,078,410</u>
Net position, end of year					<u>\$ 178,315,596</u>

*See accompanying notes to financial statements.*

## The Woodlands Township

Balance Sheet – Governmental Funds as of December 31, 2014

	<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	\$ 68,276,890	\$ 27,037,631	\$ 6,615,331	\$ 27	\$ 101,929,879
Receivables, net	23,813,586		2,097,453	5,436,577	31,347,616
Due from other funds	5,099,806	20,564,650	4,890,236		30,554,692
Prepaid expenditures	575,380				575,380
Long-term receivables from other funds	<u>6,205,830</u>				<u>6,205,830</u>
<b>TOTAL ASSETS</b>	<u>\$ 103,971,492</u>	<u>\$ 47,602,281</u>	<u>\$ 13,603,020</u>	<u>\$ 5,436,604</u>	<u>\$ 170,613,397</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 6,535,681			\$ 572,379	\$ 7,108,060
Due to other funds	25,454,886		\$ 235,608	4,864,198	30,554,692
Unearned property tax revenue	19,872,777		1,822,394		21,695,171
Long-term payable to other funds				<u>6,205,830</u>	<u>6,205,830</u>
Total liabilities	<u>51,863,344</u>		<u>2,058,002</u>	<u>11,642,407</u>	<u>65,563,753</u>
Deferred inflows of resources:					
Unavailable property tax revenue	<u>17,703,111</u>		<u>1,617,179</u>		<u>19,320,290</u>
Fund balances:					
Nonspendable:					
Prepaid expenditures	575,380				575,380
Long-term receivables	6,205,830				6,205,830
Restricted for:					
Capital projects		\$ 2,195,005			2,195,005
Healthcare obligation	800,000				800,000
Committed for:					
Capital reserves		29,691,658			29,691,658
Capital projects		10,091,919			10,091,919
Debt service			9,927,839		9,927,839
Economic development reserve		5,623,699			5,623,699
Cultural events and education	389,121				389,121
Assigned for:					
Operating reserve	14,500,715				14,500,715
Unassigned	<u>11,933,991</u>			<u>(6,205,803)</u>	<u>5,728,188</u>
Total fund balances	<u>34,405,037</u>	<u>47,602,281</u>	<u>9,927,839</u>	<u>(6,205,803)</u>	<u>85,729,354</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 103,971,492</u>	<u>\$ 47,602,281</u>	<u>\$ 13,603,020</u>	<u>\$ 5,436,604</u>	<u>\$ 170,613,397</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, 2014

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Total fund balances, governmental funds	\$ 85,729,354
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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.	182,895,124
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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	(1,508,750)

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	1,872,701
Capitalized charge on refunding	517,227

Certain 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	(89,132,951)
Accrued interest payable	(1,066,878)
Compensated absences	(836,716)

Net other postemployment benefit liability	<u>(153,515)</u>
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Net position of governmental activities in the statement of net position	<u>\$ 178,315,596</u>
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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, 2014

	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
REVENUE:					
Property taxes	\$ 39,379,502		\$ 3,450,744		\$ 42,830,246
Sales taxes	24,981,829			\$ 25,134,861	50,116,690
Hotel occupancy taxes	1,636,981		5,729,431		7,366,412
Event admissions taxes	1,677,866				1,677,866
Investment earnings	47,578	\$ 8,899	5,333	386	62,196
Investment earnings from other funds	422,651				422,651
Program service fees and grants	7,804,329				7,804,329
Total revenue	75,950,736	8,899	9,185,508	25,135,247	110,280,390
EXPENDITURES:					
General and administrative	8,950,587				8,950,587
Public safety	30,593,589				30,593,589
Parks and recreation	13,917,069				13,917,069
Economic development	4,968,649			2,136,514	7,105,163
Community services	13,075,813				13,075,813
Community relations	997,870				997,870
Capital outlay		8,986,870			8,986,870
Interest expense to other funds				422,651	422,651
Debt service:					
Principal			19,640,000		19,640,000
Interest			3,630,559		3,630,559
Total expenditures	72,503,577	8,986,870	23,270,559	2,559,165	107,320,171
Excess (deficiency) of revenue over (under) expenditures	3,447,159	(8,977,971)	(14,085,051)	22,576,082	2,960,219
OTHER FINANCING SOURCES (USES):					
Transfers in	23,196,429	18,165,239	5,080,617		46,442,285
Transfers out	(23,245,856)		(747,687)	(22,448,742)	(46,442,285)
Total other financing sources (uses)	(49,427)	18,165,239	4,332,930	(22,448,742)	0
CHANGES IN FUND BALANCES	3,397,732	9,187,268	(9,752,121)	127,340	2,960,219
Fund balances, beginning of year	31,007,305	38,415,016	19,679,959	(6,333,145)	82,769,135
Fund balances, end of year	\$ 34,405,037	\$ 47,602,284	\$ 9,927,838	\$ (6,205,805)	\$ 85,729,354

*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, 2014

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Changes in fund balances	\$ 2,960,219
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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	8,986,870
Depreciation expense	(9,665,785)
Loss on disposal of assets	(12,257)

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	2,963,250
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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	(255,175)
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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	19,640,000
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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	282,038
Amortization of discount on refunding	(39,787)
Amortization of financing premiums	108,883
Net other postemployment benefit liability	(23,958)
Compensated absences	115,388

Change in net position of governmental activities	<u>\$ 25,237,186</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, 2014

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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, 2014, the CVB's eight-member Board was composed of three Township Directors, the President of the Township, the President of the CVB and three community business leaders. The President of the CVB is Director of Public Relations for the Township. 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 are 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 the 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 statement of activities.

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 that 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 changes in fund balances 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 adoption of policies 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 annually evaluates a reserve policy that defines amounts that are to be set aside for general operating purposes.
- *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 categories 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 – ACCOUNTABILITY AND COMPLIANCE**

### **New Accounting Standards**

During fiscal year 2014, the Township adopted the following GASB Statements; the adoption of these statements had no impact on the financial statements of the entity:

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.

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 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 account for and report for pensions. 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. 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. The provisions of this statement are required to be applied simultaneously with the provisions of Statement No. 68.

Statement No. 72, *Fair Value Measurement and Application*, is effective for the Township in fiscal 2016. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

## 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 \$6.2 million as of December 31, 2014. In accordance with the project and financing plans adopted by the Board of the Zone, this deficit relates specifically to the cost of construction for Town Green Park and Waterway Square. The Township financed the construction of the projects and will receive repayments from future incremental sales tax revenue collections generated by the Zone. The capital outlay expenditures and related interfund liability to the General Fund are recorded in the Special Revenue Fund. The combined project plans for these two projects allow for the repayment of up to \$8.6 million in approved project costs.

## NOTE 3 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Township's cash and cash equivalents and investments at December 31, 2014 consist of the following:

Cash on hand	\$ 3,406
Demand deposits	11,109,160
Certificates of deposit	7,939,139
Investments:	
TexPool	76,045,396
TexSTAR	<u>6,832,778</u>
Total cash and cash equivalents and investments	<u>\$ 101,929,879</u>

The carrying value of demand deposits of the primary government at December 31, 2014 was \$11,109,160 and the related bank balances were \$13,756,271.

## 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, 2014, 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	\$ 50,971,917	<90 days	AAAm
TexSTAR	General	3,271,130	<90 days	AAAm
TexSTAR**	General	801,687	<90 days	AAAm
TexPool	Debt Service	230,868	<90 days	AAAm
TexSTAR	Debt Service	564,940	<90 days	AAAm
TexPool	Capital Projects	24,842,612	<90 days	AAAm
TexSTAR	Capital Projects	<u>2,195,020</u>	<90 days	AAAm
Total investments		<u>\$ 82,878,174</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 one year. Additional authorization is required for periods exceeding one year; 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. The Township's Investment Policy further restricts the value of such collateral to no less than 110% of the principal amount of the uninsured deposit.

At December 31, 2014, the following deposits including accrued interest as of December 31, 2014, were properly collateralized or insured in accordance with state requirements and the Township's policies:

<u>BANK</u>	<u>TYPE</u>	<u>FUND</u>	<u>FAIR VALUE</u>	<u>MATURITY</u>
Cadence Bank	Certificate of Deposit	General	\$3,192,071	27 days
Cadence Bank	Certificate of Deposit	Debt Service	\$749,106	39 days
BBVA Compass	Certificate of Deposit	General	\$2,302,282	14 days
BBVA Compass	Certificate of Deposit	Debt Service	\$1,695,680	14 days

#### NOTE 4 – RECEIVABLES AND DEFERRED REVENUE

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

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL</u>
Property tax	\$ 18,426,934		\$ 1,627,902		\$ 20,054,836
Sales tax	5,149,965			\$ 5,436,577	10,586,542
Hotel occupancy tax			484,069		484,069
Events admission tax	138,007				138,007
Other receivables	<u>276,722</u>		<u>1,761</u>		<u>278,483</u>
Total receivables	23,991,628		2,113,732	5,436,577	31,541,937
Less: allowance for uncollectible accounts	<u>(178,042)</u>		<u>(16,279)</u>		<u>(194,321)</u>
Receivables, net	<u>\$ 23,813,586</u>	<u>\$ 0</u>	<u>\$ 2,097,453</u>	<u>\$ 5,436,577</u>	<u>\$ 31,347,616</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 \$19,320,290 and unearned property tax revenue of \$21,695,171.

#### NOTE 5 – PROPERTY TAX

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

#### NOTE 6 – SALES TAX

On November 2, 1993, the voters of the Township authorized the Board to levy and collect one percent sales tax within the Township, subject to the applicable provisions of the Texas Tax Code. 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 \$24,981,829 in the General Fund and \$25,134,861 in the Special Revenue Fund from the levy of sales tax for the fiscal year ended December 31, 2014.

## NOTE 7 – HOTEL OCCUPANCY TAX

The Township Act (as amended by Senate Bill 26) provides for the assessment of a hotel occupancy tax of up to 7% of the price paid for a hotel room and a supplemental tax at 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 8 – 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 9 – GRANT REVENUE

The Township was awarded a grant for transportation studies. The projects were substantially completed in 2014 and revenue of \$193,000 was recognized.

## NOTE 10 – CAPITAL ASSETS

The Township's investment in capital assets at December 31, 2014 consists of the following:

	BALANCE JANUARY 1, 2014	ADDITIONS	COMPLETIONS/ DISPOSALS	BALANCE DECEMBER 31, 2014
Depreciable capital assets:				
Parks and pathways	\$ 144,513,674	\$ 4,850,978	\$ (676,553)	\$ 148,688,099
Buildings and leasehold improvements	42,862,741	361,885	(888,698)	42,335,928
Equipment	<u>24,615,072</u>	<u>1,621,099</u>	<u>(3,474,847)</u>	<u>22,761,324</u>
Depreciable capital assets, at cost	<u>211,991,487</u>	<u>6,833,962</u>	<u>(5,040,098)</u>	<u>213,785,351</u>
Accumulated depreciation:				
Parks and pathways	63,126,808	6,620,758	(676,549)	69,071,017
Buildings and leasehold improvements	10,005,736	1,576,426	(887,165)	10,694,997
Equipment	<u>16,302,053</u>	<u>1,468,601</u>	<u>(3,464,130)</u>	<u>14,306,524</u>
Accumulated depreciation	<u>89,434,597</u>	<u>9,665,785</u>	<u>(5,027,844)</u>	<u>94,072,538</u>
Total depreciable capital assets, net	<u>122,556,890</u>	<u>(2,831,823)</u>	<u>(12,254)</u>	<u>119,712,813</u>
Nondepreciable capital assets:				
Land	52,537,803	2,120,329		54,658,132
Construction in progress	5,395,064	3,919,701	(923,872)	8,390,893
Sculpture and art	<u>133,286</u>	<u></u>	<u></u>	<u>133,286</u>
Total nondepreciable capital assets	<u>58,066,153</u>	<u>6,040,030</u>	<u>(923,872)</u>	<u>63,182,311</u>
Total capital assets, net	<u>\$ 180,623,043</u>	<u>\$ 3,208,207</u>	<u>\$ (936,126)</u>	<u>\$ 182,895,124</u>

For the year ended December 31, 2014, depreciation expense was charged to functions as follows:

General and administrative	\$ 619,663
Public safety	2,025,597
Parks and recreation	6,845,302
Economic development	158,276
Community relations	<u>16,947</u>
Total depreciation expense	<u>\$ 9,665,785</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, L. P. (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 11 – CAPITAL PROJECTS AND COMMITMENTS

As of December 31, 2014, 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	\$33,843,027	\$30,394,608	\$3,448,418
Fire station renovation	\$1,921,538	\$1,515,260	\$406,278

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 of the City's extra-territorial jurisdiction. In 2014, the Township remitted \$1,545,730 to the funds. This amount is included in the expenditures for economic development.

#### NOTE 12 – INTERFUND BALANCES AND TRANSFERS

Interfund receivables and payables as of December 31, 2014 are as follows:

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
General	Special Revenue	\$ 4,864,198
General	Debt Service	235,608
Capital Projects	General	20,564,650
Debt Service	General	<u>4,890,236</u>
Total interfund receivables and payables		<u>\$ 30,554,692</u>

\$4,864,198 due to the General Fund from the Special Revenue Fund is for sales tax revenue to be transferred. \$235,608 due to the General Fund from the Debt Service Fund is for hotel occupancy tax (HOT) revenue to be transferred. \$20,564,650 due to the Capital Projects Fund from the General Fund is for designated capital reserves \$(11,285,064) and for reimbursement of disbursements made from the General Fund for Capital Projects \$(9,279,586). \$4,890,236 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 financial statements.

Interfund transfers for the year ended December 31, 2014 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	\$ 22,448,742				\$ 22,448,742
General		\$ 18,165,239	\$ 5,080,617		23,245,856
Debt Service	<u>747,687</u>				<u>747,687</u>
Total	<u>\$ 23,196,429</u>	<u>\$ 18,165,239</u>	<u>\$ 5,080,617</u>	<u>\$ 0</u>	<u>\$ 46,442,285</u>
Transfers in	\$ 23,196,429	\$ 18,165,239	\$ 5,080,617		\$ 46,442,285
Transfers out	<u>(23,245,856)</u>		<u>(747,687)</u>	<u>\$ (22,448,742)</u>	<u>(46,442,285)</u>
Total	<u>\$ (49,427)</u>	<u>\$ 18,165,239</u>	<u>\$ 4,332,930</u>	<u>\$ (22,448,742)</u>	<u>\$ 0</u>

Transfers out for the year ended December 31, 2014 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	\$ 18,165,239		\$ 18,165,239
Sales tax pledged for debt service		<u>\$ 5,080,617</u>	<u>5,080,617</u>
Total transfer from General Fund	<u>\$ 18,165,239</u>	<u>\$ 5,080,617</u>	<u>\$ 23,245,856</u>

Transfers from the Special Revenue Fund to the General Fund of \$22.4 million represent sales tax collections in the expanded Zone which are designated for fire protection services.

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

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

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

As noted, future sales tax revenue collections for the Zone have been committed for specific projects to the extent of actual collections. All Zone activity for the year is included in the Special Revenue Fund. 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, 2014, aggregate net revenue payments including interest to the developer totaled \$8,254,628 and priority payments to the Township totaled \$1,800,000.

### **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 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, 2014, aggregate net revenue payments including interest to the developer totaled \$5,321,295 and priority payments to the Township totaled \$3,850,000.

### **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 2014 from the Zone and the expanded boundaries was \$22,448,742.

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

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

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

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

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

The Convention Center lease will generate \$8,600,000 in total remaining lease payments over the term of the lease. The future minimum lease payments are \$1,775,232 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>
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	1,398	98,602	100,000
2020-2024	8,180	491,820	500,000
2025-2029	10,579	489,421	500,000
2030-2034	13,683	486,317	500,000
2035-2039	17,696	482,304	500,000
2040-2044	22,887	477,113	500,000
2045-2049	29,601	470,399	500,000
2050-2054	38,283	461,717	500,000
2055-2059	49,513	450,487	500,000
2060-2064	64,037	435,963	500,000
2065-2069	82,821	417,179	500,000
2070-2074	107,116	392,884	500,000
2075-2079	138,537	361,463	500,000
2080-2084	179,174	320,826	500,000
2085-2089	231,732	268,268	500,000
2090-2094	299,707	200,293	500,000
2095-2099	387,622	112,378	500,000
2100-2101	<u>185,209</u>	<u>14,791</u>	<u>200,000</u>
Total	<u>\$ 1,872,701</u>	<u>\$ 6,827,299</u>	<u>\$ 8,700,000</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, 2014, the principal amount of the Township's remaining debt on bonds issued to construct the leased facilities was \$34,650,000.

### ***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	\$859,685	\$2,241,129

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 15 – LONG-TERM DEBT

The following is a summary of the Township's long-term debt for the year ended December 31, 2014:

	BALANCE DECEMBER 31, 2013	INCREASES	DECREASES	BALANCE DECEMBER 31, 2014	PAYABLE WITHIN ONE YEAR
Revenue bonds	\$ 62,505,000		\$ (17,675,000)	\$ 44,830,000	\$ 2,785,000
General obligation bonds	44,820,000		(1,965,000)	42,855,000	2,010,000
Compensated absences	952,104	\$ 929,448	(1,044,836)	836,716	836,716
Unearned financing premium	<u>1,556,834</u>		<u>(108,883)</u>	<u>1,447,951</u>	<u>108,883</u>
Total	<u>\$ 109,833,938</u>	<u>\$ 929,448</u>	<u>\$ (20,793,719)</u>	<u>\$ 89,969,667</u>	<u>\$ 5,740,599</u>

The following table displays the total principal debt outstanding by issuance as of December 31, 2014:

DESCRIPTION	ISSUANCE DATE	INTEREST RATES	FINAL MATURITY DATE	OUTSTANDING PRINCIPAL AMOUNT
Series 2010 Unlimited Tax Bonds	April 22, 2010	3%-4.125%	March 1, 2030	\$29,885,000
Series 2010 Sales Tax and Hotel Occupancy Tax Refunding Bonds	October 1, 2010	2.5%-5%	March 1, 2027	\$34,650,000
Series 2010 Sales Tax and Hotel Occupancy Tax Bonds	December 1, 2010	3.5%-5.0%	March 1, 2026	\$10,180,000
Series 2011 Unlimited Tax Bonds	November 17, 2011	1.5%-3.45%	March 1, 2032	\$9,135,000
Series 2012 Unlimited Tax Bonds	February 1, 2012	1%-3%	March 1, 2032	\$3,835,000

Annual debt service requirements to maturity are as follows:

	PRINCIPAL	INTEREST	TOTAL
2015	\$ 4,805,000	\$ 3,106,654	\$ 7,911,654
2016	4,980,000	2,919,092	7,899,092
2017	5,165,000	2,738,798	7,903,798
2018	5,320,000	2,580,123	7,900,123
2019	5,480,000	2,411,455	7,891,455
2020-2024	30,580,000	8,860,912	39,440,912
2025-2029	26,495,000	3,016,887	29,511,887
2030-2032	<u>4,860,000</u>	<u>168,883</u>	<u>5,028,883</u>
Total	<u>\$ 87,685,000</u>	<u>\$ 25,802,804</u>	<u>\$ 113,487,804</u>

At December 31, 2014, the Township had \$1,035,000 of authorized but unissued unlimited tax bonds.

## NOTE 16 – SIGNIFICANT PROVISIONS OF THE TOWNSHIP ACT

The Township's enabling legislation (the Act) is amended from time to time. Certain provisions of the Township Act, in effect as of December 31, 2014, 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 benefitted 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) 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 17 – POSTEMPLOYMENT BENEFITS**

All Township employees participate in Social Security. The Township contributes 6.2% of eligible wages paid. In 2014, the Township paid \$1,659,446 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 \$1,946,663 to the Section 457 plan in 2014.

### 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 2014, provided an employee made salary deferral contributions of 7% of their salary. For the year ended December 31, 2014, the Township's contributions to this plan totaled \$2,570,883. 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, 2014 and the ARC is as follows.

Normal cost	\$	35,000
Interest on normal cost		2,000
Amortization of unfunded liability		28,000
Interest on amortization		<u>1,000</u>
Total ARC	\$	<u>66,000</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, 2014 is as follows:

ARC	\$ 66,000
Interest on normal net OPEB obligation	6,000
Adjustment to ARC	(5,000)
Less: contributions made	<u>(43,042)</u>
Estimated increase in net OPEB obligation	23,958
Net OPEB obligation, January 1, 2014	<u>129,557</u>
Net OPEB obligation, December 31, 2014	<u>\$ 153,515</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>
2012	\$75,000	86.5%	\$104,145
2013	\$81,000	68.7%	\$129,557
2014	\$67,000	64.27%	\$153,515

*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	\$22,736,810	\$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 18 – 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, 2012	\$ 186,674
Claims incurred	3,140,967
Claims paid	(2,883,977)
Third-party reimbursement of claims made in excess of \$80,000	<u>(274,860)</u>
Balance at December 31, 2013	168,804
Claims incurred	3,147,538
Claims paid	(3,023,199)
Third-party reimbursement of claims made in excess of \$85,000	<u>(12,455)</u>
Balance at December 31, 2014	<u>\$ 280,688</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, 2014**

*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 Ten Fiscal Years**  
(accrual basis of accounting)

**Exhibit S-1**

	<b>Fiscal Year</b>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 97,405,129	\$ 89,038,043	\$ 85,987,494	\$ 65,271,080	\$ 73,219,481
Restricted for capital projects	2,195,005	4,530,939	5,661,945	17,167,406	15,085,853
Restricted for debt retirement	9,927,839	19,679,961	7,074,176	3,197,965	3,038,105
Restricted for health care obligations	800,000	800,000	800,000	800,000	800,011
Restricted for cultural events/education	389,121	303,240	174,074	72,144	-
Unrestricted	67,598,502	38,726,227	35,115,127	34,037,438	21,088,129
Total governmental activities net position	<u>\$ 178,315,596</u>	<u>\$ 153,078,410</u>	<u>\$ 134,812,816</u>	<u>\$ 120,546,033</u>	<u>\$ 113,231,579</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total business-type activities net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 97,405,129	\$ 89,038,043	\$ 85,987,494	\$ 65,271,080	\$ 73,219,481
Restricted for capital projects	2,195,005	4,530,939	5,661,945	17,167,406	15,085,853
Restricted for debt service	9,927,839	19,679,961	7,074,176	3,197,965	3,038,105
Restricted for health care obligations	800,000	800,000	800,000	800,000	800,011
Restricted for cultural events/education	389,121	303,240	174,074	72,144	-
Unrestricted	67,598,502	38,726,227	35,115,127	34,037,438	21,088,129
Total primary government net position	<u>\$ 178,315,596</u>	<u>\$ 153,078,410</u>	<u>\$ 134,812,816</u>	<u>\$ 120,546,033</u>	<u>\$ 113,231,579</u>

**Note:**

- The significant increases in 2010 are due to the merger of the Township and the Community Associations.

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

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

	<b>Fiscal Year</b>				
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 67,770,992	\$ 65,571,217	\$ 10,977,452	\$ 6,675,173	\$ 2,154,135
Restricted for capital projects	-	-	-	-	-
Restricted for debt retirement	3,933,967	4,800,759	4,623,629	4,437,813	1,163,663
Restricted for health care obligations	-	-	-	-	-
Restricted for cultural events/education	-	-	-	-	-
Unrestricted	(18,745,899)	(17,147,464)	(25,248,944)	(26,445,286)	(26,445,901)
Total governmental activities net position	<u>\$ 52,959,060</u>	<u>\$ 53,224,512</u>	<u>\$ (9,647,863)</u>	<u>\$ (15,332,300)</u>	<u>\$ (23,128,103)</u>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 2,518,604	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	316,592	-	-	-	-
Total business-type activities net position	<u>\$ 2,835,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 70,289,596	\$ 65,571,217	\$ 10,977,452	\$ 6,675,173	\$ 2,154,135
Restricted for capital projects	-	-	-	-	-
Restricted for debt service	3,933,967	4,800,759	4,623,629	4,437,813	1,163,663
Restricted for health care obligations	-	-	-	-	-
Restricted for cultural events/education	-	-	-	-	-
Unrestricted	(18,429,307)	(17,147,464)	(25,248,944)	(26,445,286)	(26,445,901)
Total primary government net position	<u>\$ 55,794,256</u>	<u>\$ 53,224,512</u>	<u>\$ (9,647,863)</u>	<u>\$ (15,332,300)</u>	<u>\$ (23,128,103)</u>

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

**Exhibit S-2**

<b>Expenses</b>	<b>Fiscal Year</b>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Governmental activities:					
General and administrative	\$ 9,380,163	\$ 8,707,097	\$ 8,456,125	\$ 8,918,830	\$ 8,541,489
Public safety	32,619,196	31,811,856	29,747,881	28,154,907	25,246,482
Parks and recreation	20,762,371	19,421,173	20,761,581	18,312,703	17,760,347
Economic development	7,263,439	7,108,713	6,522,378	5,368,027	4,661,526
Community services	13,075,813	12,638,013	12,293,064	12,662,126	11,892,104
Community relations	1,014,817	1,108,653	1,045,859	1,272,425	1,055,094
Interest expense and other financing charges	3,279,425	4,010,066	4,084,005	4,333,201	4,030,513
Total governmental activities expenses	87,395,224	84,805,571	82,910,893	79,022,219	73,187,555
Total business-type activities expenses	-	-	-	-	-
Total primary government expenses	<u>\$ 87,395,224</u>	<u>\$ 84,805,571</u>	<u>\$ 82,910,893</u>	<u>\$ 79,022,219</u>	<u>\$ 73,187,555</u>
<b>Program revenues</b>					
Governmental activities:					
Charges for services:					
General and administrative	\$ 302,683	\$ 447,202	\$ 518,279	\$ 430,391	\$ -
Public safety	1,203,294	1,177,730	1,093,550	577,075	-
Parks and recreation	3,525,099	3,269,967	3,208,219	2,924,756	2,840,416
Economic development	607,022	671,525	855,054	755,078	-
Community services	159,210	113,303	129,997	112,386	636,864
Community relations	16,727	14,000	14,000	28,397	38,636
Operating grants and contributions	662,586	648,505	144,748	227,719	200,997
Capital grants and contributions	3,454,947	2,596,688	2,257,611	1,011,097	2,140,633
Total governmental activities program revenues	9,931,568	8,938,920	8,221,458	6,066,899	5,857,546
Total business-type activities program revenues	-	-	-	-	-
Total primary government program revenues	<u>\$ 9,931,568</u>	<u>\$ 8,938,920</u>	<u>\$ 8,221,458</u>	<u>\$ 6,066,899</u>	<u>\$ 5,857,546</u>
<b>Net (expense)/revenue</b>					
Governmental activities	\$ (77,463,656)	\$ (75,866,651)	\$ (74,689,435)	\$ (72,955,320)	\$ (67,330,009)
Business-type activities	-	-	-	-	-
Total primary government net expense	<u>\$ (77,463,656)</u>	<u>\$ (75,866,651)</u>	<u>\$ (74,689,435)</u>	<u>\$ (72,955,320)</u>	<u>\$ (67,330,009)</u>
<b>General revenues and other changes in net position</b>					
Governmental activities:					
Taxes:					
Property	\$ 42,830,246	\$ 42,201,573	\$ 41,205,807	\$ 39,657,768	\$ 38,091,288
Sales and use	50,116,690	46,102,554	40,213,060	35,021,092	31,307,932
Other	9,044,278	7,812,347	7,105,774	5,536,771	3,607,297
Unrestricted investment earnings	161,115	217,076	344,801	320,152	419,701
Other revenues	548,513	105,397	86,776	-	-
Total governmental activities	102,700,842	96,438,947	88,956,218	80,535,783	73,426,218
Gain (loss) on disposal of property	-	-	-	(266,009)	-
Total primary government	<u>\$ 102,700,842</u>	<u>\$ 96,438,947</u>	<u>\$ 88,956,218</u>	<u>\$ 80,269,774</u>	<u>\$ 73,426,218</u>
<b>Changes in net position</b>					
Governmental activities	\$ 25,237,186	\$ 20,572,296	\$ 14,266,783	\$ 7,314,454	\$ 6,096,209
Business-type activities	-	-	-	-	-
Due to transition agreement	-	-	-	-	71,479,090
Total primary government changes in net position	<u>\$ 25,237,186</u>	<u>\$ 20,572,296</u>	<u>\$ 14,266,783</u>	<u>\$ 7,314,454</u>	<u>\$ 77,575,299</u>

**Note:**

- The business-type activities in 2009 were entities that had previously been part of the Community 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 Ten Fiscal Years**  
(accrual basis of accounting)

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

<b>Expenses</b>	<b>Fiscal Year</b>				
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Governmental activities:					
General and administrative	\$ 2,936,574	\$ 994,155	\$ 3,724,658	\$ 2,860,142	\$ 2,693,038
Public safety	19,752,922	12,223,166	4,149,065	3,816,320	3,982,691
Parks and recreation	-	-	-	-	-
Economic development	5,952,351	315,601	684,582	350,586	506,998
Community services	3,033,631	1,414,033	736,789	266,677	197,178
Community relations	456,034	360,275	2,222,446	1,584,088	1,484,622
Interest expense and other financing charges	3,538,611	2,505,017	2,425,408	2,480,262	2,544,774
Total governmental activities expenses	35,670,123	17,812,248	13,942,948	11,358,075	11,409,300
Total business-type activities expenses	17,980,414	-	-	-	-
Total primary government expenses	\$ 53,650,537	\$ 17,812,248	\$ 13,942,948	\$ 11,358,075	\$ 11,409,300
<b>Program revenues</b>					
Governmental activities:					
Charges for services:					
General and administrative	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Economic development	-	-	-	-	-
Community services	200,548	191,612	109,654	-	-
Community relations	27,100	25,100	455,121	388,894	378,143
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	2,505,000	-
Total governmental activities program revenues	227,648	216,712	564,775	2,893,894	378,143
Total business-type activities program revenues	19,440,848	-	-	-	-
Total primary government program revenues	\$ 19,668,496	\$ 216,712	\$ 564,775	\$ 2,893,894	\$ 378,143
<b>Net (expense)/revenue</b>					
Governmental activities	\$ (35,442,475)	\$ (17,595,536)	\$ (13,378,173)	\$ (8,464,182)	\$ (11,031,157)
Business-type activities	1,460,434	-	-	-	-
Total primary government net expense	\$ (33,982,041)	\$ (17,595,536)	\$ (13,378,173)	\$ (8,464,182)	\$ (11,031,157)
<b>General revenues and other changes in net position</b>					
Governmental activities:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use	29,814,070	26,930,229	14,222,505	12,002,873	10,336,875
Other	3,330,819	4,132,397	3,758,367	3,273,005	2,568,060
Unrestricted investment earnings	1,053,350	830,534	1,070,997	973,171	661,421
Other revenues	29,831	12,712	10,743	10,935	60,137
Total governmental activities	34,228,070	31,905,872	19,062,612	16,259,984	13,626,493
Gain (loss) on disposal of property	-	-	-	-	300,000
Total primary government	\$ 34,228,070	\$ 31,905,872	\$ 19,062,612	\$ 16,259,984	\$ 13,926,493
<b>Changes in net position</b>					
Governmental activities	\$ (1,214,405)	\$ 14,310,336	\$ 5,684,439	\$ 7,795,803	\$ 2,895,336
Business-type activities	1,460,434	-	-	-	-
Due to transition agreement	-	-	-	-	-
Total primary government changes in net position	\$ 246,029		\$ 5,684,439	\$ 7,795,803	\$ 2,895,336

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

**Exhibit S-3**

	<b>Fiscal Year</b>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
General Fund					
Nonspendable	\$ 6,781,189	\$ 7,080,922	\$ 7,884,084	\$ 7,870,337	\$ -
Committed	1,189,121	1,103,240	974,074	872,144	-
Assigned	14,500,715	13,768,442	19,268,851	19,189,514	-
Unassigned	11,934,012	9,054,699	7,819,322	7,535,672	-
Unreserved, undesignated	-	-	-	-	22,774,184
Unreserved, designated	-	-	-	-	-
Reserved for long-term receivable	-	-	-	-	6,665,722
Reserved for prepaids	-	-	-	-	880,720
Total general fund	<u>34,405,037</u>	<u>31,007,303</u>	<u>35,946,331</u>	<u>35,467,667</u>	<u>30,320,626</u>
All other governmental funds					
Restricted	2,195,005	4,530,939	5,661,945	17,167,406	-
Committed	55,335,115	53,564,038	35,026,508	19,310,321	-
Unassigned	(6,205,803)	(6,333,145)	(6,451,895)	(6,562,558)	-
Reserved for debt service	-	-	-	-	6,458,933
Reserved for capital projects	-	-	-	-	26,483,201
Unreserved, designated reported in:					
Capital projects	-	-	-	-	-
Special revenue	-	-	-	-	-
Unreserved, undesignated reported in:					
Special revenue	-	-	-	-	(7,311,827)
Total all other governmental funds	<u>51,324,317</u>	<u>51,761,832</u>	<u>34,236,558</u>	<u>29,915,169</u>	<u>25,630,307</u>
Total all fund balances	<u>\$ 85,729,354</u>	<u>\$ 82,769,135</u>	<u>\$ 70,182,889</u>	<u>\$ 65,382,836</u>	<u>\$ 55,950,933</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)*

	<b>Fiscal Year</b>				
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
General Fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Unreserved, undesignated	21,968,883	17,767,082	12,835,980	10,040,421	9,024,029
Unreserved, designated	-	4,451,163	-	-	-
Reserved for long-term receivable	6,376,288	6,851,522	8,134,629	3,715,575	1,504,986
Reserved for prepaids	185,037	56,195	-	-	-
Total general fund	<u>28,530,208</u>	<u>29,125,961</u>	<u>20,970,609</u>	<u>13,755,996</u>	<u>10,529,015</u>
All other governmental funds					
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved for debt service	4,943,669	4,800,759	4,623,629	4,437,813	1,996,742
Reserved for capital projects	-	-	-	-	68,256
Unreserved, designated reported in:					
Capital projects	1,294,477	935,695	1,433,704	5,341,991	7,102,752
Special revenue	-	-	848,902	1,129,335	-
Unreserved, undesignated reported in:					
Special revenue	(7,290,051)	(6,851,522)	(6,634,493)	(3,565,945)	(627,429)
Total all other governmental funds	<u>(1,051,905)</u>	<u>(1,115,068)</u>	<u>271,742</u>	<u>7,343,194</u>	<u>8,540,321</u>
Total all fund balances	<u>\$ 27,478,303</u>	<u>\$ 28,010,893</u>	<u>\$ 21,242,351</u>	<u>\$ 21,099,190</u>	<u>\$ 19,069,336</u>



**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>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Revenues</b>					
Property tax	\$ 42,830,246	\$ 42,201,573	\$ 41,205,807	\$ 39,657,768	\$ 38,091,288
Sales tax	50,116,690	46,102,554	40,213,060	35,021,092	31,307,932
Hotel occupancy tax	7,366,412	6,520,692	6,086,477	4,807,693	3,607,297
Event admissions tax	1,677,866	1,291,655	1,019,297	729,078	-
Investment earnings	62,196	118,103	245,776	221,078	320,588
Intergovernmental revenue	422,651	431,284	439,334	213,319	200,997
Program service fees	7,804,329	6,536,764	7,134,504	4,918,158	3,438,408
Other revenues	-	-	-	-	-
Total revenues	<u>110,280,390</u>	<u>103,202,625</u>	<u>96,344,255</u>	<u>85,568,186</u>	<u>76,966,510</u>
<b>Expenditures</b>					
General and administrative	8,950,587	8,036,722	8,102,699	8,257,871	7,938,138
Public safety	30,593,589	29,163,979	28,214,207	26,604,702	23,610,653
Parks and recreation	13,917,069	13,234,866	14,833,317	12,705,645	12,014,668
Economic development	7,105,163	6,950,437	6,365,106	5,244,454	4,661,526
Community services	13,075,813	12,638,013	12,238,660	12,543,864	11,759,355
Community relations	997,870	1,087,448	1,022,199	1,245,903	988,242
Capital outlay	8,986,870	9,745,644	16,192,115	12,115,143	13,747,069
Debt service:					
Principal	19,640,000	5,190,000	4,520,000	3,545,000	21,872,403
Interest and fiscal charges	4,053,210	4,569,270	4,288,016	4,327,239	6,036,495
Bond refundings	-	-	-	-	40,530,000
Total expenditures	<u>107,320,171</u>	<u>90,616,379</u>	<u>95,776,319</u>	<u>86,589,821</u>	<u>143,158,549</u>
Excess of revenues over (under) expenditures	<u>2,960,219</u>	<u>12,586,246</u>	<u>567,936</u>	<u>(1,021,635)</u>	<u>(66,192,039)</u>
<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
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>4,232,117</u>	<u>10,453,538</u>	<u>89,693,830</u>
Change in fund balance due to transition agreement	-	-	-	-	4,970,839
Net change in fund balances	<u>\$ 2,960,219</u>	<u>\$ 12,586,246</u>	<u>\$ 4,800,053</u>	<u>\$ 9,431,903</u>	<u>\$ 28,472,630</u>
Debt service as a percentage of noncapital expenditures	31.7%	13.7%	12.4%	11.8%	45.8%

**Note:**

- The significant increases in 2010 are due to both the merger of the Township with the Community 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)*

	<b>Fiscal Year</b>				
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Revenues</b>					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Sales tax	29,814,070	26,930,229	14,222,505	12,002,873	10,336,875
Hotel occupancy tax	3,330,819	4,132,397	3,758,367	3,273,005	2,568,060
Event admissions tax	-	-	-	-	-
Investment earnings	1,053,350	1,319,192	1,476,516	1,197,060	614,609
Intergovernmental revenue	200,548	216,712	455,121	388,894	378,143
Program service fees	-	-	-	-	-
Other revenues	57,767	13,506	11,497	11,651	60,137
Total revenues	<u>34,456,554</u>	<u>32,612,036</u>	<u>19,924,006</u>	<u>16,873,483</u>	<u>13,957,824</u>
<b>Expenditures</b>					
General and administrative	4,512,725	2,603,190	2,227,315	1,673,320	1,550,497
Public safety	19,732,304	4,375,103	4,148,784	3,816,702	3,983,156
Parks and recreation	-	-	-	-	-
Economic development	5,952,351	788,370	684,582	350,586	506,998
Community services	1,635,935	1,413,445	628,084	266,611	196,333
Community relations	396,890	361,119	2,221,997	1,583,192	1,484,804
Capital outlay	243,384	58,860,185	5,730,929	5,689,332	2,513,673
Debt service:					
Principal	1,440,969	1,379,372	1,332,957	1,260,415	1,279,919
Interest and fiscal charges	3,408,542	2,876,668	2,849,216	2,723,343	2,565,149
Bond refundings	-	-	-	-	-
Total expenditures	<u>37,323,100</u>	<u>72,657,452</u>	<u>19,823,864</u>	<u>17,363,501</u>	<u>14,080,529</u>
Excess of revenues over (under) expenditures	<u>(2,866,546)</u>	<u>(40,045,416)</u>	<u>100,142</u>	<u>(490,018)</u>	<u>(122,705)</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	1,385,000	(16,440,000)	-	-	-
Total financing sources (uses)	<u>1,385,000</u>	<u>46,813,958</u>	<u>43,019</u>	<u>2,519,873</u>	<u>300,000</u>
Change in fund balance due to transition agreement	-	-	-	-	-
Net change in fund balances	<u>\$ (1,481,546)</u>	<u>\$ 6,768,542</u>	<u>\$ 143,161</u>	<u>\$ 2,029,855</u>	<u>\$ 177,295</u>
Debt service as a percentage of noncapital expenditures	15.0%	44.6%	42.2%	31.7%	49.8%

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

**Exhibit S-5**

<b>Fiscal Year</b>	<b>Sales Tax</b>	<b>Hotel Occupancy Tax</b>	<b>Property Tax</b>	<b>Event Admissions Tax</b>	<b>Total</b>
2014	\$ 50,116,690	\$ 7,366,412	\$ 42,830,246	\$ 1,677,816	\$ 101,991,164
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

**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 Five 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>
2014	\$11,740,400,635	\$2,060,542,921	\$1,003,923,137	\$853,111,365	\$1,328,900,420	\$14,329,077,638	0.0000
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

**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>2014</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>
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
Total Sales Tax	0.0825	0.0825	0.0825	0.0825	0.0825	0.0825	0.0825	0.0825	0.0825	0.0825
<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	0.0900	0.0800	0.0700	0.0700	0.0700	0.0700	0.0700	0.0700
The Woodlands Township EDZ	-	-	-	-	-	-	-	-	-	-
Total Occupancy Tax	0.1500	0.1500	0.1500	0.1400	0.1300	0.1300	0.1300	0.1300	0.1300	0.1300
<b>Property Tax <sup>3</sup></b>										
State of Texas	-	-	-	-	-	-	-	-	-	-
The Woodlands Township	0.2940	0.3173	0.3250	0.3274	0.3280	-	-	-	-	-
The Woodlands Township EDZ	-	-	-	-	-	-	-	-	-	-
Montgomery County	0.4838	0.4838	0.4838	0.4838	0.4838	0.4838	0.4888	0.4913	0.4963	0.4828
Harris County	0.4146	0.3912	0.3912	0.3881	0.3922	0.3892	0.3924	0.4024	0.3999	0.3999
Conroe Independent School District	1.2850	1.2900	1.2950	1.2950	1.2850	1.2700	1.2400	1.5900	1.7600	1.7325
Magnolia Independent School District	1.3995	1.3995	1.3995	1.3995	1.3800	1.4000	1.4200	1.6600	1.7900	1.6800
Lone Star College System	0.1160	0.1198	0.1210	0.1176	0.1101	0.1101	0.1144	0.1167	0.1207	0.1145
Tomball Independent School District	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.2750	1.5800	1.7100	1.7300
Harris County Department of Education	0.0064	0.0066	0.0066	0.0066	0.0061	0.0058	0.0059	0.0063	0.0063	0.0063
Montgomery County Hospital District	0.7270	0.0729	0.7450	0.0754	0.0755	0.0760	0.0777	0.0781	0.0850	0.0999
Harris County Hospital District	0.1700	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922	0.1902
Harris County Flood Control District	0.2827	0.0281	0.2809	0.2923	0.0292	0.0309	0.0311	0.0324	0.3322	0.3318
Port of Houston Authority	0.0172	0.0186	0.1856	0.0205	0.0164	0.0177	0.0144	0.0130	0.0147	0.0167
The Woodlands Metro Center MUD	0.1650	0.1750	0.1750	0.1900	0.1900	0.1900	0.2100	0.2300	0.2700	0.3000
Montgomery County MUD #2	0.1300	0.1500	0.1700	0.1900	0.2300	0.2300	0.2400	0.2700	0.3350	0.3750
Montgomery County MUD #6	0.7500	0.0800	0.8750	0.0950	0.1000	0.1100	0.1100	0.1100	0.2200	0.2500
Montgomery County MUD #7	0.1645	0.1675	0.1675	0.1750	0.1750	0.1750	0.2000	0.2000	0.3000	0.3400
Montgomery County MUD #36	0.0350	0.0350	0.0400	0.0550	0.1000	0.1100	0.1200	0.1200	0.3200	0.3600
Montgomery County MUD #39	0.4150	0.4200	0.4200	0.4300	0.4300	0.4400	0.4700	0.4800	0.5800	0.7000
Montgomery County MUD #40	0.1400	0.1500	0.1600	0.1700	0.1800	0.1900	0.2100	0.2100	0.2500	0.2800
Montgomery County MUD #46	0.2400	0.2550	0.2650	0.2750	0.2850	0.3100	0.3800	0.4200	0.5000	0.5800
Montgomery County MUD #47	0.2450	0.2450	0.2450	0.2500	0.2500	0.2600	0.2800	0.2800	0.3100	0.3600
Montgomery County MUD #60	0.2175	0.2275	0.2375	0.2400	0.2400	0.2650	0.2900	0.3000	0.3500	0.4200
Montgomery County MUD #67	0.3025	0.3125	0.3125	0.3200	0.3200	0.3200	0.3300	0.3400	0.4300	0.4500
Harris-Montgomery County MUD #386	0.7200	0.9400	0.9900	0.9900	1.1500	1.2500	1.2500	1.2500	-	-
Montgomery County WCID #1	0.8100	0.8100	0.8100	0.7750	0.7750	0.7750	0.7750	0.8200	0.8200	0.8200
The Woodlands Road Utility District #1	0.3600	0.4063	0.4266	0.4300	0.4491	0.4738	0.4800	0.4800	0.4817	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>2014</b>			<b>2011</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	\$ 181,693,710	1	1.44%	\$ -		-
Woodlands Land Development Company, LP	105,792,470	2	0.84%	140,821,706	1	1.17%
The Woodlands Mall Associates, LLC	85,379,906	3	0.68%	137,104,330	2	1.14%
IMI Market Street, LLC	81,268,300	4	0.64%	40,970,170	7	0.34%
CLPF Waterway Plaza, LLC	76,447,690	5	0.61%	35,000,000	10	0.29%
JD Warmack Woodlands Limited Partnership	64,261,860	6	0.51%	36,156,556	9	0.30%
24 Waterway, LLC	64,052,600	7	0.51%	-		-
MEPT Boardwalk Town Center, LLC	59,646,890	8	0.47%	-		-
BIT Holdings Forty-Six, Inc.	58,559,400	9	0.46%	-		-
Drill Bits - Baker Hughes	57,287,151	10	0.45%	-		-
Hughes Christensen Company	-		-	71,016,816	3	0.59%
Lex-Gen Woodlands, LP	-		-	57,890,098	4	0.48%
SSR WM Texas, LP	-		-	57,008,487	5	0.47%
CVS Distribution Center & Regional Offices	-		-	42,247,510	6	0.35%
Regency Centers, LP	-		-	37,761,470	8	0.31%
	<u>\$ 834,389,977</u>		<u>6.61%</u>	<u>\$ 655,977,143</u>		<u>5.47%</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 Five 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>
2014	2013	\$ 42,710,243	\$ 42,573,160	99.7%	\$ -	\$ 42,573,160	99.7%
2013	2012	42,151,140	42,012,384	99.7%	78,367	42,090,751	99.9%
2012	2011	41,145,045	40,984,794	99.6%	97,831	41,082,625	99.8%
2011	2010	39,535,097	39,409,114	99.7%	69,763	39,478,877	99.9%
2010	2009	38,136,495	38,034,113	99.7%	71,861	38,105,974	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

**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>
2014	\$ 2,498,182,894	\$ 24,981,829	5,616	\$ 4,448	\$ 118	\$ 4,515	\$ (59,258)	\$ 930,455	4%
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%

**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 Ten Fiscal Years  
(unaudited)**

**Exhibit S-11**

<b>Fiscal Year</b>	<b>Largest Taxpayer</b>			<b>Top 5 Taxpayers</b>			<b>Top 10 Taxpayers</b>		
	<b>Total</b>	<b>Percentage Retail</b>	<b>Percentage Non-Retail</b>	<b>Total</b>	<b>Percentage Retail</b>	<b>Percentage Non-Retail</b>	<b>Total</b>	<b>Percentage Retail</b>	<b>Percentage Non-Retail</b>
2014	3.67%	3.67%	n/a	14.58%	9.07%	5.52%	22.69%	14.13%	8.56%
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%

**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**

Industry	Fiscal Year					
	2014	2014 % Total	2013	2012	2011	2010
Retail Trade	\$ 10,748,302	42%	\$ 10,366,395	\$ 10,220,424	\$ 8,906,872	\$ 8,233,076
Accommodation and Food Services	3,013,928	12%	2,804,129	2,731,280	2,454,925	2,143,342
Manufacturing	1,835,758	7%	1,782,312	1,107,831	1,153,341	1,012,955
Information	1,751,365	7%	1,419,895	1,238,836	856,407	619,491
Wholesale Trade	1,845,561	7%	1,209,165	975,481	701,979	694,951
Mining	783,753	3%	857,637	821,596	645,002	553,934
Professional, Scientific, and Technical Services	1,052,367	4%	1,063,762	705,375	574,582	509,086
Real Estate, Rental, and Leasing	827,724	3%	1,259,235	673,056	417,565	249,565
Utilities	435,655	2%	377,436	341,410	378,090	326,290
Arts, Entertainment, and Recreation	442,572	2%	435,271	402,569	366,545	326,492
Admin, Support, Waste Management, Remediation	473,026	2%	448,310	383,828	350,221	285,837
Construction	629,794	2%	539,318	235,967	270,823	164,608
Other Taxable Activity	1,512,178	6%	993,299	619,772	713,681	459,802
Total	<u>\$ 25,351,984</u>	<u>100%</u>	<u>\$ 23,556,164</u>	<u>\$ 20,457,425</u>	<u>\$ 17,790,033</u>	<u>\$ 15,579,429</u>

**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)**

Industry	Fiscal Year						2005 % Total
	2009	2008	2007	2006	2005		
Retail Trade	\$ 8,222,453	\$ 8,028,945	\$ 6,931,744	\$ 6,754,443	\$ 5,993,859	66%	
Accommodation and Food Services	2,134,205	1,961,673	1,431,123	1,416,706	1,208,524	13%	
Manufacturing	578,298	778,453	917,032	450,902	246,194	3%	
Information	523,113	362,534	442,991	391,860	343,978	4%	
Wholesale Trade	573,707	684,970	273,056	313,908	208,080	2%	
Mining	469,051	599,175	443,265	464,343	400,338	4%	
Professional, Scientific, and Technical Services	488,761	348,083	208,727	115,418	111,606	1%	
Real Estate, Rental, and Leasing	423,817	397,270	485,279	150,846	105,291	1%	
Utilities	34,382	30,028	25,792	5,956	5,242	0%	
Arts, Entertainment, and Recreation	299,166	252,666	92,264	40,953	39,434	0%	
Admin, Support, Waste Management, Remediation	282,058	262,816	167,163	115,640	85,314	1%	
Construction	163,874	118,664	103,507	53,657	80,201	1%	
Other Taxable Activity	556,685	492,451	204,063	109,414	210,620	2%	
Total	\$ 14,749,570	\$ 14,317,728	\$ 11,726,006	\$ 10,384,045	\$ 9,038,682	100%	

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

**Exhibit S-13**

<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>Fiscal Year</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>			
2014	\$ 42,855,000	0.30%	\$ 391	\$ 44,830,000	\$ -	\$ -	\$ 87,685,000	0.70%	\$ 799
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

**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 Ten 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>
2014	\$ 44,830,000	\$ 4,668,742	\$ 40,161,258	\$ 1,330,940,457	3%
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%

**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, 2014**  
(unaudited)

**Exhibit S-15**

<b>Governmental Unit</b>	<b>Net Direct Debt<sup>1</sup></b>	<b>Estimated Percentage Applicable</b>	<b>Estimated Share of Overlap</b>
<b>Direct debt:</b>			
The Woodlands Township Unlimited Tax Bonds	\$ 42,855,000	100.00%	\$ 42,855,000
The Woodlands Township Revenue Bonds	44,830,000	100.00%	<u>44,830,000</u>
<b>Overlapping debt:</b>			
Conroe Independent School District	1,008,225,000	50.57%	509,859,383
Harris County <sup>2</sup>	1,835,587,859	0.38%	6,975,234
Harris County Department of Education	7,210,000	0.38%	27,398
Harris County Flood Control District	87,400,000	0.38%	332,120
Harris-Montgomery County MUD #386	142,085,000	100.00%	142,085,000
Lone Star College System	441,960,000	11.19%	49,455,324
Magnolia Independent School District	138,960,000	4.78%	6,642,288
Montgomery County	421,115,000	30.73%	129,408,640
Montgomery County MUD #7	3,800,000	100.00%	3,800,000
Montgomery County MUD #39	12,990,000	100.00%	12,990,000
Montgomery County MUD #46	96,470,000	100.00%	96,470,000
Montgomery County MUD #47	26,480,000	100.00%	26,480,000
Montgomery County MUD #60	16,915,000	100.00%	16,915,000
Montgomery County MUD #67	14,290,000	100.00%	14,290,000
Montgomery County WCID #1	13,800,000	1.00%	138,000
Port of Houston Authority	702,379,397	0.38%	2,669,042
The Woodlands Metro Center MUD	15,355,000	100.00%	15,355,000
The Woodlands Road Utility District #1	67,700,000	100.00%	67,700,000
Tomball Independent School District	366,490,000	10.77%	<u>39,470,973</u>
Total overlapping debt			<u>1,141,063,401</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 1,228,748,401</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 Ten 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>Sales Tax Revenue</b>	<b>Hotel Occupancy Tax Revenue<sup>1</sup></b>		<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
2014	\$ 12,490,914	\$ 5,729,431	\$ 18,220,345	\$ 2,660,000	\$ 1,822,663	\$ 4,482,663	4.06
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

**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>
2014	109,679	\$ 12,570,201	\$ 114,609	37	1,973	58,400	4.1%	54,808
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

**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>2014</b>			<b>2004</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	3,920	1	7%	1,900	2	5%
Conroe Independent School District	3,476	2	6%	2,100	1	6%
Aon Hewitt	1,800	3	3%	1,330	3	4%
Memorial Hermann, The Woodlands Hospital	1,800	4	3%	900	4	2%
St. Luke's, The Woodlands Hospital	1,369	5	2%	-	-	-
CB&I	911	6	2%	-	-	-
Huntsman Corporation	833	7	1%	-	-	-
Woodforest National Bank	782	8	1%	-	-	-
Lone Star College - Montgomery	774	9	1%	500	9	1%
Baker Hughes	700	10	1%	-	-	-
The Woodlands Resort & Conference Center	-	-	-	760	5	2%
Lexicon Pharmaceuticals, Inc.	-	-	-	650	6	2%
Chevron Phillips Chemical Company, LLC	-	-	-	600	7	2%
Hughes Christensen	-	-	-	550	8	1%
Sadler Clinic	-	-	-	450	10	1%
<b>Total</b>	<b>16,365</b>		<b>27%</b>	<b>9,290</b>		<b>26%</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**

	Full-time Equivalent Employees as of December 31									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General and administrative:	-	-	-	-	-	9.0	9.0	9.0	9.0	9.0
President's office	4.0	4.0	4.0	4.0	4.0					
Legislative and transportation	2.0	1.0	1.0	1.0	1.0					
Human resources	5.8	5.8	5.8	5.8	5.8					
Finance	14.0	14.0	15.0	15.0	16.0					
Information technology	11.0	11.0	9.0	9.0	8.0					
Records	7.0	7.0	8.0	8.0	8.0					
Parks and recreation:										
Park's administration	9.0	9.0	9.0	9.0	9.0					
Park's planning	10.0	10.0	10.0	10.0	10.0					
Park's operation	38.5	38.5	38.5	39.5	39.0					
Aquatics	70.0	70.0	67.0	67.0	67.0					
Recreation	15.7	15.5	18.0	18.0	18.0					
Town Center	13.8	13.5	8.0	-	-					
Operations and maintenance	-	-	-	-	-	3.0	3.0	3.0	2.0	2.0
Development and planning services:										
Community services	7.0	7.0	6.3	6.0	6.0					
Community relations	4.0	4.0	4.0	4.0	4.0					
Covenant administration	39.0	33.0	33.0	32.8	32.5					
Environmental services	6.0	4.3	4.3	4.3	4.0					
Public safety:										
Law enforcement	2.0	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
Neighborhood services	6.3	6.3	6.0	7.0	7.0					
Public safety department	-	-	-	-	-	1.0	1.0	1.0	1.0	1.0
Convention and Visitors Bureau:										
Marketing and public affairs	5.3	5.3	4.3	4.3	4.3	4.0	4.0	4.0	4.0	3.0
Economic development	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0
Total	271.3	262.1	254.0	255.5	254.5	25.0	24.0	24.0	22.0	22.0

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

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

**Exhibit S-20**

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Public Safety</b>					
Patrol cars & equipment - Sheriff's Department <sup>1</sup>	\$ 718,864	\$ 417,411	\$ 702,384	\$ 537,978	\$ 504,748
Patrol bicycles & equipment - Sheriff's Department <sup>1</sup>	\$ -	\$ -	\$ -	\$ 28,004	\$ 24,559
Rescue & haz-mat vehicles - Fire Department	\$ 642,807	\$ 34,621	\$ 2,122,012	\$ 590,611	\$ -
Special equipment - Fire Department	\$ 38,935	\$ 15,000	\$ 186,087	\$ 63,718	\$ 29,846
Communications equipment - Fire Department	\$ 140,938	\$ 256,018	\$ 862,733	\$ 44,136	\$ 38,871
Traffic controllers - Fire Department	\$ 95,141	\$ 8,147	\$ 32,409	\$ 13,089	\$ 44,600
Patrol cars <sup>1</sup>	98	95	95	82	82
Patrol bicycles <sup>1</sup>	24	24	24	24	24
Fire stations	9	9	9	8	7
Fire apparatus	18	18	18	15	13
<b>Economic Development<sup>2</sup></b>					
Hotel rooms booked for conventions	43,377	41,250	43,448	42,628	40,820
Total convention center square feet booked	12,150,200	12,250,550	13,024,445	14,685,250	12,812,550
<b>Operations</b>					
Wayfinding signs	264	260	260	255	207
Monument signs	424	408	408	392	360
Sculptures and public art	19	10	6	6	6
Miles of pathway <sup>3</sup>	205	202	198	194	185
Parks	131	130	127	123	116
Swimming pools	14	14	13	13	13
Park acreage	855	846	704	700	690

**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 Ten Fiscal Years**  
(unaudited)

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

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Public Safety</b>					
Patrol cars & equipment - Sheriff's Department <sup>1</sup>	\$ 567,847	\$ 75,458	\$ 65,911	\$ 76,913	\$ 55,145
Patrol bicycles & equipment - Sheriff's Department <sup>1</sup>	\$ 5,980	\$ 2,894	\$ 3,972	\$ 7,179	\$ 25,833
Rescue & haz-mat vehicles - Fire Department	\$ 148,990	\$ -	\$ 136,398	\$ 1,733	\$ -
Special equipment - Fire Department	\$ -	\$ -	\$ 37,808	\$ 12,885	\$ 29,904
Communications equipment - Fire Department	\$ -	\$ -	\$ 3,463	\$ 3,023	\$ 7,929
Traffic controllers - Fire Department	\$ -	\$ -	\$ -	\$ -	\$ 54,645
Patrol cars <sup>1</sup>	14	2	2	2	2
Patrol bicycles <sup>1</sup>	2	2	-	-	9
Fire stations	7	6	5	5	5
Fire apparatus	13	12	12	8	7
<b>Economic Development <sup>2</sup></b>					
Hotel rooms booked for conventions	45,255	49,525	40,101	31,875	10,140
Total convention center square feet booked	13,250,150	16,716,580	12,482,300	10,605,190	3,268,930
<b>Operations</b>					
Wayfinding signs	155	143	89	92	92
Monument signs	6	6	6	6	6
Sculptures and public art	2	2	2	2	1
Miles of pathway <sup>3</sup>	-	-	-	-	-
Parks	2	2	1	1	1
Swimming pools	-	-	-	-	-
Park acreage	4	4	3	3	3

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

**Exhibit S-21**

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Public Safety</b>					
Trooper hours - mounted patrol	29,639	28,085	28,760	29,996	36,719
Vehicle assists - mounted patrol	4,659	4,006	2,598	2,038	3,368
Other assist calls - mounted patrol	2,937	1,585	1,339	1,463	1,561
Traffic violation calls	15,849	18,745	8,796	10,710	8,686
Total Sheriff Department calls <sup>1</sup>	55,871	56,663	46,124	43,424	40,662
Total fire incident calls <sup>2</sup>	9,464	8,588	6,868	6,363	5,977
Montgomery County Sheriff's Department	\$ 7,543,984	\$ 6,903,490	\$ 6,708,814	\$ 6,337,658	\$ 5,637,895
Number of full-time MCSO positions	86	83	83.0	80	77
Constable Precinct 3	\$ 95,432	\$ 94,934	\$ 96,404	\$ 119,154	\$ 118,902
Justice of the Peace Precinct 3	\$ 50,596	\$ 50,711	\$ 46,575	\$ 43,331	\$ 38,429
City of Oak Ridge North	\$ -	\$ -	\$ -	\$ -	\$ 100,000
City of Shenandoah	\$ 212,415	\$ 202,215	\$ 195,000	\$ -	\$ 100,000
The Woodlands Fire Department	\$ 17,704,372	\$ 17,312,577	\$ 16,643,150	\$ 15,056,962	\$ 14,085,800
<b>Marketing and Public Affairs/CVB</b>					
Events produced	27	30	30	30	38
Visitor guides distributed	89,566	113,981	135,773	137,355	155,103
Discovery guides distributed	35,986	25,062	25,580	24,490	-
Sponsorships sold	\$ 344,775	\$ 297,750	\$ 295,750	\$ 261,095	\$ 225,000
<b>Economic Development</b>					
Convention center bookings <sup>3</sup>	951	929	1,028	1,425	1,351
Number of jobs <sup>4</sup>	58,400	54,504	51,940	49,960	47,100
ISO rating	1	2	2	2	2
<b>Operations and Transportation</b>					
Transportation - trolley ridership	77,472	87,737	103,600	127,326	144,906
Transportation - Friendship shuttle trips <sup>5</sup>	5,586	n/a	3,621	5,090	5,301

**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 Ten Fiscal Years**  
(unaudited)

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

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Public Safety</b>					
Trooper hours - mounted patrol	36,758	35,665	35,434	35,620	47,473
Vehicle assists - mounted patrol	2,221	8,634	5,905	4,419	9,348
Other assist calls - mounted patrol	4,406	9,005	2,994	5,632	8,652
Traffic citations	4,270	3,629	1,393	1,040	1,320
Total Sheriff Department calls <sup>1</sup>	8,637	8,083	5,862	5,574	5,912
Total fire incident calls <sup>2</sup>	5,454	5,859	684	612	611
Montgomery County Sheriff's Department	\$ 1,686,848	\$ 1,414,833	\$ 1,142,287	\$ 1,141,977	\$ 889,114
Number of full-time MCSO positions	24	22	19	19	16
Constable Precinct 3	\$ 116,979	\$ 112,000	\$ 106,230	\$ 100,903	\$ 95,050
Justice of the Peace Precinct 3	\$ 39,819	\$ 37,522	\$ 37,047	\$ 35,211	\$ 50,332
City of Oak Ridge North	\$ 216,472	\$ 216,472	\$ 215,635	\$ 215,635	\$ 215,635
City of Shenandoah	\$ 216,468	\$ 216,464	\$ 216,472	\$ 216,464	\$ 216,472
The Woodlands Fire Department	\$ 14,725,000	\$ 6,603,000	\$ 472,905	\$ 405,600	\$ 390,000
<b>Marketing and Public Affairs/CVB</b>					
Events produced	24	8	6	6	5
Visitor guides distributed	77,395	128,490	73,276	36,049	48,889
Discovery guides distributed	-	-	-	-	-
Sponsorships sold	\$ 267,600	\$ 237,725	\$ 272,595	\$ 287,300	\$ 199,175
<b>Economic Development</b>					
Convention center bookings <sup>3</sup>	1,258	1,685	1,095	864	n/a
Number of jobs <sup>4</sup>	45,380	44,202	43,200	42,190	39,541
ISO rating	2	3	3	3	3
<b>Operations and Transportation</b>					
Transportation - trolley ridership	113,077	97,424	-	-	-
Transportation - Friendship shuttle trips <sup>5</sup>	5,087	5,600	5,456	13,173	13,219