



Comprehensive Annual Financial Report

Fiscal Year Ended December 31, 2016

The Woodlands Township, Montgomery County, Texas





The Woodlands Township Comprehensive Annual Financial Report

**Fiscal Year Ended
December 31, 2016**

**Prepared by the
Finance and Administration Department**

The Woodlands Township is a special purpose district located in Montgomery County, Texas
www.thewoodlandstownship-tx.gov

The Woodlands Township

Table of Contents

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	2
Certificate of Achievement	7
Organizational Chart	8
Board of Directors	9
FINANCIAL SECTION	
Independent Auditors' Report	13
Management's Discussion and Analysis (unaudited)	16
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	29
Statement of Activities	30
Fund Financial Statements:	
Balance Sheet – Governmental Funds	31
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	32
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds	33
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	34
Notes to Financial Statements	35
Required Supplementary Information:	
Schedule of Funding Progress	58
Schedule of Changes in Net Pension Liability and Related Ratios	59
Schedule of Contributions	60
STATISTICAL SECTION	
Introduction	63
Financial Trends:	
Net Position by Component	64
Changes in Net Position	66
Fund Balances, Governmental Funds	68
Changes in Fund Balances, Governmental Funds	70
Revenue Capacity:	
Tax Revenues by Source, Governmental Funds	72
Assessed Value and Actual Value of Taxable Property	73
Direct and Overlapping Tax Rates	74
Principal Property Taxpayers	75
Property Tax Levies and Collections	76
Sales Tax Revenue Statistics	77
Top Sales Tax Sources	78
Taxable Sales by Category	79

(continued)

The Woodlands Township

Table of Contents

(continued)

Page

STATISTICAL SECTION *(continued)*

Debt Capacity:

Ratios of Outstanding Debt by Type	81
Ratios of General Bonded Debt Outstanding	82
Ratios of Revenue Bonds Outstanding	83
Direct and Overlapping Governmental Activities Debt	84
Pledged Revenue Coverage	85

Demographic and Economic Information:

Demographic and Economic Statistics	86
Principal Non-Retail Employers of The Woodlands Area	87

Operating Information:

Full-time Equivalent Township Government Employees by Function	88
Capital Asset Statistics by Function	89
Operating Indicators by Function	91

INTRODUCTORY SECTION



October 20, 2017

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, 2016 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 and is based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Blazek & Vetterling, Certified Public Accountants, have issued an unmodified ("clean") opinion on the Township's financial statements for the year ended December 31, 2016. 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

Founded in 1974 by George Mitchell, The Woodlands was one of the nation's first sustainable communities and has continued to be one of the best-selling master planned communities in the United States.

Prior to being named The Woodlands Township, the Town Center Improvement District (TCID) was established in 1993. It was created by the Texas Legislature as a governmental agency charged with promoting health, welfare and safety within 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. In 2010, The Woodlands Township, a special purpose district, became the local government provider for much of the municipal-type services in The Woodlands.

The Township is the governmental entity dedicated to meeting the needs of the Woodlands' residents and businesses. The Township encompasses approximately 28,000 acres with a population of more than 113,500 people, 2,000 businesses and a tax base of approximately \$20 billion. The Township is governed by a Board of Directors (Board), which officially organized on August 18, 1993. Policy-making and legislative authority are vested in the governing Board currently seated with seven directors who are elected at-large by position to two-year staggered terms. Board elections are held annually in November. The fully-elected Board and Township staff are committed to providing customer-friendly services along with programs and policies to promote economic development, enhance property values, and enhance quality of life in The Woodlands.

Since its inception, more than \$20 billion has been invested in The Woodlands, including nine residential villages and a 1,000-acre business district known as the Town Center. Town Center has become the heart and soul of The Woodlands, encompassing The Woodlands Waterway, a 1.4-mile long water feature, transportation and linear park.

With the recent construction of the Waterway bridge, the Waterway conveniently links Class A office buildings to shopping, dining, and entertainment venues within Town Center. Also, located within Town Center is The Woodlands Mall, a 1.3 million square-foot regional mall, a 34 acre “Main Street”-style Market Street, The Cynthia Woods Mitchell Pavilion and two Cinemark movie theaters combined with dozens of upscale restaurants and shops.

The most recent addition to the Township is Hughes Landing on Lake Woodlands. Hughes Landing is a 66 acre mixed use development that includes multiple office buildings, upscale multi-family residences, a full service upscale hotel, and numerous restaurants.

In addition, the Township also offers a variety of amenities to its residents and visitors, including over 7,600 acres of green space, golf courses and forest preserves, miles of pathways, over 200 developed parks and play areas, multiple public swimming facilities and children’s spray grounds, two major sports parks, and a recreation center.

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, 2016. 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.

LOCAL ECONOMY

The Township benefits from the vibrant Texas economy and state government policies that encourage business investment and job creation. The Township Board contributes to The Woodlands success by establishing strategies and policies for maintenance of the community, upgrading community facilities as needed, supporting a vibrant business environment and promoting community events that generate the revenues used to reduce the property tax rate. The Township offers its residents enhanced services and amenities at a higher level than most communities, but at a lower tax rate than most local governments. Since 2010, the Board has been able to reduce the property tax rate from 32.8 cents per \$100 valuation to only 23 cents per \$100 of valuation, while still maintaining sufficient reserves for replacement of capital infrastructure as needed. Because of this, the Township’s financial model is considered unique among local governments.

The Township Board also continues its efforts to grow sales tax and room tax receipts through investment in community infrastructure and promotion of The Woodlands through The Woodlands Convention & Visitors Bureau. The popularity of The Woodlands for shopping, dining, and special events confirms it as a top entertainment venue for residents and visitors alike. The sales and room tax paid by visitors is a major contributor to the low property tax rate The Woodlands’ residents enjoy.

The Township is home to over 2,000 businesses inclusive of many major national and international businesses and 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, Huntsman Corporation, Woodforest National Bank, Entergy, McKesson Specialty Health, Repsol USA, The Cynthia Woods Mitchell Pavilion, Waste Connections, and many others.

New development is still strong in The Woodlands. The Howard Hughes Corporation continues to develop Hughes Landing. The new Embassy Suites by Hilton The Woodlands at Hughes Landing opened its doors in early 2016. The 205-room hotel will be the only hotel in this new mixed-use development. New retail slated to open in 2017 includes Beauty Statement, Broken Barrel, Fleet Feet Sports, and VOM FASS. The Howard Hughes Corporation also partnered with The Woodlands Development Company and opened The Westin at The Woodlands, a 302-room luxury hotel in Waterway Square in March 2016.

Wulfe & Co. is developing East Shore Place. The first phase includes a parking garage, completed in late 2015, and a new Frost Bank, which opened in late 2016. The second phase will include a two-story building with more than 17,000 square feet of retail space and 23,000 square feet of office space.

There is significant ongoing construction in the medical field in The Woodlands area. Construction of the new 470,000 square foot Houston Methodist The Woodlands Hospital is underway and is planned to open mid-2017. The \$328 million campus will be modeled after Houston Methodist West Hospital near Katy and will include a 135,000-square foot medical building; representing 80 new jobs in the area. The Texas Children's Hospital – The Woodlands has opened their Outpatient Services, with the inpatient hospital and the Emergency Center opening April 2017; representing 451 new jobs.

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 Board and The Woodlands Convention & Visitors Bureau Board of Directors supports 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 turn, 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 during the annual budget process 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, 2016, the Township's fund balance across all funds including reserves had a balance of \$87 million, which met all policy requirements.

AWARDS AND ACKNOWLEDGEMENTS

For the fiscal year ended December 31, 2015, the Township received the *Certificate of Achievement for Excellence in Financial Reporting* from the Government Finance Officers Association, recognizing the Township as a government unit whose Comprehensive Annual Financial Report achieved the highest standards in governmental accounting and financial reporting. The Township also received from the Government Finance Officers Association the *Distinguished Budget Presentation Award*.

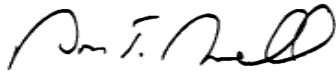
The Township also earned the *Lone Star Programming Award* from the Texas Recreation and Park Society (East Region) for the "Rock the Rock" live concert series and the *Innovations in Parks and Design Award* for the "Waterway Arts Bench Program."

The Township is highly proactive about public safety and sponsors multiple public safety programs. The National Association of Town Watch announced that the Township placed first in the state of Texas for its 2016 National Night Out programming and placed second in the nation in the Category 2 population category (100,000-300,000).

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 wishes 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,

A handwritten signature in black ink, appearing to read "Don T. Norrell". The signature is fluid and cursive, with the first name "Don" and last name "Norrell" clearly distinguishable.

Don T. Norrell
President/General Manager

A handwritten signature in black ink, appearing to read "Monique Sharp". The signature is cursive, with "Monique" and "Sharp" written in a flowing script.

Monique Sharp
Assistant General Manager
Finance and Administration





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**The Woodlands Township
Texas**

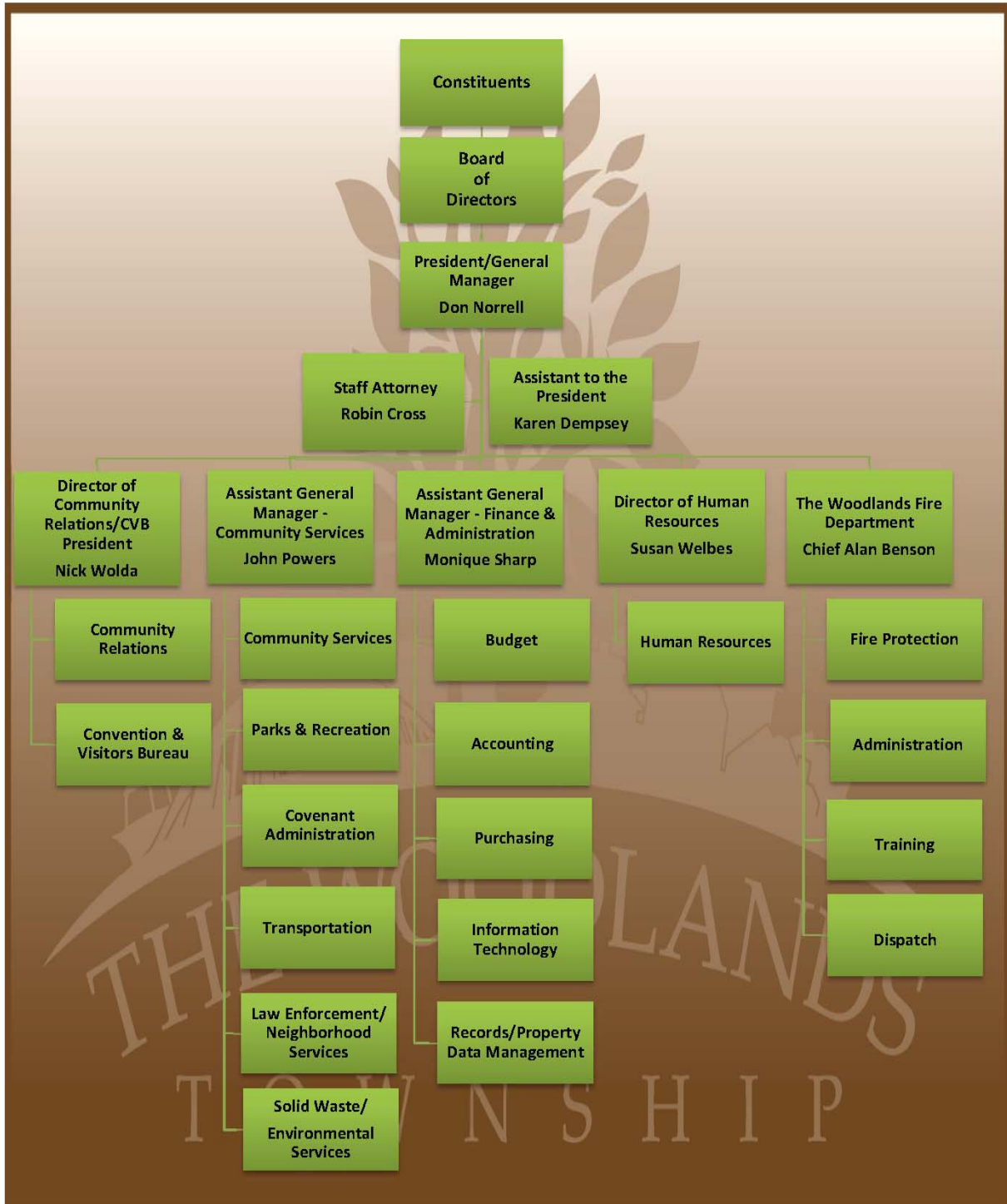
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015



Executive Director/CEO

Organizational Chart



**THE WOODLANDS TOWNSHIP
BOARD OF DIRECTORS**

Chairman Mr. Gordy Bunch (Elected by the Board as Chairman, November 30, 2016) <i>Position 1 - Term Expires: November 2018</i>
Vice Chairman Mr. John P. McMullan (Elected by the Board as Vice Chairman, November 30, 2016) <i>Position 5 - Term Expires: November 2017</i>
Secretary Ms. Laura Fillault (Elected by the Board as Secretary, November 30, 2016) <i>Position 7 - Term Expires: November 2017</i>
Treasurer Dr. Ann Snyder (Elected by the Board as Treasurer, November 30, 2016) <i>Position 6 - Term Expires: November 2017</i>
Director Mr. Brian Boniface <i>Position 2 - Term Expires: November 2018</i>
Director Mr. John Anthony Brown <i>Position 3 - Term Expires: November 2018</i>
Director Mr. Bruce Rieser <i>Position 4 - Term Expires: November 2018</i>



FINANCIAL SECTION



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, 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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

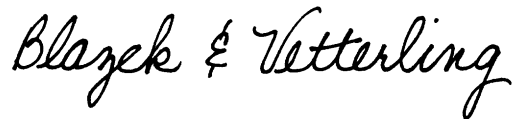
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2016, and the respective changes in 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 16-25 and the required supplementary information on pages 58-60 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.

A handwritten signature in black ink that reads "Blazeck & Vetterling". The script is cursive and fluid, with the ampersand clearly visible between the two names.

October 20, 2017



**The Woodlands Township
Management's Discussion and Analysis
For the year ended December 31, 2016
(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, 2016. 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, 2016 by \$222.2 million (*net position*). Of this amount, \$82.1 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 \$22.6 million, primarily due to increases in property tax and hotel occupancy tax revenues; an increase in recreational program revenues, grant revenue, transportation capital and bus fares relating to park and ride services, and a decrease in debt-related expenses.
- At December 31, 2016, the unassigned fund balance for the General Fund was \$10.6 million or 11.2% 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 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 29-30 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 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 31-34 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 35-55 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 \$222.2 million at December 31, 2016.

By far the largest part of the Township's net position, \$132.5 million (60%), 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 \$7.6 million 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, \$82.1 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, 2016 and 2015:

	CONDENSED STATEMENTS OF NET POSITION (ROUNDED TO 000'S)	
	YEAR ENDED	YEAR ENDED (RESTATED)
	DECEMBER 31, 2016	DECEMBER 31, 2015
Current and other assets	\$ 140,829,000	\$ 132,498,000
Long-term receivables and other assets	4,885,000	2,709,000
Capital assets	<u>211,236,000</u>	<u>206,100,000</u>
Total assets	<u>356,950,000</u>	<u>341,307,000</u>
Deferred outflows of resources	<u>1,815,000</u>	<u>1,420,000</u>
Current and other liabilities	38,196,000	38,690,000
Long-term liabilities due in more than one year	<u>75,090,000</u>	<u>80,418,000</u>
Total liabilities	<u>113,286,000</u>	<u>119,108,000</u>
Deferred inflows of resources	<u>23,250,000</u>	<u>23,972,000</u>
Invested in capital assets net of related debt	132,543,000	123,220,000
Restricted	7,562,000	10,322,000
Unrestricted	<u>82,124,000</u>	<u>66,105,000</u>
Total net position	<u>\$ 222,229,000</u>	<u>\$ 199,647,000</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, 2016 and 2015:

	CONDENSED STATEMENTS OF CHANGES IN NET POSITION (ROUNDED TO 000'S)	
	YEAR ENDED	YEAR ENDED (RESTATED)
	DECEMBER 31, 2016	DECEMBER 31, 2015
REVENUE:		
Taxes	\$ 101,710,000	\$ 101,654,000
Program service fees	10,999,000	10,272,000
Grants and contributions	12,041,000	9,038,000
Investment earnings	412,000	191,000
Other income	<u>976,000</u>	<u>525,000</u>
Total revenue	<u>126,138,000</u>	<u>121,680,000</u>
EXPENSES:		
General and administrative	9,262,000	9,622,000
Public safety	36,516,000	34,044,000
Parks and recreation	24,856,000	23,194,000
Transportation	8,001,000	8,021,000
Economic development	7,701,000	7,927,000
Community services	13,349,000	13,453,000
Community relations	1,080,000	1,110,000
Interest and debt-related expenses	<u>2,791,000</u>	<u>2,978,000</u>
Total expenses	<u>103,556,000</u>	<u>100,349,000</u>
CHANGES IN NET POSITION	22,582,000	21,331,000
Net position, beginning of year	<u>199,647,000</u>	<u>178,316,000</u>
Net position, end of year	<u>\$ 222,229,000</u>	<u>\$ 199,647,000</u>

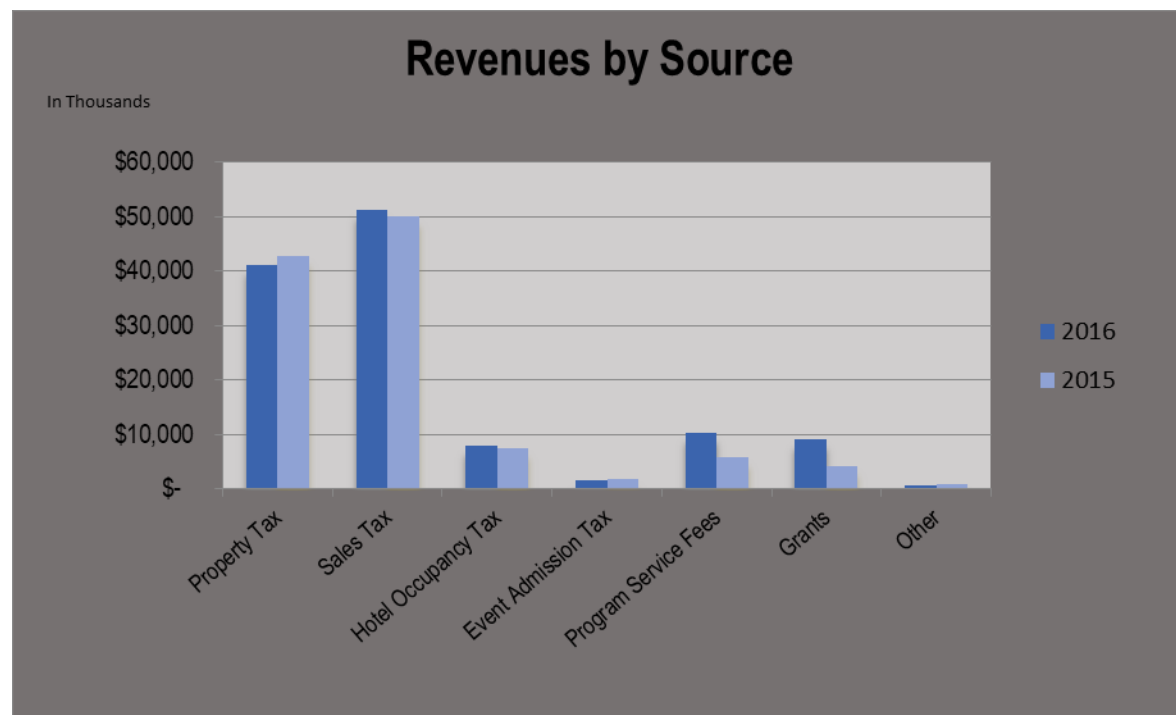
From the 2015 ending balance of \$199.6 million to the 2016 ending balance of \$222.2 million, the Township's net position increased \$22.6 million. The reasons for this increase are explained in the following section.

Governmental Activities

Although investment in capital assets is the largest factor for the increase of the Township's net position by \$22.6 million during the current fiscal year, governmental activities also contributed to the increase. Key elements of this increase are as follows:

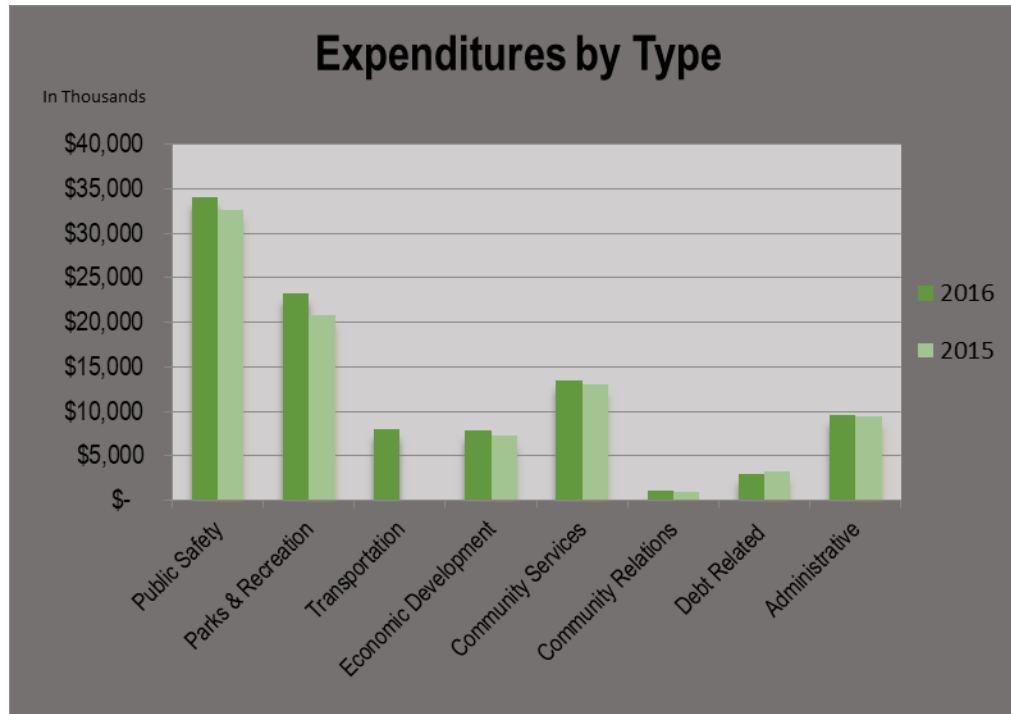
Revenue in 2016 increased by \$4.5 million (3.7%) due to:

- Sales and use tax revenue decreased slightly by 2.5%. This is partly attributable to lower oil and gas prices, which have resulted in a more stagnant economy, and the decline in construction activity due to completion of major commercial projects in Town Center and Hughes Landing. In prior years, the Township experienced positive growth in the retail business sector, which has slowed significantly. The retail trade sector accounts for approximately 49.6% of total sales tax revenue for the Township. Other industries experiencing lower sales tax revenue in 2016 are construction, real estate leasing, oil and gas, and the wholesale trade business sector.
- Property tax collections increased 3.4%. The increase of approximately \$1.4 million is contributed to a property valuation increase of approximately \$2.1 billion, or 12.8% over the prior year. The Board of Directors elected to decrease the overall tax rate to \$.2300 from the \$.2500 per \$100 of value set in 2015.
- Hotel occupancy tax revenue increased slightly by .8% due to an increase in tourism, and the opening of The Westin at The Woodlands in Waterway Square and Embassy Suites by Hilton The Woodlands at Hughes Landing. The new additions bring the total number of hotel facilities to 14 and therefore, increasing the overall room capacity in the area.
- Recreational program service fees increased 7.1% due to an increase in aquatics, boat house rentals, and athletic sports programs.
- Grants and contributions had the largest positive impact on net assets due to the receipt of \$2.2 million in Federal Transportation Administration (FTA) grant funds for the operation of trolleys and The Woodlands Express Park & Ride, and a \$4.6 million capital contribution for the purchase of ten additional park and ride commuter buses.



Expenditures in 2016 increased by \$3.2 million (3.1%) due to:

- Development and construction of a shared use building on The Cynthia Woods Mitchell Pavilion site.
- 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 parks and pathways maintenance relating to tree removal and forest management.
- An increase in waterway operations maintenance.
- An increase in transportation capital expenditures for the purchase of ten park and ride buses.
- An increase in capital expenditures for parks and pathways 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, 2016, the Township's governmental funds reported a combined ending fund balance of \$87.2 million, an increase of nearly \$9.7 million or 12.5% from the prior year.

	<u>2016</u>	<u>2015</u>	<u>INCREASE (DECREASE)</u>
Fund balances:			
General Fund	\$ 34,581,000	\$ 40,172,000	\$ (5,591,000)
Capital Projects Fund	51,526,000	36,468,000	15,058,000
Debt Service Fund	6,982,000	6,932,000	50,000
Special Revenue Fund	<u>(5,922,000)</u>	<u>(6,069,000)</u>	<u>147,000</u>
Total fund balances	<u>\$ 87,167,000</u>	<u>\$ 77,503,000</u>	<u>\$ 9,664,000</u>

Approximately \$10.6 million of the \$87.2 million total constitutes unassigned General Fund balances, which are available for spending at the Township's discretion. By policy, the Township assigns balances for an operating reserve (\$16.1 million at December 31, 2016). 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 (\$5.9 million). This fund balance is offset by a deficit fund balance in the Special Revenue Fund (\$5.9 million).
- Committed or restricted for obligations related to fiscal 2016 (\$1.5 million).
- Committed for authorized capital projects and capital and economic reserves (\$51.5 million).
- Committed to pay debt service (\$7.0 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, 2016, the General Fund had an unassigned fund balance of \$10.6 million and a total fund balance of \$34.6 million.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 11.1% of total General Fund expenditures, while total fund balance represents 36.3%. Pursuant to Board policy, the Township maintains an assigned General Fund balance at a calculated amount based on annual General Fund operating expenditures.

The Township's General Fund balance decreased \$5.6 million or 13.9% during the current fiscal year. The key factor for this decrease is related to the expenditure of \$3.1 million for the construction of the multi-use building shared with The Cynthia Woods Mitchell Pavilion, and a decrease in sales and use 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. At December 31, 2016, the Capital Projects Fund had an ending balance of \$51.5 million, an increase of \$15 million over the prior fiscal year. The increase is related to approximately \$2.2 million of carryover projects from the prior year and the addition of reserves for future incorporation, road and bridge reserve, park projects reserve and flood and drainage reserve. All reserves and contingencies are approved by the Board.

These reserve balances are funded from annual favorable budget variances in the General Fund's operating expenditures. The favorable budget variances are used first to ensure that the operating reserve maintains a balance equal to 20% of the annual General Fund operating expenditures. The remaining cash generated from favorable budget variances is allocated to the capital replacement 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 44) and in the Capital Assets section of this management's discussion and analysis (page 22).

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 payment of the Unlimited Tax Bonds, while Hotel Occupancy Tax revenues of 9.0% and up to 0.5% of general sales tax collected by the Township are pledged for the payment of the Revenue Bonds.

Additional information on the Township's debt administration can be found in the accompanying notes to the financial statements (page 47) and in the Long-Term Debt section of this management's discussion and analysis (page 23).

Special Revenue Fund – The Special Revenue Fund accounts for 1% 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 2016, the Special Revenue Fund recorded \$24.6 million in sales tax revenues. Of this amount, \$2.4 million was paid to the authorized Zone projects for the purpose of paying down debt service, and \$22.2 million was transferred to the General Fund to pay for Fire Department operations. The year-end deficit balance of \$5.9 million in the Special Revenue Fund is due to a \$4.3 million liability related to the Market Street/Town Green Park project and a \$1.6 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.

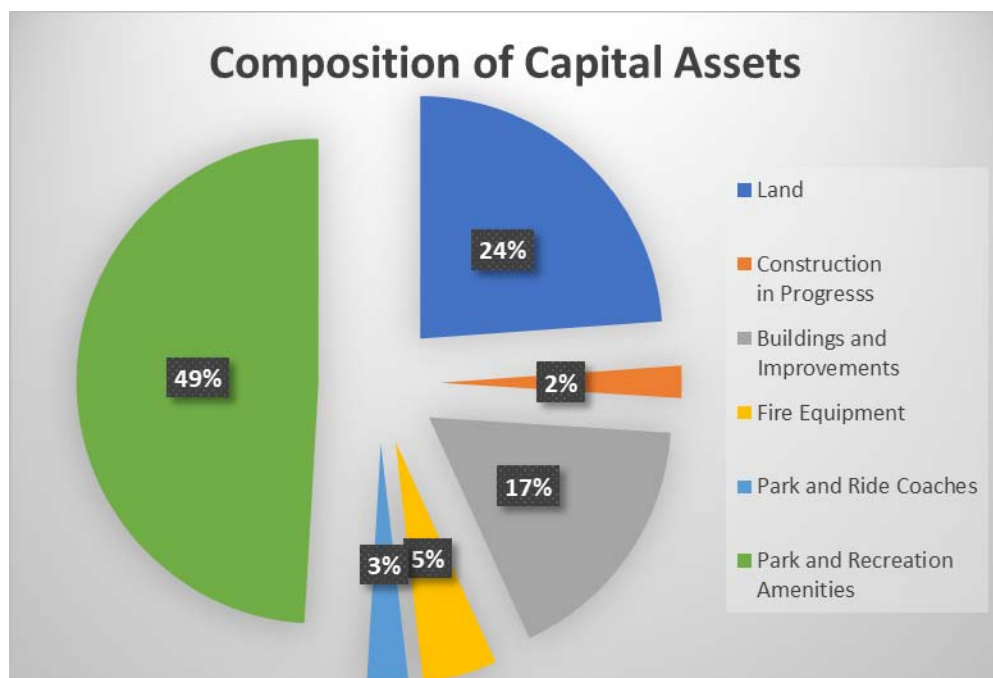
General Fund Budgetary Highlights

The actual General Fund revenues for the year ended December 31, 2016, totaled \$87.1 million, which were \$1.7 million lower than the final budget of \$88.8 million. The primary reasons for the unfavorable variance include decreased collections of sales tax revenues and a timing difference in potential federal grant funds budgeted for transportation capital outlay, but not applied for. Actual expenditures for the year were \$95.3 million, an amount \$10.1 million lower than the final budget. The primary reasons for the favorable variance are a savings in contracted services mainly related to lower than budgeted amounts in transportation contracted services and a portion of those services being funded by grant funds, a savings in law enforcement, streetlight and streetscape maintenance contracts, offset by unfavorable variances in park maintenance, tree removal and electrical repairs. There also are savings in salaries and benefits because of open positions throughout the year and less than anticipated expenditures for Township events and construction of a shared-use building with The Cynthia Woods Mitchell Pavilion to house the ice rink.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township's investment in capital assets for its governmental activities as of December 31, 2016 amounted to \$211.2 million (net of accumulated depreciation). This amount represents a net increase (including additions and deductions) of \$5.1 million over the prior year. The investment in capital assets includes land, buildings and improvements, park and recreation amenities, fire equipment, construction in progress, and other machinery and equipment.



Major capital asset events during the year ended December 31, 2016 included:

- Development of new parks and pathways primarily in Town Center and Waterway Square.
- Townhall improvements.
- The construction of the Turf Fields.
- Northshore Park renovation and other playground improvements.

Additional information about capital assets can be found in Note 10 to the financial statements (page 44).

Long-Term Debt

At December 31, 2016, the Township had total debt outstanding of \$77.9 million; a decrease of \$4.98 million from the prior year's ending debt balance.

	<u>2016</u>	<u>2015</u>
Debt instruments:		
Series 2010 Unlimited Tax Bonds	\$ 27,020,000	\$ 28,470,000
Series 2010 Sales Tax and Hotel Occupancy Tax Refunding Bonds	30,390,000	32,570,000
Series 2010 Sales Tax and Hotel Occupancy Tax Bonds	8,750,000	9,475,000
Series 2011 Unlimited Tax Bonds	8,335,000	8,740,000
Series 2012 Unlimited Tax Bonds	<u>3,405,000</u>	<u>3,625,000</u>
Total debt instruments	<u>\$ 77,900,000</u>	<u>\$ 82,880,000</u>

Current ratings* on debt issues are as follows:

<u>GENERAL OBLIGATION BONDS</u>	<u>MOODY'S</u>	<u>S&P</u>
2010	NR	AA
2011	NR	AA
2012	NR	AA

SALES TAX AND HOTEL OCCUPANCY TAX BONDS

	UNDERLYING		INSURED	
	MOODY'S	S&P	MOODY'S	S&P
2010 Refunding	A1	A+	AGM-A2	AGM-AA
2010	A1	A+	AGM-A2	AGM-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 48) 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 2017 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 changing conditions and opportunities.
- Maintain or lower the property tax rate.

Total revenue projections for 2017 equal \$124.1 million, which is a 1.3% increase from 2016's actual revenue of \$122.5 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 slightly higher revenue from property tax.

Property tax revenue is based on a property tax rate of \$0.2300 applied to the taxable property value base of \$19.4 billion, an increase of \$1.3 billion from last year's tax base of \$18.3 billion. Total property tax revenue is projected to be \$44.5 million in 2017, an increase of \$2.1 million or 5.0% from the 2016 total of \$42.4 million. Revenue from property tax comprises 36% of total 2017 budgeted revenue.

Sales and use tax revenue for 2017 is projected to be \$49.2 million, which is a 1.6% decrease over the \$50 million collected for 2016. Revenue from sales and use tax comprises 40% of total 2017 revenue. Revenue from a 9% hotel occupancy tax is anticipated to generate \$8.2 million in revenue for 2017, which is a 5.1% increase from the 2016 total of \$7.8 million.

The 2017 budget includes \$121.1 million in expenditures, representing a 7.4% increase over the 2016 actual expenditures total of \$112.8 million.

The Township is currently responsible for transit planning and the operation of The Woodlands Express Park & Ride, as well as other modes of transportation. To provide these services, the 2017 budget includes \$5.9 million of operating expenditures and \$6.1 million of capital expenditures relating to the purchase of commuter buses. The budget projects a large percentage of these expenditures to be offset by bus fares and grant revenue.

Because the Woodlands community continues to grow, the 2017 budget provides for an increase in parks and recreation operating expenditures, contracted services for streetscape, utilities and maintenance, and additional police and fire protection.

The 2017 budget also provides for increases in the following expenditures offset by corresponding increases in revenue:

- The Cynthia Woods Mitchell Pavilion (offset by event admissions tax),
- Regional Participation Agreement payments (offset by sales tax revenue), and
- Costco Agreement (offset by sales tax revenue).

Debt service requirements for 2017 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.



BASIC FINANCIAL STATEMENTS



The Woodlands Township

Statement of Net Position as of December 31, 2016

ASSETS

Cash and cash equivalents	\$ 104,207,658
Receivables, net	36,196,092
Prepaid expenses	425,339
Net other postemployment benefit asset	16,870
Capital lease receivable	1,870,365
Long-term rent paid in advance	2,997,925
Capital assets not being depreciated	80,142,794
Capital assets, net of depreciation	<u>131,093,083</u>
Total assets	<u>356,950,126</u>

DEFERRED OUTFLOWS OF RESOURCES

Difference in projected and actual earnings on pension assets	787,293
Difference in expected and actual pension assumptions and demographics	590,305
Capitalized charge on refunding	<u>437,653</u>
Total deferred outflows of resources	<u>1,815,251</u>

LIABILITIES

Accounts payable and accrued liabilities	8,608,982
Accrued interest payable	941,837
Unearned property tax revenue	22,285,621
Long-term liabilities:	
Due within one year:	
Bonds payable	5,273,883
Unearned revenue related to operating lease	177,500
Compensated absences	908,203
Due in more than one year:	
Bonds payable	73,856,302
Unearned revenue related to operating lease	976,250
Net pension liability	<u>257,587</u>
Total liabilities	<u>113,286,165</u>

DEFERRED INFLOWS OF RESOURCES

Property tax – deferred revenue	22,677,523
Difference in expected and actual pension expenses	<u>572,530</u>
Total deferred inflows of resources	<u>23,250,053</u>

NET POSITION

Invested in capital assets, net of related debt	132,543,345
Restricted for debt retirement	5,532,028
Restricted for healthcare obligations	800,000
Restricted for The Woodlands Firefighters' Retirement System	547,481
Restricted for cultural events and education	682,543
Unrestricted	<u>82,123,762</u>
Total net position	<u>\$ 222,229,159</u>

See accompanying notes to financial statements.

The Woodlands Township

Statement of Activities for the year ended December 31, 2016

		PROGRAM REVENUE			GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
	EXPENSES				
<u>Functions/Programs</u>					
Primary government:					
General and administrative	\$ 9,261,891	\$ 242,516	\$ 8,100	\$ 4,824,531	\$ (4,186,744)
Public safety	36,515,682	1,308,736	3,500	80,800	(35,122,646)
Parks and recreation	24,855,917	4,162,785	105,507		(20,587,625)
Transportation	8,000,757	4,435,029	2,197,968	4,577,848	3,210,088
Economic development	7,701,277	722,383	238,143		(6,740,751)
Community services	13,348,780	113,667			(13,235,113)
Community relations	1,080,372	14,000	4,250		(1,062,122)
Interest expense	<u>2,791,107</u>				<u>(2,791,107)</u>
Total primary government	<u>\$ 103,555,783</u>	<u>\$ 10,999,116</u>	<u>\$ 2,557,468</u>	<u>\$ 9,483,179</u>	<u>(80,516,020)</u>
General revenue:					
Taxes:					
Property					42,419,414
Sales					50,040,030
Hotel occupancy					7,855,255
Event admissions					1,395,472
Investment earnings					411,713
Other income					<u>976,033</u>
Total general revenue					<u>103,097,917</u>
Change in net position					22,581,897
Net position, beginning of year					<u>199,647,262</u>
Net position, end of year					<u>\$ 222,229,159</u>

See accompanying notes to financial statements.

The Woodlands Township

Balance Sheet – Governmental Funds as of December 31, 2016

	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 62,158,433	\$ 33,835,851	\$ 8,213,349	\$ 25	\$ 104,207,658
Receivables, net	28,636,227		2,351,176	5,118,689	36,106,092
Due from other funds	6,461,819	18,065,961	1,450,393		25,978,173
Prepaid expenditures	425,339				425,339
Long-term receivables from other funds	5,922,686				5,922,686
TOTAL ASSETS	\$ 103,604,504	\$ 51,901,812	\$ 12,014,918	\$ 5,118,714	\$ 172,639,948
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 7,964,664	\$ 62,501		\$ 581,817	\$ 8,608,982
Due to other funds	19,516,354	313,110	\$ 1,611,837	4,536,872	25,978,173
Unearned property tax revenue	20,589,976		1,695,645		22,285,621
Long-term payable to other funds				5,922,686	5,922,686
Total liabilities	48,070,994	375,611	3,307,482	11,041,375	62,795,462
Deferred inflows of resources:					
Unavailable property tax revenue	20,952,508		1,725,015		22,677,523
Fund balances:					
Nonspendable:					
Prepaid expenditures	423,947				423,947
Long-term receivables	5,922,686				5,922,686
Restricted for:					
Healthcare obligations	800,000				800,000
Cultural events and education	682,543				682,543
Committed for:					
Capital reserves		40,425,018			40,425,018
Capital projects		8,669,384			8,669,384
Debt service			6,982,421		6,982,421
Economic development reserve		2,431,799			2,431,799
Assigned for:					
Operating reserve	16,107,130				16,107,130
Unassigned	10,644,696			(5,922,661)	4,722,035
Total fund balances	34,581,002	51,526,201	6,982,421	(5,922,661)	87,166,963
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 103,604,504	\$ 51,901,812	\$ 12,014,918	\$ 5,118,714	\$ 172,639,948

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, 2016

Total fund balances, governmental funds	\$ 87,166,963
---	---------------

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.	211,235,877
---	-------------

Certain unearned revenue is not earned in the current period and therefore is not reported in the fund financial statements.	
Unearned revenue related to operating lease	(1,153,750)

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.

Net other postemployment benefit asset	16,870
Other accounts receivable	90,000
Capital lease receivable	1,870,365
Long-term rent paid in advance	2,997,925
Difference in projected and actual earnings on pension assets	787,293
Difference in expected and actual pension assumptions and demographics	590,305
Capitalized charge on refunding	437,653

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 statements, but are reported in the governmental activities of the statement of net position.

Accrued interest payable	(941,837)
Net pension liability	(257,587)
Bonds payable	(79,130,185)
Compensated absences	(908,203)
Difference in expected and actual pension expenses	<u>(572,530)</u>

Net position of governmental activities in the statement of net position	<u>\$ 222,229,159</u>
--	-----------------------

See accompanying notes to financial statements.

The Woodlands Township

Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds for the year ended December 31, 2016

	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
REVENUE:					
Property taxes	\$ 38,934,246		\$ 3,485,168		\$ 42,419,414
Sales taxes	25,384,970			\$ 24,655,060	50,040,030
Hotel occupancy taxes	1,745,612		6,109,643		7,855,255
Event admissions taxes	1,395,472				1,395,472
Investment earnings	204,846	\$ 95,681	12,025	359	312,911
Investment earnings from other funds	403,465				403,465
Program service fees and grants	19,076,923	987,500			20,064,423
Total revenue	<u>87,145,534</u>	<u>1,083,181</u>	<u>9,606,836</u>	<u>24,655,419</u>	<u>122,490,970</u>
EXPENDITURES:					
General and administrative	8,489,531				8,489,531
Public safety	34,393,552				34,393,552
Parks and recreation	17,476,512				17,476,512
Transportation	6,774,548				6,774,548
Economic development	7,966,733			2,176,616	10,143,349
Community services	13,347,504				13,347,504
Community relations	1,066,856				1,066,856
Capital outlay	5,803,736	7,024,957			12,828,693
Interest expense to other funds				403,465	403,465
Debt service:					
Principal			4,980,000		4,980,000
Interest			2,922,590		2,922,590
Total expenditures	<u>95,318,972</u>	<u>7,024,957</u>	<u>7,902,590</u>	<u>2,580,081</u>	<u>112,826,600</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(8,173,438)</u>	<u>(5,941,776)</u>	<u>1,704,246</u>	<u>22,075,338</u>	<u>9,664,370</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	24,190,759	21,608,644			45,799,403
Transfers out	(21,608,646)	(608,651)	(1,653,302)	(21,928,804)	(45,799,403)
Total other financing sources (uses)	<u>2,582,113</u>	<u>20,999,993</u>	<u>(1,653,302)</u>	<u>(21,928,804)</u>	<u>0</u>
CHANGES IN FUND BALANCES	<u>(5,591,325)</u>	<u>15,058,217</u>	<u>50,944</u>	<u>146,534</u>	<u>9,664,370</u>
Fund balances, beginning of year	<u>40,172,327</u>	<u>36,467,984</u>	<u>6,931,477</u>	<u>(6,069,195)</u>	<u>77,502,593</u>
Fund balances, end of year	<u>\$ 34,581,002</u>	<u>\$ 51,526,201</u>	<u>\$ 6,982,421</u>	<u>\$ (5,922,661)</u>	<u>\$ 87,166,963</u>

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, 2016

Changes in fund balances	\$ 9,664,370
--------------------------	--------------

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	12,828,693
Depreciation expense	(11,477,244)
Loss on disposal of assets	(199,809)

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	4,073,682
---------------------------------	-----------

Governmental funds report proceeds of sales of real property as current financial resources. The statement of activities reports 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	(1,198)
---	---------

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

Garage lease revenue	177,500
----------------------	---------

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	4,980,000
---	-----------

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	62,387
Construction costs reimbursed in lieu of future rents	2,480,798
Amortization of discount on construction costs reimbursed in lieu of future rents	(38,726)
Changes in pension expenses related to actuarial valuation of plan assets and liabilities	(63,009)
Amortization of discount on refunding	(39,787)
Amortization of financing premiums	108,883
Net other postemployment benefit liability	151,081
Compensated absences	(125,724)

Change in net position of governmental activities	<u>\$ 22,581,897</u>
---	----------------------

See accompanying notes to financial statements.

The Woodlands Township

Notes to Financial Statements for the year ended December 31, 2016

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 (Board) 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. 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 the Township or appointed by the CVB Board of Directors. Currently, the Township is the only member of the CVB. As of December 31, 2015, 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 the 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.

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 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 pathways	20 to 30 years
Equipment	5 to 20 years
Buildings	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 resolution of its highest level of decision-making authority which is the Board. Similarly, the Board may modify or rescind by resolution previously committed funds.
- *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 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. The General Fund may report a positive unassigned fund balance.

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

The Township adopted the following Governmental Accounting Standards Board (GASB) statements during fiscal year 2016:

Statement No. 72, *Fair Value Measurement and Application* – 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.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* – This statement amends Statement No. 68 to extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions. Additionally, it defines accounting and financial statement presentation for defined contribution pensions.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles (GAAP) for State and Local Governments* – This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses uses of the authoritative and non-authoritative literature in the event that the accounting treatment for a transaction is not specified within a source of authoritative GAAP.

Statement No. 77, *Tax Abatement Disclosures* – This statement requires disclosure of information regarding tax abatement agreements, including a description of the agreement(s), the gross dollars of taxes abated and, if applicable, commitments made by the government other than the abate taxes that may be a part of a tax abatement agreement.

Statement No. 79, *Certain External Investment Pools and Pool Participants* – This statement addresses accounting and financial reporting issues related to fair value measurements. The statement establishes certain note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in these pools.

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. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is effective for the Township in fiscal year 2017 and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for the Township in fiscal year 2018. These statements replace older guidance and are designed to improve information reported on OPEB, improving accountability, comparability and transparency.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, is effective for the Township in fiscal year 2017. This statement adds criterion requiring the blending of component units incorporated as not-for-profit corporations in which the primary government is the sole corporate member.

Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, is effective for the Township in fiscal year 2017. This statement further amends the definitions and requirements in the presentation of covered payroll. Additionally, the statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statements No. 67, No. 68, and No. 73 for the selection of assumptions used in determining the total pension liability and related measures.

Statement No. 83, *Certain Asset Retirement Obligations*, is effective for fiscal year 2019. The statement addresses the accounting and financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of tangible capital assets. The statement establishes the criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.

Statement No. 84, *Fiduciary Activities*, is effective for fiscal year 2019. The statement establishes criteria for identifying fiduciary activities and further defines when the fiduciary fund statements should be presented and the required disclosures. Additionally, the statement provides for recognition of a liability when events compel the government to disburse fiduciary resources when a demand for resources has been made and no further action or condition is required by the beneficiary to release the assets.

Statement No. 85, *Omnibus 2017*, is effective for fiscal year 2018. The statement addresses and clarifies topics related to blending component units, goodwill, fair value measurement application, and postemployment benefits (pensions and other postemployment benefits).

Statement No. 86, *Certain Debt Extinguishment Issues*, is effective for fiscal year 2018. The statement provides guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. The statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Statement No. 87, *Leases*, is effective for fiscal year 2020. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under the statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

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 \$5.9 million as of December 31, 2016. 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, 2016 consist of the following:

Cash on hand	\$ 4,800
Demand deposits	14,553,654
Certificates of deposit	8,015,959
Investments:	
TexPool	76,973,670
TexSTAR	<u>4,659,575</u>
Total cash and cash equivalents and investments	<u>\$ 104,207,658</u>

The carrying value of demand deposits of the primary government at December 31, 2016 was \$14,553,654 and the related bank balances were \$18,880,536. Consistent with the Township's policies, all deposits in financial institutions are fully collateralized.

Authorization for Deposits and Investments

The 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 pools. 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 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, 2016, the Township had investments with the following maturities and credit quality:

INVESTMENT	FUND	FAIR VALUE	WAM	S&P RATINGS
TexPool	General	\$ 40,894,570	<90 days	AAAm
TexSTAR	General	3,286,519	<90 days	AAAm
TexSTAR**	General	805,459	<90 days	AAAm
TexPool	Capital Projects	30,700,068	<90 days	AAAm
TexPool	Capital Projects	2,911,446	<90 days	AAAm
TexPool	Capital Projects	224,337	<90 days	AAAm
TexPool	Debt Service	1,701,377	<90 days	AAAm
TexPool	Debt Service	541,872	<90 days	AAAm
TexSTAR	Debt Service	<u>567,597</u>	<90 days	AAAm
Total investments		<u>\$ 81,633,245</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 (1) year. Additional authorization is required for periods exceeding ninety (90) days; however, in no event shall the maturity of any individual investment owned by the Township exceed two (2) years, unless otherwise specifically stated in the Investment Policy.

Deposits and Custodial Credit Risk

State statutes require that all the Township's deposits in financial institutions be fully collateralized by depository insurance or by certain government obligations that have a market value of not less than the principal amount of the deposits. Furthermore, the Township's Investment Policy further restricts the value of such collateral to not less than 110.0% of the principal amount of the uninsured deposit.

At December 31, 2016, the following deposit including accrued interest as of December 31, 2016, was properly collateralized or insured in accordance with state requirements:

<u>BANK</u>	<u>TYPE</u>	<u>FUND</u>	<u>FAIR VALUE</u>	<u>MATURITY</u>
Independent Bank	Certificate of Deposit	General	\$8,015,959	286 days

NOTE 4 – RECEIVABLES AND DEFERRED REVENUE

Receivables as of December 31, 2016 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	\$ 21,809,585		\$ 1,754,188		\$ 23,563,773
Sales tax	5,459,702			\$ 5,118,689	10,578,391
Hotel occupancy tax			631,569		631,569
Event admissions tax	114,260				114,260
Grants receivable	782,634				782,634
Other receivables	<u>980,000</u>				<u>980,000</u>
Total receivables	29,146,181		<u>2,385,757</u>	<u>5,118,689</u>	<u>36,650,627</u>
Less: allowance for uncollectible accounts	<u>(419,954)</u>		<u>(34,581)</u>		<u>(454,535)</u>
Receivables, net	<u>\$ 28,726,227</u>	<u>\$ 0</u>	<u>\$ 2,351,176</u>	<u>\$ 5,118,689</u>	<u>\$ 36,196,092</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 revenue of \$22,677,523 and unearned property tax revenue of \$22,285,621.

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 \$25,384,970 in the General Fund and \$24,655,060 in the Special Revenue Fund from the levy of sales tax for the fiscal year ended December 31, 2016.

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 7.0% of the price paid for a hotel room and a supplemental tax at a rate of up to an additional 2.0%. By Board order, the Township has imposed the maximum 9.0% 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 5.0% 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), 90.0% of the taxes collected are remitted to the Center to be used for certain costs related to the operations of the Pavilion. The remaining 10.0% is to be used by the Township for promotion, funding or support of cultural events held elsewhere in the Township. This agreement is in effect through December 31, 2030.

NOTE 9 – GRANT REVENUE

The Township was awarded grants to provide public transportation service for the general Woodlands/Conroe urbanized area. The grant provides for planning, operations, and upkeep of facilities. Additionally, the Township is the sub-recipient of a grant that will provide for the purchase of 25 buses in the years 2015 through 2019. The Township recognized grant revenues for public transportation services of \$2.2 million and \$4.6 million for the purchase of buses.

NOTE 10 – CAPITAL ASSETS

The Township's investment in capital assets at December 31, 2016 consists of the following:

	BALANCE JANUARY 1, 2016	ADDITIONS	COMPLETIONS/ DISPOSALS	BALANCE DECEMBER 31, 2016
Depreciable capital assets:				
Parks and pathways	\$ 151,152,387	\$ 16,268,806	\$ (251,587)	\$ 167,169,606
Buildings and leasehold improvements	42,997,671	1,380,711		44,378,382
Equipment	24,300,107	9,381,817	(1,407,713)	32,274,211
Depreciable capital assets, at cost	218,450,165	27,031,334	(1,659,300)	243,822,199
Accumulated depreciation:				
Parks and pathways	75,516,906	7,015,426	(238,543)	82,293,789
Buildings and leasehold improvements	11,426,871	1,604,367		13,031,238
Equipment	15,677,587	2,857,451	(1,130,949)	17,404,089
Accumulated depreciation	102,621,364	11,477,244	(1,369,492)	112,729,116
Total depreciable capital assets, net	115,828,801	15,554,090	(289,808)	131,093,083
Nondepreciable capital assets:				
Land	71,587,686	1,018,069		72,605,755
Construction in progress	18,125,218	1,041,254	(12,546,012)	6,620,460
Sculpture and art	558,850	357,729		916,579
Total nondepreciable capital assets	90,271,754	2,417,052	(12,546,012)	80,142,794
Total capital assets, net	\$ 206,100,555	\$ 17,971,142	\$ (12,835,820)	\$ 211,235,877

For the year ended December 31, 2016, depreciation expense was charged to the following functions:

Parks and recreation	\$ 7,379,405
Public safety	2,059,121
Transportation	1,226,209
General and administrative	743,994
Economic development	53,723
Community services	1,276
Community relations	13,516
Total depreciation expense	\$ 11,477,244

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, 2016, the Township had the following commitments:

PROJECT	AMOUNT AUTHORIZED	SPENT TO DATE	REMAINING COMMITMENT
Parks and pathways improvements	\$35,424,231	\$35,100,642	\$323,589
Recreational amenities development	\$2,037,285	\$376,261	\$1,661,024

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 1/16th 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 2016, the Township remitted \$1,580,798 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, 2016 are as follows:

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
General	Special Revenue	\$ 4,536,872
General	Debt Service	1,611,837
General	Capital Projects	313,110
Capital Projects	General	18,065,961
Debt Service	General	<u>1,450,393</u>
Total interfund receivables and payables		<u>\$ 25,978,173</u>

\$4,536,872 due to the General Fund from the Special Revenue Fund is for sales tax revenue to be transferred. \$1,611,837 due to the General Fund from the Debt Service Fund is for hotel occupancy tax (HOT) revenue to be transferred. \$18,065,961 due to the Capital Projects Fund from the General Fund is for designated capital reserves. \$1,450,393 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, 2016 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	\$ 21,928,803				\$ 21,928,803
Capital Projects	608,652				608,652
General		\$ 21,608,646			21,608,646
Debt Service	<u>1,653,302</u>				<u>1,653,302</u>
Total	<u>\$ 24,190,757</u>	<u>\$ 21,608,646</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 45,799,403</u>
Transfers in	\$ 24,190,757	\$ 21,608,646			\$ 45,799,403
Transfers out	<u>(21,608,646)</u>	<u>(608,652)</u>	<u>\$ (1,653,302)</u>	<u>\$ (21,928,803)</u>	<u>(45,799,403)</u>
Total	<u>\$ 2,582,111</u>	<u>\$ 20,999,994</u>	<u>\$ (1,653,302)</u>	<u>\$ (21,928,803)</u>	<u>\$ 0</u>

Transfers out for the year ended December 31, 2016 from the General Fund to the Capital Projects Fund were \$4,012,972 for capital projects and \$16,987,019 for capital reserves. Transfers from the Special Revenue Fund to the General Fund of \$21,928,803 represent sales tax collections in the expanded Zone which are designated for fire protection services. Transfers out of the Debt Service Fund to the General Fund were to reimburse debt service costs paid by the General Fund.

NOTE 13 – ECONOMIC DEVELOPMENT ZONE PROJECTS

Created in November 2007 by resolution of the Township's Board, 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 1.0% 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 24th 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, 2016, aggregate net revenue payments including interest to the developer totaled \$10,550,327 and priority payments to the Township totaled \$2,200,000.

Waterway Square

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

The approved financing plan has a term that began in 2004 and is not to exceed thirty years or until the repayment of all project costs, whichever occurs first. The assessed 1.0% 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, 2016, aggregate net revenue payments including interest to the developer totaled \$7,630,092 and priority payments to the Township totaled \$4,550,000.

Community Fire Protection Services

Beginning in 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 2016 from the Zone and the expanded boundaries was \$21,928,804.

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, GP, L.L.C. 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 \$8,500,000 in total remaining lease payments over the term of the lease. The future minimum lease payments are \$1,870,365 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>
2017	\$ 1,262	\$ 98,738	\$ 100,000
2018	1,328	98,672	100,000
2019	1,398	98,602	100,000
2020	1,472	98,528	100,000
2021	1,550	98,450	100,000
2022-2026	9,066	490,934	500,000
2027-2031	11,726	488,274	500,000
2032-2036	15,165	484,835	500,000
2037-2041	19,614	480,386	500,000
2042-2046	25,367	474,633	500,000
2047-2051	32,808	467,192	500,000
2052-2056	42,432	457,568	500,000
2057-2061	54,879	445,121	500,000
2062-2066	70,977	429,023	500,000
2067-2071	91,797	408,203	500,000
2072-2076	118,724	381,276	500,000
2077-2081	153,550	346,450	500,000
2082-2086	198,591	301,409	500,000
2087-2091	256,845	243,155	500,000
2092-2096	332,186	167,814	500,000
2097-2101	429,628	70,372	500,000
Total	<u>\$ 1,870,365</u>	<u>\$ 6,629,635</u>	<u>\$ 8,500,000</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, 2016, the principal amount of the Township's remaining debt on bonds issued to construct the leased facilities was \$30,390,000.

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	\$1,016,244	\$2,084,570

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 LIABILITIES

The following is a summary of the Township's long-term debt for the year ended December 31, 2016:

	<u>BALANCE DECEMBER 31, 2015</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE DECEMBER 31, 2016</u>	<u>PAYABLE WITHIN ONE YEAR</u>
Revenue bonds	\$ 42,045,000		\$ (2,905,000)	\$ 39,140,000	\$ 3,035,000
General obligation bonds	40,835,000		(2,075,000)	38,760,000	2,130,000
Compensated absences	782,479	\$ 3,163,621	(3,037,897)	908,203	908,203
Unearned financing premium	1,339,068		(108,883)	1,230,185	108,883
Unearned revenue related to operating lease				976,250	177,500
Net pension liability				257,587	
Total	<u>\$ 85,001,547</u>	<u>\$ 3,163,621</u>	<u>\$ (8,126,780)</u>	<u>\$ 81,272,225</u>	<u>\$ 6,359,586</u>

The following table displays the total principal debt outstanding by issuance as of December 31, 2016:

<u>DESCRIPTION</u>	<u>ISSUANCE DATE</u>	<u>INTEREST RATES</u>	<u>FINAL MATURITY DATE</u>	<u>OUTSTANDING PRINCIPAL AMOUNT</u>
Series 2010 Unlimited Tax Bonds	April 22, 2010	3.0%-4.125%	March 1, 2030	\$27,020,000
Series 2010 Sales Tax and Hotel Occupancy Tax Refunding Bonds	October 1, 2010	2.5%-5.0%	March 1, 2027	\$30,390,000
Series 2010 Sales Tax and Hotel Occupancy Tax Bonds	December 1, 2010	3.5%-4.25%	March 1, 2026	\$8,750,000
Series 2011 Unlimited Tax Bonds	November 17, 2011	1.75%-3.45%	March 1, 2032	\$8,335,000
Series 2012 Unlimited Tax Bonds	February 1, 2012	1.0%-3.0%	March 1, 2032	\$3,405,000

Annual debt service requirements to maturity are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
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	5,675,000	2,213,730	7,888,730
2021	5,880,000	2,006,557	7,886,557
2022-2026	32,930,000	6,502,611	39,432,611
2027-2031	16,675,000	1,310,640	17,985,640
2032	775,000	13,144	788,144
Total	<u>\$ 77,900,000</u>	<u>\$ 19,777,058</u>	<u>\$ 97,677,058</u>

At December 31, 2016, 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, 2016, 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 of the State of Texas, 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) after public hearing, adopt certain rules and regulations, punishable by fines or penalties consistent with those under Section 54.001, Local Government Code and enforce the same, 4) engage in activities accomplishing transportation and traffic movement purposes, including but not limited to mass transportation, parking, pedestrian movement, rail systems, traffic movement and transit terminal, 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, 5) borrow money or issue bonds for the corporate purposes of the Township, 6) undertake separately or joint improvement projects for the Township, 7) contract off-duty peace officers for special event, holiday, or traffic congestion public safety services, 8) 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 9) 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 0.5% 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 2016, the Township paid \$1,521,902 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 85.0% 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 \$1,292,609 to the Section 457 plan in 2016.

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 14.0% of eligible employees' salaries for 2016, provided an employee made salary deferral contributions of 7.0% of their salary. For the year ended December 31, 2016, the Township's contributions to this plan totaled \$1,388,276. The plan is fully funded on a current basis.

Other Postemployment Benefits

As of January 1, 2010, the Board of 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 50.0% 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 April 2016 for the year ended December 31, 2015. 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 costs each year and amortize unfunded actuarial liabilities over a period not to exceed 30 years. OPEB costs for the year ended December 31, 2016 and the ARC is as follows.

Normal cost	\$ 28,000
Amortization of unfunded liability	<u>25,000</u>
ARC	53,000
Interest on net OPEB obligation	6,000
Adjustment to ARC	<u>(5,000)</u>
Net OPEB cost	<u>\$ 54,000</u>

The Township’s annual OPEB, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation for the year ending December 31, 2016 is as follows:

Net OPEB cost	\$ 54,000
Less: Contributions made	<u>(205,081)</u>
Estimated decrease in net OPEB obligation	(151,081)
Net OPEB obligation, January 1, 2016	<u>134,211</u>
Net OPEB obligation (asset), December 31, 2016	<u>\$ (16,870)</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 NET OPEB COST</u>	<u>% OF ANNUAL NET OPEB COST CONTRIBUTED</u>	<u>NET OPEB OBLIGATION</u>
2013	\$81,000	68.7%	\$129,557
2014	\$67,000	64.27%	\$153,515
2015	\$54,000	135.75%	\$134,211
2016	\$54,000	379.78%	\$(16,870)

Funding Status and Funding Progress – As of January 1, 2015, 2014, and 2013, the most recent valuation dates, the funded status of the plan was as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Plan assets	\$0	\$0	\$0
Actuarial accrued liability	\$648,000	\$746,000	\$953,000
Unfunded actuarial accrued liability	\$648,000	\$648,000	\$953,000
Funded ratio	0%	0%	0%
Covered payroll	\$23,045,750	\$21,946,728	\$21,200,055
Unfunded actuarial accrued liability as a percentage of covered payroll	2.8%	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, 2015, 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 4.0% and assumed a healthcare cost trend rate of 8.0% in the year ending December 31, 2015 and grading down by 0.5% each year to a rate of 4.5% healthcare cost trend rate. The Health Consumer Price Index is assumed to increase at a rate of 3.0% each year. The remaining open amortization period is considered to be 30 years. The valuation assumes that 10.0% 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.

The Woodlands Firefighters' Retirement System

Firefighters in the Woodlands Fire Department created The Woodlands Firefighters' Retirement System (the System) effective January 1, 2015, which provides firefighters and their beneficiaries certain retirement, disability, and survivor benefits. The System was established pursuant to Section 3(e) and Section 4 of the Texas Local Fire Fighters Retirement Act (TLFFRA), as revised. All assets of the plan are held in a trust that is maintained and administered by the Board of Trustees of the System for the exclusive purpose and benefit of all the members, retirees, and beneficiaries of the System. The Township does not have access to, nor can it utilize, the assets within the retirement plan trust. The System is a single employer defined benefit pension plan.

Plan benefits are as follows: Normal retirement benefits are available upon attainment of age 52 and 20 years of credited service. Benefits accrued are 2.5% of average final compensation times credited service for first 20 years, plus 3.0% of average final compensation times credited service thereafter. Members will only be vested in an annuity benefit upon attaining normal retirement eligibility. Disability benefits are available if total and permanent disability is determined by the Board. Disability benefits are 2.0% of average final compensation times credited service, but not less than 50.0% of average final compensation. Pre-retirement death benefit is available based on 75.0% of the member's accrued benefit at date of death (utilizing at least 20 years of service).

In the January 1, 2016 actuarial valuation, there were 136 active participants and 1 terminated – vested participant in the plan.

The contribution provisions of the System are authorized by the TLFFRA. The TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the Township. The funding policy of the System requires contributions equal to 12.0% of pay from each firefighter. The rate was elected by the firefighters according to the TLFFRA. The Township currently contributes 12.0% of pay for each active firefighter. There is an unwritten understanding between the Township and the System's Board that the Township's contribution rate will neither increase nor decrease. The actuarial valuation includes the assumption that both the participants' and the Township's contribution rates will remain at 12.0%.

Contribution requirements are not actuarially determined; however, TLFFRA requires that each change in plan benefits be first approved by an eligible actuary, certifying that the contribution commitment by the firefighters and the assumed Township contributions provide an adequate contribution arrangement to support the proposed change. At January 1, 2016, the total normal cost rate is 22.76% of normal payroll. As there is no existing unfunded actuarial accrued liability, 1.24% of the payroll contributions from the Township will serve as a reserve in the trust fund that will be utilized to assist in funding future actuarial losses.

The Township's net pension asset was measured at December 31, 2016 and 2015, and the total pension liability used to calculate the net pension asset was determined by actuarial valuation as of that date.

	<u>2016</u>	<u>2015</u>
System fiduciary net position	\$ 26,188,804	\$ 22,184,111
Total pension liability	<u>(26,446,391)</u>	<u>(21,902,613)</u>
Net pension asset (liability)	<u>\$ (257,587)</u>	<u>\$ 281,498</u>
System fiduciary net position as a percentage of total pension liability	99.0%	101.3%

The total pension liability in the January 1, 2016 valuation was determined using the following actuarial assumptions:

Investment rate of return: 7.0%

Salary increases: 4.0% to 11.5% based on years of service

Inflation: 2.5%

Discount rate: 7.0%

Mortality rate: RP-2000 Combined Healthy Mortality Projected to Valuation Date using Scale AA

The date of the most recent experience study for which significant assumptions are based upon is not available.

The System fiduciary net position reported above is the same as reported by the fund. Detailed information about the System net position is available in the System's separately issued audited financial statements, which are reported using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when due. Benefits paid and contribution refunds are recognized when due and payable. Investments are reported at fair value. The System's audited financial statements may be obtained by writing Jennifer Hanna, Plan Administrator, P. O. Box 1250, Conroe, Texas, 77305.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2016 are summarized in the following table:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED RATE OF RETURN</u>
Equities	60-85%	6.21%
Fixed-income	10-40%	4.05%
Cash	1-10%	0.00%
Alternative investments	5-15%	

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution

rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. For purposes of this valuation, the expected rate of return on pension plan investments is 7.0%; the municipal bond rate is 3.57% (based on the weekly rate closest to but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve); and the resulting single discount rate is 7.0%.

Changes in net pension assets are as follows:

	TOTAL PENSION LIABILITY	PLAN FIDUCIARY NET POSITION	NET PENSION ASSET
Balance as of January 1, 2015	\$ 0	\$ 0	\$ 0
Changes:			
Service cost	2,082,564		2,082,564
Interest	141,034		141,034
Differences between expected and actual experience	(654,318)		(654,318)
Contributions - employer		1,184,257	(1,184,257)
Contributions - employee		1,184,257	(1,184,257)
Contributions - buy back	20,468,906	20,468,906	
Net investment income		(387,995)	387,995
Benefit payments, including refunds of employee contributions	(135,573)	(135,573)	
Administrative expense		(129,741)	129,741
Balance as of December 31, 2015	21,902,613	22,184,111	(281,498)
Changes:			
Service cost	2,231,125		2,231,125
Interest	1,689,051		1,689,051
Differences between expected and actual experience	632,469		632,469
Contributions - employer		1,282,518	(1,282,518)
Contributions - employee		1,282,518	(1,282,518)
Net investment income		1,531,200	(1,531,200)
Benefit payments, including refunds of employee contributions	(8,867)	(8,867)	
Administrative expense		(82,676)	82,676
Balance as of December 31, 2016	<u>\$ 26,446,391</u>	<u>\$ 26,188,804</u>	<u>\$ 257,587</u>

Sensitivity of the net pension liability to the changes in the discount rate:

	1% DECREASE	CURRENT DISCOUNT RATE	1% INCREASE
Percentage	6.0%	7.0%	8.0%
Net pension (asset) liability	<u>\$ 4,758,296</u>	<u>\$ 257,587</u>	<u>\$ (3,497,720)</u>

For the year ended December 31, 2016, the Township recognized pension expense of \$1,345,527. At December 31, 2016, deferred outflows of resources and deferred inflows of resources related to the System are as follows:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual experience	\$ 590,305	\$ 572,530
Net difference between projected and actual earnings on investments	<u>787,293</u>	<u></u>
Total	<u>\$ 1,377,598</u>	<u>\$ 572,530</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	\$ 256,993
2018	256,993
2019	256,994
2020	21,389
2021	1,269
Thereafter	<u>11,430</u>
Total	<u>\$ 805,068</u>

On December 31, 2016, the Township reported a payable of \$1,279 for the outstanding amount of contributions of the System required for the year ended December 31, 2016.

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 \$105,000 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 two years was as follows:

Balance at December 31, 2014	\$ 280,688
Claims incurred	4,807,243
Claims paid	(3,784,456)
Third-party reimbursement of claims made in excess of \$85,000	<u>(951,037)</u>
Balance at December 31, 2015	352,438
Claims incurred	4,422,551
Claims paid	(3,980,507)
Third-party reimbursement of claims made in excess of \$105,000	<u>(499,893)</u>
Balance at December 31, 2016	<u>\$ 294,589</u>

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



REQUIRED SUPPLEMENTARY INFORMATION

The Woodlands Township

Required Supplementary Information
Schedule of Funding Progress
Other Postemployment Benefits
Year Ended December 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAL)	Funded Ratio as a Percentage	Annual Covered Payroll	UAL as Percentage of Covered Payroll
December 31, 2010	\$0	\$643,000	\$643,000	0	\$18,820,072	3.4%
December 31, 2012	\$0	\$953,000	\$953,000	0	\$21,200,035	4.5%
December 31, 2013	\$0	\$746,000	\$746,000	0	\$21,946,728	3.3%
December 31, 2015	\$0	\$648,000	\$648,000	0	\$23,045,754	2.8%

Notes to Schedule:

Actuarial Cost Method:	Projected Unit Credit Method
Amortization Method:	Amortized over the maximum period of 30 years on an open basis
Remaining Amortization Period:	30 years
Discount Rate:	3.0%
Healthcare Cost Trend Rate:	8.0% grading down annually 0.5% to 4.5%
Salary Increases:	Not applicable to the valuation
Investment Rate of Return:	4.0%
Retirement Age:	Years of service and age at retirement must equal 75 (Rule of 75)
Mortality:	RP – 2014 projected of 2030 using Scale MP-2014 and applied on a gender specific basis

The Woodlands Township

Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
The Woodlands Firefighters' Retirement System
Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>
Pension liability:		
Service cost	\$ 2,231,125	\$ 2,082,564
Interest	1,689,051	141,034
Difference between expected and actual experience	632,469	(654,318)
Contribution		20,468,906
Benefit payments, including refunds of employees' contributions	<u>(8,867)</u>	<u>(135,573)</u>
Net change in pension liability	4,543,778	21,902,613
Pension liability, beginning of year	<u>21,902,613</u>	<u>0</u>
Pension liability, end of year	<u>\$ 26,446,391</u>	<u>\$ 21,902,613</u>
Plan fiduciary net position:		
Contributions – employer	\$ 1,282,518	\$ 1,184,257
Contributions – employee	1,282,518	1,184,257
Contributions – buyback		20,468,906
Net investment income	1,531,200	(387,995)
Benefit payments, including refunds of employee contributions	(8,867)	(135,573)
Administrative expense	<u>(82,676)</u>	<u>(129,741)</u>
Net change in plan fiduciary net position	4,004,693	22,184,111
Plan net position, beginning of year	<u>22,184,111</u>	<u>0</u>
Plan net position, end of year	<u>\$ 26,188,804</u>	<u>\$ 22,184,111</u>
Net pension (asset) liability	<u>\$ 257,587</u>	<u>\$ (281,498)</u>
Plan net position as a percentage of total pension (asset) liability	99.0%	101.3%
Covered payroll	\$10,687,650	\$9,868,808
Net pension (asset) liability as a percentage of covered payroll	2.4%	(2.9%)

Notes to Schedule:

Valuation Date – Contribution requirements are not actuarially determined; however, TLFFRA requires that each change in plan benefits be first approved by an eligible actuary, certifying that the contribution commitment by the firefighters and the assumed Township contributions provide an adequate contribution arrangement to support the proposed change.

Methods and Assumptions Used:

Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	30 years
Asset Valuation Method:	10-year smoothed market, 15.0% soft corridor
Inflation:	2.5%
Salary Increases:	4.0% to 11.5% including inflation
Investment Rate of Return:	7.0%
Retirement Age:	Normal retirement benefits are available upon attainment of age 52 and 20 years of credited service
Mortality:	RP2000 Combined Mortality Table project to valuation date using Scale AA.
Other Information:	There were no benefit changes during the year

The information in this schedule has been determined as of the Township's most recent fiscal year end and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB No. 68, only periods for which such information is available are presented.

The Woodlands Township

Required Supplementary Information
Schedule of Contributions
The Woodlands Firefighters' Retirement System
Year Ended December 31, 2016

Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAL)	Funded Ratio as a Percentage	Annual Covered Payroll	UAL as Percentage of Covered Payroll
2015	\$22,184,111	\$21,902,613	\$(281,498)	101.3%	\$9,868,808	(2.9%)
2016	\$26,188,804	\$26,446,391	\$257,587	99.0%	\$10,687,650	2.4%

Note to Schedule:

The above is intended to provide information for 10 years; however, The Woodlands Township Firefighters' Retirement System began effective January 1, 2015, and the above only presents information for those years that the plan has been in existence.



STATISTICAL SECTION

**The Woodlands Township
Statistical Section
as of December 31, 2016**

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. 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

	Fiscal Year				
	2016	2015	2014	2013	2012
Governmental activities					
Invested in capital assets, net of related debt	\$ 132,543,345	\$ 123,220,556	\$ 97,405,129	\$ 89,038,043	\$ 85,987,494
Restricted for capital projects	-	3,003,746	2,195,005	4,530,939	5,661,945
Restricted for debt retirement	5,532,028	5,364,881	9,927,839	19,679,961	7,074,176
Restricted for health care obligations	800,000	800,000	800,000	800,000	800,000
Restricted for The Woodlands Township					
Firefighters Retirement System	547,481	610,490	389,121	303,240	174,074
Restricted for cultural events/education	682,543	542,969	-	-	-
Unrestricted	82,123,762	66,104,620	67,598,502	38,726,227	35,115,127
Total governmental activities net position	<u>\$ 222,229,159</u>	<u>\$ 199,647,262</u>	<u>\$ 178,315,596</u>	<u>\$ 153,078,410</u>	<u>\$ 134,812,816</u>
Business-type activities					
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>
Primary government					
Invested in capital assets, net of related debt	\$ 132,543,345	\$ 123,220,556	\$ 97,405,129	\$ 89,038,043	\$ 85,987,494
Restricted for capital projects	-	3,003,746	2,195,005	4,530,939	5,661,945
Restricted for debt service	5,532,028	5,364,881	9,927,839	19,679,961	7,074,176
Restricted for health care obligations	800,000	800,000	800,000	800,000	800,000
Restricted for The Woodlands Township					
Firefighters Retirement System	547,481	610,490	-	-	-
Restricted for cultural events/education	682,543.00	542,969	389,121.00	303,240.00	174,074.00
Unrestricted	82,123,762	66,104,620	67,598,502	38,726,227	35,115,127
Total primary government net position	<u>\$ 222,229,159</u>	<u>\$ 199,647,262</u>	<u>\$ 178,315,596</u>	<u>\$ 153,078,410</u>	<u>\$ 134,812,816</u>

Note:

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

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

Exhibit S-1
(continued)

	Fiscal Year				
	2011	2010	2009	2008	2007
Governmental activities					
Invested in capital assets, net of related debt	\$ 65,271,080	\$ 73,219,481	\$ 67,770,992	\$ 65,571,217	\$ 10,977,452
Restricted for capital projects	17,167,406	15,085,853	-	-	-
Restricted for debt retirement	3,197,965	3,038,105	3,933,967	4,800,759	4,623,629
Restricted for health care obligations	800,000	800,011	-	-	-
Restricted for cultural events/education	72,144	-	-	-	-
Unrestricted	34,037,438	21,088,129	(18,745,899)	(17,147,464)	(25,248,944)
Total governmental activities net position	<u>\$ 120,546,033</u>	<u>\$ 113,231,579</u>	<u>\$ 52,959,060</u>	<u>\$ 53,224,512</u>	<u>\$ (9,647,863)</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ -	\$ -	\$ 2,518,604	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	-	-	316,592	-	-
Total business-type activities net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,835,196</u>	<u>\$ -</u>	<u>\$ -</u>
Primary government					
Invested in capital assets, net of related debt	\$ 65,271,080	\$ 73,219,481	\$ 70,289,596	\$ 65,571,217	\$ 10,977,452
Restricted for capital projects	17,167,406	15,085,853	-	-	-
Restricted for debt service	3,197,965	3,038,105	3,933,967	4,800,759	4,623,629
Restricted for health care obligations	800,000	800,011	-	-	-
Restricted for cultural events/education	72,144.00	-	-	-	-
Unrestricted	34,037,438	21,088,129	(18,429,307)	(17,147,464)	(25,248,944)
Total primary government net position	<u>\$ 120,546,033</u>	<u>\$ 113,231,579</u>	<u>\$ 55,794,256</u>	<u>\$ 53,224,512</u>	<u>\$ (9,647,863)</u>

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

Exhibit S-2

Expenses	Fiscal Year				
	2016	2015	2014	2013	2012
Governmental activities:					
General and administrative	\$ 9,261,891	\$ 9,622,152	\$ 9,380,163	\$ 8,707,097	\$ 8,456,125
Public safety	36,515,682	34,044,146	32,619,196	31,811,856	29,747,881
Parks and recreation	24,855,917	23,193,611	20,762,371	19,421,173	20,761,581
Transportation	8,000,757	8,020,936	-	-	-
Economic development	7,701,277	7,926,550	7,263,439	7,108,713	6,522,378
Community services	13,348,780	13,452,833	13,075,813	12,638,013	12,293,064
Community relations	1,080,372	1,109,528	1,014,817	1,108,653	1,045,859
Interest expense and other financing charges	2,791,107	2,978,405	3,279,425	4,010,066	4,084,005
Total governmental activities expenses	<u>103,555,783</u>	<u>100,348,161</u>	<u>87,395,224</u>	<u>84,805,571</u>	<u>82,910,893</u>
Total business-type activities expenses	-	-	-	-	-
Total primary government expenses	<u>\$ 103,555,783</u>	<u>\$ 100,348,161</u>	<u>\$ 87,395,224</u>	<u>\$ 84,805,571</u>	<u>\$ 82,910,893</u>
Program revenues					
Governmental activities:					
Charges for services:					
General and administrative	\$ 242,516	\$ 289,166	\$ 302,683	\$ 447,202	\$ 518,279
Public safety	1,308,736	1,230,077	1,203,294	1,177,730	1,093,550
Parks and recreation	4,162,785	4,128,669	3,525,099	3,269,967	3,208,219
Transportation	4,435,029	3,896,306	-	-	-
Economic development	722,383	578,708	607,022	671,525	855,054
Community services	113,667	135,325	159,210	113,303	129,997
Community relations	14,000	14,000	16,727	14,000	14,000
Operating grants and contributions	2,557,468	3,578,535	662,586	648,505	144,748
Capital grants and contributions	9,483,179	5,459,167	3,454,947	2,596,688	2,257,611
Total governmental activities program revenues	<u>23,039,763</u>	<u>19,309,953</u>	<u>9,931,568</u>	<u>8,938,920</u>	<u>8,221,458</u>
Total business-type activities program revenues	-	-	-	-	-
Total primary government program revenues	<u>\$ 23,039,763</u>	<u>\$ 19,309,953</u>	<u>\$ 9,931,568</u>	<u>\$ 8,938,920</u>	<u>\$ 8,221,458</u>
Net (expense)/revenue					
Governmental activities	\$ (80,516,020)	\$ (81,038,208)	\$ (77,463,656)	\$ (75,866,651)	\$ (74,689,435)
Business-type activities	-	-	-	-	-
Total primary government net expense	<u>\$ (80,516,020)</u>	<u>\$ (81,038,208)</u>	<u>\$ (77,463,656)</u>	<u>\$ (75,866,651)</u>	<u>\$ (74,689,435)</u>
General revenues and other changes in net position					
Governmental activities:					
Taxes:					
Property	\$ 42,419,414	\$ 41,014,842	\$ 42,830,246	\$ 42,201,573	\$ 41,205,807
Sales and use	50,040,030	51,309,122	50,116,690	46,102,554	40,213,060
Other	9,250,727	9,330,222	9,044,278	7,812,347	7,105,774
Unrestricted investment earnings	411,713	190,761	16,115	217,076	344,801
Other revenues	976,033	524,927	548,513	105,397	86,776
Total governmental activities	<u>103,097,917</u>	<u>102,369,874</u>	<u>102,555,842</u>	<u>96,438,947</u>	<u>88,956,218</u>
Gain (loss) on disposal of property	-	-	-	-	-
Total primary government	<u>\$ 103,097,917</u>	<u>\$ 102,369,874</u>	<u>\$ 102,555,842</u>	<u>\$ 96,438,947</u>	<u>\$ 88,956,218</u>
Changes in net position					
Governmental activities	\$ 22,581,897	\$ 21,331,666	\$ 20,572,296	\$ 20,572,296	\$ 14,266,783
Business-type activities	-	-	-	-	-
Due to transition agreement	-	-	-	-	-
Total primary government changes in net position	<u>\$ 22,581,897</u>	<u>\$ 21,331,666</u>	<u>\$ 20,572,296</u>	<u>\$ 20,572,296</u>	<u>\$ 14,266,783</u>

Note:

- The business-type activities in 2009 were entities that had previously been part of the Associations. Effective January 1, 2010, the entities were dissolved and their operations were merged with the primary government.

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

Exhibit S-2
(continued)

Expenses	Fiscal Year				
	2011	2010	2009	2008	2007
Governmental activities:					
General and administrative	\$ 8,918,830	\$ 8,541,489	\$ 2,936,574	\$ 994,155	\$ 3,724,658
Public safety	28,154,907	25,246,482	19,752,922	12,223,166	4,149,065
Parks and recreation	18,312,703	17,760,347	-	-	-
Economic development	5,368,027	4,661,526	5,952,351	315,601	684,582
Community services	12,662,126	11,892,104	3,033,631	1,414,033	736,789
Community relations	1,272,425	1,055,094	456,034	360,275	2,222,446
Interest expense and other financing charges	4,333,201	4,030,513	3,538,611	2,505,017	2,425,408
Total governmental activities expenses	<u>79,022,219</u>	<u>73,187,555</u>	<u>35,670,123</u>	<u>17,812,248</u>	<u>13,942,948</u>
Total business-type activities expenses	-	-	17,980,414	-	-
Total primary government expenses	<u>\$ 79,022,219</u>	<u>\$ 73,187,555</u>	<u>\$ 53,650,537</u>	<u>\$ 17,812,248</u>	<u>\$ 13,942,948</u>
Program revenues					
Governmental activities:					
Charges for services:					
General and administrative	\$ 430,391	\$ -	\$ -	\$ -	\$ -
Public safety	577,075	-	-	-	-
Parks and recreation	2,924,756	2,840,416	-	-	-
Economic development	755,078	-	-	-	-
Community services	112,386	636,864	200,548	191,612	109,654
Community relations	28,397	38,636	27,100	25,100	455,121
Operating grants and contributions	227,719	200,997	-	-	-
Capital grants and contributions	1,011,097	2,140,633	-	-	-
Total governmental activities program revenues	<u>6,066,899</u>	<u>5,857,546</u>	<u>227,648</u>	<u>216,712</u>	<u>564,775</u>
Total business-type activities program revenues	-	-	19,440,848	-	-
Total primary government program revenues	<u>\$ 6,066,899</u>	<u>\$ 5,857,546</u>	<u>\$ 19,668,496</u>	<u>\$ 216,712</u>	<u>\$ 564,775</u>
Net (expense)/revenue					
Governmental activities	\$ (72,955,320)	\$ (67,330,009)	\$ (35,442,475)	\$ (17,595,536)	\$ (13,378,173)
Business-type activities	-	-	1,460,434	-	-
Total primary government net expense	<u>\$ (72,955,320)</u>	<u>\$ (67,330,009)</u>	<u>\$ (33,982,041)</u>	<u>\$ (17,595,536)</u>	<u>\$ (13,378,173)</u>
General revenues and other changes in net position					
Governmental activities:					
Taxes:					
Property	\$ 39,657,768	\$ 38,091,288	\$ -	\$ -	\$ -
Sales and use	35,021,092	31,307,932	29,814,070	26,930,229	14,222,505
Other	5,536,771	3,607,297	3,330,819	4,132,397	3,758,367
Unrestricted investment earnings	320,152	419,701	1,053,350	830,534	1,070,997
Other revenues	-	-	29,831	12,712	10,743
Total governmental activities	<u>80,535,783</u>	<u>73,426,218</u>	<u>34,228,070</u>	<u>31,905,872</u>	<u>19,062,612</u>
Gain (loss) on disposal of property	<u>(266,009)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 80,269,774</u>	<u>\$ 73,426,218</u>	<u>\$ 34,228,070</u>	<u>\$ 31,905,872</u>	<u>\$ 19,062,612</u>
Changes in net position					
Governmental activities	\$ 7,314,454	\$ 6,096,209	\$ (1,214,405)	\$ 14,310,336	\$ 5,684,439
Business-type activities	-	-	1,460,434	-	-
Due to transition agreement	-	71,479,090	-	-	-
Total primary government changes in net position	<u>\$ 7,314,454</u>	<u>\$ 77,575,299</u>	<u>\$ 246,029</u>	<u>\$ 14,310,336</u>	<u>\$ 5,684,439</u>

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

Exhibit S-3

	Fiscal Year				
	2016	2015	2014	2013	2012
General Fund					
Nonspendable	\$ 6,346,633	\$ 6,835,150	\$ 6,781,189	\$ 7,080,922	\$ 7,884,084
Restricted	1,482,543	3,803,746	800,000	800,000	800,000
Committed	58,508,622	542,996	389,121	303,240	174,044
Assigned	16,107,130	15,007,906	14,500,715	13,768,442	19,268,851
Unassigned	4,722,035	13,982,529	11,934,012	9,054,699	7,819,322
Unreserved, undesignated	-	-	-	-	-
Unreserved, designated	-	-	-	-	-
Reserved for long-term receivable	-	-	-	-	-
Reserved for prepaids	-	-	-	-	-
Total general fund	<u>87,166,963</u>	<u>40,172,327</u>	<u>34,405,037</u>	<u>31,007,303</u>	<u>35,946,301</u>
All other governmental funds					
Restricted	-	-	2,195,005	4,530,939	5,661,945
Committed	58,508,622	43,399,461	55,335,115	53,564,038	35,026,508
Unassigned	(5,922,661)	(6,069,195)	(6,205,803)	(6,333,145)	(6,451,895)
Reserved for debt service	-	-	-	-	-
Reserved for capital projects	-	-	-	-	-
Unreserved, designated reported in:					
Capital projects	-	-	-	-	-
Special revenue	-	-	-	-	-
Unreserved, undesignated reported in:					
Special revenue	-	-	-	-	-
Total all other governmental funds	<u>52,585,961</u>	<u>37,330,266</u>	<u>51,324,317</u>	<u>51,761,832</u>	<u>34,236,558</u>
Total all fund balances	<u>\$ 139,752,924</u>	<u>\$ 77,502,593</u>	<u>\$ 85,729,354</u>	<u>\$ 82,769,135</u>	<u>\$ 70,182,859</u>

Note:

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

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

Exhibit S-3
(continued)

	Fiscal Year				
	2011	2010	2009	2008	2007
General Fund					
Nonspendable	\$ 7,870,337	\$ -	\$ -	\$ -	\$ -
Restricted	800,000	-	-	-	-
Committed	872,144	-	-	-	-
Assigned	19,189,514	-	-	-	-
Unassigned	7,535,672	-	-	-	-
Unreserved, undesignated	-	22,774,184	21,968,883	17,767,082	12,835,980
Unreserved, designated	-	-	-	4,451,163	-
Reserved for long-term receivable	-	6,665,722	6,376,288	6,851,522	8,134,629
Reserved for prepaids	-	880,720	185,037	56,195	-
Total general fund	<u>36,267,667</u>	<u>30,320,626</u>	<u>28,530,208</u>	<u>29,125,961</u>	<u>20,970,609</u>
All other governmental funds					
Restricted	17,167,406	-	-	-	-
Committed	19,310,321	-	-	-	-
Unassigned	(6,562,558)	-	-	-	-
Reserved for debt service	-	6,458,933	4,943,669	4,800,759	4,623,629
Reserved for capital projects	-	26,483,201	-	-	-
Unreserved, designated reported in:					
Capital projects	-	-	1,294,477	935,695	1,433,704
Special revenue	-	-	-	-	848,902
Unreserved, undesignated reported in:					
Special revenue	-	(7,311,827)	(7,290,051)	(6,851,522)	(6,634,493)
Total all other governmental funds	<u>29,915,169</u>	<u>25,630,307</u>	<u>(1,051,905)</u>	<u>(1,115,068)</u>	<u>271,742</u>
Total all fund balances	<u>\$ 66,182,836</u>	<u>\$ 55,950,933</u>	<u>\$ 27,478,303</u>	<u>\$ 28,010,893</u>	<u>\$ 21,242,351</u>

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

Exhibit S-4

	Fiscal Year				
	2016	2015	2014	2013	2012
Revenues					
Property tax	\$ 42,419,414	\$ 41,014,842	\$ 42,830,246	\$ 42,201,573	\$ 41,205,807
Sales tax	50,040,030	51,309,122	50,116,690	46,102,554	40,213,060
Hotel occupancy tax	7,855,255	7,791,741	7,366,412	6,520,692	6,086,477
Event admissions tax	1,395,472	1,538,481	1,677,866	1,291,655	1,019,297
Investment earnings	312,911	91,959	62,196	118,103	245,776
Intergovernmental revenue	403,465	413,392	422,651	431,284	439,334
Program service fees	20,064,423	16,957,887	7,804,329	6,536,764	7,134,504
Other revenues	-	-	-	-	-
Total revenues	122,490,970	119,117,424	110,280,390	103,202,625	96,344,255
Expenditures					
General and administrative	8,489,531	9,005,899	8,950,587	8,036,722	8,102,699
Public safety	34,393,552	32,654,857	30,593,589	29,163,979	28,214,207
Parks and recreation	17,476,512	16,031,468	13,917,069	13,234,866	14,833,317
Transportation	6,774,548	8,020,936	-	-	-
Economic development	10,143,349	8,324,127	7,105,163	6,950,437	6,365,106
Community services	13,347,504	13,452,167	13,075,813	12,638,013	12,238,660
Community relations	1,066,856	1,088,004	997,870	1,087,448	1,022,199
Capital outlay	12,828,693	30,438,180	8,986,870	9,745,644	16,192,115
Debt service:					
Principal	4,980,000	4,805,000	19,640,000	5,190,000	4,520,000
Interest and fiscal charges	3,326,055	3,523,547	4,053,210	4,569,270	4,288,016
Bond refundings	-	-	-	-	-
Total expenditures	112,826,600	127,344,185	107,320,171	90,616,379	95,776,319
Excess of revenues over (under) expenditures	9,664,370	(8,226,761)	2,960,219	12,586,246	567,936
Other financing sources (uses)					
Developer contributions	-	-	-	-	-
Transfers in (out)	-	-	-	-	-
Debt issuance	-	-	-	-	4,205,000
Capital leases	-	-	-	-	-
Proceeds from sale of property	-	-	-	-	-
Other contractual obligations	-	-	-	-	27,117
Total financing sources (uses)	-	-	-	-	4,232,117
Change in fund balance due to transition agreement	-	-	-	-	-
Net change in fund balances	\$ 9,664,370	\$ (8,226,761)	\$ 2,960,219	\$ 12,586,246	\$ 4,800,053
Debt service as a percentage of noncapital expenditures					
	8.3%	8.6%	24.1%	12.1%	11.1%

Note:

- The significant increases in 2010 are due to both the merger of the Township with the Associations and the issuance of three bond offerings. See the accompanying notes to the financial statements for information on the transition agreement and bond offerings. Transportation services were added in 2015.

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

Exhibit S-4
(continued)

	Fiscal Year				
	2011	2010	2009	2008	2007
Revenues					
Property tax	\$ 39,657,768	\$ 38,091,288	\$ -	\$ -	\$ -
Sales tax	35,021,092	31,307,932	29,814,070	26,930,229	14,222,505
Hotel occupancy tax	4,807,693	3,607,297	3,330,819	4,132,397	3,758,367
Event admissions tax	729,078	-	-	-	-
Investment earnings	221,078	320,588	1,053,350	1,319,192	1,476,516
Intergovernmental revenue	213,319	200,997	200,548	216,712	455,121
Program service fees	4,918,158	3,438,408	-	-	-
Other revenues	-	-	57,767	13,506	11,497
Total revenues	<u>85,568,186</u>	<u>76,966,510</u>	<u>34,456,554</u>	<u>32,612,036</u>	<u>19,924,006</u>
Expenditures					
General and administrative	8,257,871	7,938,138	4,512,725	2,603,190	2,227,315
Public safety	26,604,702	23,610,653	19,732,304	4,375,103	4,148,784
Parks and recreation	12,705,645	12,014,668	-	-	-
Economic development	5,244,454	4,661,526	5,952,351	788,370	684,582
Community services	12,543,864	11,759,355	1,635,935	1,413,445	628,084
Community relations	1,245,903	988,242	396,890	361,119	2,221,997
Capital outlay	12,115,143	13,747,069	243,384	58,860,185	5,730,929
Debt service:					
Principal	3,545,000	21,872,403	1,440,969	1,379,372	1,332,957
Interest and fiscal charges	4,327,239	6,036,495	3,408,542	2,876,668	2,849,216
Bond refundings	-	40,530,000	-	-	-
Total expenditures	<u>86,589,821</u>	<u>143,158,549</u>	<u>37,323,100</u>	<u>72,657,452</u>	<u>19,823,864</u>
Excess of revenues over (under) expenditures	<u>(1,021,635)</u>	<u>(66,192,039)</u>	<u>(2,866,546)</u>	<u>(40,045,416)</u>	<u>100,142</u>
Other financing sources (uses)					
Developer contributions	-	-	-	54,601,038	-
Transfers in (out)	-	-	-	(7,787,080)	-
Debt issuance	9,900,000	87,775,000	-	16,440,000	-
Capital leases	-	-	-	-	43,019
Proceeds from sale of property	502,045	-	-	-	-
Other contractual obligations	51,493	1,918,830	1,385,000	(16,440,000)	-
Total financing sources (uses)	<u>10,453,538</u>	<u>89,693,830</u>	<u>1,385,000</u>	<u>46,813,958</u>	<u>43,019</u>
Change in fund balance due to transition agreement	-	4,970,839	-	-	-
Net change in fund balances	<u>\$ 9,431,903</u>	<u>\$ 28,472,630</u>	<u>\$ (1,481,546)</u>	<u>\$ 6,768,542</u>	<u>\$ 143,161</u>
Debt service as a percentage of noncapital expenditures	10.6%	21.6%	13.1%	30.8%	29.7%

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

Exhibit S-5

Fiscal Year	Sales Tax	Hotel Occupancy Tax	Property Tax	Event Admissions Tax	Total
2016	\$ 50,040,030	\$ 7,855,255	\$ 42,419,414	\$ 1,395,472	\$ 101,710,171
2015	51,309,122	7,791,741	41,014,842	1,538,481	101,654,186
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

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 Seven Years
(unaudited)

Exhibit S-6

Fiscal Year	Residential Property	Commercial Property	Other Property	Personal Property	Less: Tax Exempt Property	Total Taxable Value	Total Direct Tax Rate
2016	\$15,327,000,206	\$2,958,334,084	\$1,164,840,545	\$1,043,159,326	\$2,163,644,147	\$18,329,690,014	0.2300
2015	13,377,102,208	2,640,666,133	1,155,508,775	879,301,955	1,812,257,107	16,240,321,964	0.2500
2014	11,740,400,635	2,060,542,921	1,003,923,137	853,111,365	1,328,900,420	14,329,077,638	0.2940
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

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. 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

Sales Tax ¹	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
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
Hotel Occupancy Tax ²										
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	0.0900	0.0900	0.0800	0.0700	0.0700	0.0700	0.0700
The Woodlands Township EDZ	-	-	-	-	-	-	-	-	-	-
Total Hotel Occupancy Tax	0.1500	0.1500	0.1500	0.1500	0.1500	0.1400	0.1300	0.1300	0.1300	0.1300
Property Tax ³										
State of Texas	-	-	-	-	-	-	-	-	-	-
The Woodlands Township	0.2300	0.2500	0.2940	0.3173	0.3250	0.3274	0.3280	-	-	-
The Woodlands Township EDZ	-	-	-	-	-	-	-	-	-	-
Montgomery County	0.4667	0.4767	0.4838	0.4838	0.4838	0.4838	0.4838	0.4838	0.4888	0.4913
Harris County	0.4166	0.4192	0.4146	0.3912	0.3912	0.3881	0.3922	0.3892	0.3924	0.4024
Conroe Independent School District	1.2800	1.2800	1.2850	1.2900	1.2950	1.2950	1.2850	1.2700	1.2400	1.5900
Magnolia Independent School District	1.3795	1.3795	1.3995	1.3995	1.3995	1.3995	1.3800	1.4000	1.4200	1.6600
Lone Star College System	0.1078	0.1079	0.1160	0.1198	0.1210	0.1176	0.1101	0.1101	0.1144	0.1167
Tomball Independent School District	1.3400	1.3400	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.2750	1.5800
Harris County Department of Education	0.0052	0.0054	0.0064	0.0066	0.0066	0.0066	0.0061	0.0058	0.0059	0.0063
Montgomery County Hospital District	0.0665	0.0710	0.0727	0.0729	0.0745	0.0754	0.0755	0.0760	0.0777	0.0781
Harris County Hospital District	0.1718	0.1700	0.1700	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922
Harris County Flood Control District	0.0283	0.2733	0.2827	0.0281	0.2809	0.2923	0.0292	0.0309	0.0311	0.0324
Port of Houston Authority	0.0133	0.1342	0.0172	0.0186	0.1856	0.0205	0.0164	0.0177	0.0144	0.0130
The Woodlands Metro Center MUD	0.1250	0.1550	0.1650	0.1750	0.1750	0.1900	0.1900	0.1900	0.2100	0.2300
The Woodlands MUD #1 ⁴	0.0900	-	-	-	-	-	-	-	-	-
Montgomery County MUD #2	0.4900	0.4355	0.1300	0.1500	0.1700	0.1900	0.2300	0.2300	0.2400	0.2700
Montgomery County MUD #6	0.0750	0.0750	0.0750	0.0800	0.8750	0.0950	0.1000	0.1100	0.1100	0.1100
Montgomery County MUD #7	0.0745	0.1645	0.1645	0.1675	0.1675	0.1750	0.1750	0.1750	0.2000	0.2000
Montgomery County MUD #36	0.0350	0.0550	0.0350	0.0350	0.0400	0.0550	0.1000	0.1100	0.1200	0.1200
Montgomery County MUD #39	0.3650	0.4000	0.4150	0.4200	0.4200	0.4300	0.4300	0.4400	0.4700	0.4800
Montgomery County MUD #40 ⁴	-	0.0900	0.1400	0.1500	0.1600	0.1700	0.1800	0.1900	0.2100	0.2100
Montgomery County MUD #46	0.2125	0.2250	0.2400	0.2550	0.2650	0.2750	0.2850	0.3100	0.3800	0.4200
Montgomery County MUD #47	0.2450	0.2450	0.2450	0.2450	0.2450	0.2500	0.2500	0.2600	0.2800	0.2800
Montgomery County MUD #60	0.1650	0.1850	0.2175	0.2275	0.2375	0.2400	0.2400	0.2650	0.2900	0.3000
Montgomery County MUD #67	0.2375	0.2575	0.3025	0.3125	0.3125	0.3200	0.3200	0.3200	0.3300	0.3400
Harris-Montgomery County MUD #386	0.4650	0.4650	0.7200	0.9400	0.9900	0.9900	1.1500	1.2500	1.2500	1.2500
Montgomery County WCID #1	0.7600	0.7600	0.8100	0.8100	0.8100	0.7750	0.7750	0.7750	0.7750	0.8200
The Woodlands Road Utility District #1	0.2600	0.3200	0.3600	0.4063	0.4266	0.4300	0.4491	0.4738	0.4800	0.4800

Sources: Montgomery Central Appraisal District, Montgomery County Auditor, The Woodlands Joint Powers Agency, Harris County Appraisal District

Notes:

¹ Per \$1.00 of taxable sales.

² Per \$1.00 of taxable room revenue.

³ Per \$100 of assessed valuation.

⁴ The Woodlands MUD #1 was created on February 1, 2016 by public vote in November 2015, consolidated from The Woodlands MUD #2 and Montgomery County MUD #40.

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

Exhibit S-8

Taxpayer	2016			2013		
	Taxable Assessed Valuation	Rank	Percentage of Total Township Taxable Assessed Value	Taxable Assessed Valuation	Rank	Percentage of Total Township Taxable Assessed Value
Anadarko Realty Company	\$ 241,126,280	1	1.32%	\$ 132,301,330	1	0.92%
The Woodlands Mall Associates	110,787,296	2	0.60%	85,872,793	3	0.60%
IMI Market Street LLC	89,596,510	3	0.49%	-	-	-
Woodlands Land Development LP	83,331,930	4	0.45%	93,987,470	2	0.66%
CLPF Waterway Plaza LLC	77,479,560	5	0.42%	-	-	-
HL Multi-Family Holdings LLC	70,000,000	6	0.38%	-	-	-
MEPT Boardwalk Town Center LLC	67,807,910	7	0.37%	59,646,890	7	0.42%
24 Waterway LLC	67,066,670	8	0.37%	-	-	-
CVS Pharmacy Inc	63,848,394	9	0.35%	-	-	-
JD Warmack Woodlands LP	62,901,360	10	0.34%	71,963,240	5	0.50%
Kimco Market Street LLC	-	-	-	81,268,300	4	0.57%
Hughes Christensen Company	-	-	-	66,350,761	6	0.46%
Waterway Ave Partners LLC	-	-	-	50,365,550	8	0.35%
LCFRE Woodlands Waterway LLC	-	-	-	49,467,470	9	0.35%
CSHV Woodlands LP	-	-	-	47,969,910	10	0.33%
	<u>\$ 933,945,910</u>		<u>5.10%</u>	<u>\$ 739,193,714</u>		<u>5.17%</u>

Sources: Montgomery Central Appraisal District and Harris County Appraisal District

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

Exhibit S-9

Fiscal Year	Tax Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections (Refunds) in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2016	2015	\$ 42,305,226	\$ 42,151,299	99.6%	\$ -	\$ 42,151,299	99.6%
2015	2014	40,892,582	40,740,479	99.6%	95,436	40,835,915	99.9%
2014	2013	42,710,243	42,573,160	99.7%	91,033	42,664,193	99.9%
2013	2012	42,151,140	42,012,384	99.7%	101,255	42,113,639	99.9%
2012	2011	41,145,045	40,984,794	99.6%	136,447	41,121,241	99.9%
2011	2010	39,535,097	39,409,114	99.7%	102,703	39,511,817	99.9%
2010	2009	38,136,495	38,034,113	99.7%	81,107	38,115,220	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

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

Fiscal Year	Taxable Sales Generated	Sales Tax Collected	Number of Taxpayers	Per Taxpayer	Median Deposit	Average Deposit	Minimum Deposit	Maximum Deposit	Maximum as % of Total
2016	\$ 2,538,496,995	\$ 25,384,970	6,495	\$ 3,908	\$ 93	\$ 3,970	\$ (114,652)	\$ 936,963	4%
2015	2,595,448,379	25,954,484	6,042	4,296	102	4,357	(16,373)	936,848	4%
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%

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.
- Based on the Township's actual sales tax deposit for the first one percent of local sales tax collected, based on GASB Statement No. 33.

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

Exhibit S-11

Fiscal Year	Largest Taxpayer			Top 5 Taxpayers			Top 10 Taxpayers		
	Total	Percentage Retail	Percentage Non-Retail	Total	Percentage Retail	Percentage Non-Retail	Total	Percentage Retail	Percentage Non-Retail
2016	3.60%	3.60%	n/a	12.86%	10.71%	2.15%	20.14%	16.68%	3.46%
2015	3.56%	3.56%	n/a	15.50%	9.02%	6.45%	23.50%	17.04%	6.45%
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%

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					
	2016	2016 % Total	2015	2014	2013	2012
Retail Trade	\$ 12,190,666	47%	\$ 11,489,749	\$ 10,748,302	\$ 10,366,395	\$ 10,220,424
Accommodation and Food Services	3,360,388	13%	3,144,319	3,013,928	2,804,129	2,731,280
Manufacturing	2,119,185	8%	1,958,435	1,835,758	1,782,312	1,107,831
Information	2,341,904	9%	1,853,406	1,751,365	1,419,895	1,238,836
Wholesale Trade	915,540	4%	1,938,332	1,845,561	1,209,165	975,481
Mining	844,376	3%	1,020,380	783,753	857,637	821,596
Professional, Scientific, and Technical Services	1,191,947	5%	939,332	1,052,367	1,063,762	705,375
Real Estate, Rental, and Leasing	293,164	1%	591,113	827,724	1,259,235	673,056
Utilities	403,845	2%	424,592	435,655	377,436	341,410
Arts, Entertainment, and Recreation	634,815	2%	512,328	442,572	435,271	402,569
Admin, Support, Waste Management, Remediation	436,429	2%	447,534	473,026	448,310	383,828
Construction	413,179	2%	398,563	629,794	539,318	235,967
Other Taxable Activity	638,916	2%	1,603,933	1,512,178	993,299	619,772
Total	<u>\$ 25,784,354</u>	<u>100%</u>	<u>\$ 26,322,017</u>	<u>\$ 25,351,984</u>	<u>\$ 23,556,164</u>	<u>\$ 20,457,425</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.
- Based on Confidentiality Reports received from the Texas State Comptroller which differ from actual deposits received by the Township.

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

Exhibit S-12
(continued)

Industry	Fiscal Year					2007 % Total
	2011	2010	2009	2008	2007	
Retail Trade	\$ 8,906,872	\$ 8,233,076	\$ 8,222,453	\$ 8,028,945	\$ 6,931,744	59%
Accommodation and Food Services	2,454,925	2,143,342	2,134,205	1,961,673	1,431,123	12%
Manufacturing	1,153,341	1,012,955	578,298	778,453	917,032	8%
Information	856,407	619,491	523,113	362,534	442,991	4%
Wholesale Trade	701,979	694,951	573,707	684,970	273,056	2%
Mining	645,002	553,934	469,051	599,175	443,265	4%
Professional, Scientific, and Technical Services	574,582	509,086	488,761	348,083	208,727	2%
Real Estate, Rental, and Leasing	417,565	249,565	423,817	397,270	485,279	4%
Utilities	378,090	326,290	34,382	30,028	25,792	0%
Arts, Entertainment, and Recreation	366,545	326,492	299,166	252,666	92,264	1%
Admin, Support, Waste Management, Remediation	350,221	285,837	282,058	262,816	167,163	1%
Construction	270,823	164,608	163,874	118,664	103,507	1%
Other Taxable Activity	713,681	459,802	556,685	492,451	204,063	2%
Total	<u>\$ 17,790,033</u>	<u>\$ 15,579,429</u>	<u>\$ 14,749,570</u>	<u>\$ 14,317,728</u>	<u>\$ 11,726,006</u>	<u>100%</u>

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

Exhibit S-13

Fiscal Year	General Obligation Bond	Sales/Hotel Occupancy Tax Revenue Bonds	Bond Anticipation Notes	Capital Leases	Issuance Premiums/ (Discounts)	Total Primary Government	Percentage of Personal Income	Per Capita
2016	\$ 38,760,000	\$ 39,140,000	\$ -	\$ -	\$ 1,230,185	\$ 79,130,185	0.62%	\$ 721
2015	40,835,000	42,045,000	-	-	1,339,068	84,219,068	0.74%	749
2014	42,855,000	44,830,000	-	-	1,447,951	89,132,951	0.71%	813
2013	44,820,000	62,505,000	-	-	1,556,834	108,881,834	0.96%	1,010
2012	46,735,000	65,780,000	-	-	1,665,717	114,180,717	1.03%	1,085
2011	43,865,000	68,965,000	-	-	1,747,483	114,577,483	1.25%	1,138
2010	34,800,000	71,675,000	-	-	1,822,897	108,297,897	0.94%	1,116
2009	-	61,395,000	-	-	-	61,395,000	0.57%	665
2008	-	44,995,000	16,440,000	15,149	-	61,450,149	0.60%	687
2007	-	46,360,000	-	29,521	-	46,389,521	0.47%	528

Notes:

- Details regarding the Township's outstanding debt can be found in the notes to the financial statements.
- Population and personal income data can be found in Exhibit S-18.

The Woodlands Township
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(unaudited)

Exhibit S-14

Fiscal Year	Tax Year	General Obligation Bonds	Total Taxable Assessed Value	Percentage of Actual Taxable Value of Property	Per Capita
2016	2015	\$ 38,760,000	\$ 18,329,690,014	0.21%	\$ 338
2015	2014	40,835,000	16,240,321,964	0.25%	363
2014	2013	42,855,000	14,329,077,638	0.30%	391
2013	2012	44,820,000	13,170,368,194	0.34%	416
2012	2011	46,735,000	12,624,771,351	0.37%	444
2011	2010	43,865,000	12,024,205,550	0.36%	436
2010	2009	34,800,000	11,405,063,138	0.31%	359
2009	2008	-	n/a	n/a	n/a
2008	2007	-	n/a	n/a	n/a
2007	2006	-	n/a	n/a	n/a

Notes:

- Details regarding the Township's outstanding debt can be found in the notes to the financial statements.
- Population data can be found in Exhibit S-18.

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

Exhibit S-15

Fiscal Year	Revenue Bonds	Less: Amounts Available in Debt Service Fund	Total Outstanding	Total Pledged Revenue	Debt as a Percentage of Pledged Revenue
2016	\$ 39,140,000	\$ 4,713,446	\$ 34,426,554	\$ 1,356,529,107	2.54%
2015	42,045,000	4,670,616	37,374,384	1,384,299,088	2.70%
2014	44,830,000	4,668,742	40,161,258	1,330,940,457	3.02%
2013	62,505,000	19,679,961	42,825,039	1,233,322,315	3.47%
2012	65,780,000	7,074,176	58,705,824	1,076,893,407	5.45%
2011	68,965,000	7,670,415	61,294,585	938,602,571	6.53%
2010	71,675,000	6,458,933	65,216,067	841,201,351	7.75%
2009	61,395,000	4,943,669	56,451,331	801,345,096	7.04%
2008	44,995,000	4,800,759	40,194,241	793,370,594	5.07%
2007	46,360,000	4,623,629	41,736,371	647,410,957	6.45%

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.
- In 2014, long-term debt was decrease primarily as a result of the early retirement of the Series 2009 Sales Tax and Hotel Occupancy Tax Revenue Bonds.
- General obligation bonds are not included in analysis.

The Woodlands Township
Direct and Overlapping Governmental Activities Debt
as of December 31, 2016
(unaudited)

Exhibit S-16

<u>Governmental Unit</u>	<u>Net Direct Debt¹</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlap</u>
Direct debt:			
The Woodlands Township Unlimited Tax Bonds	\$ 40,835,000	100.00%	\$ 38,760,000
The Woodlands Township Revenue Bonds	42,045,000	100.00%	39,140,000
Total direct debt			<u>77,900,000</u>
Overlapping debt:			
Conroe Independent School District	1,176,775,000	49.42%	581,562,205
Harris County ²	1,796,607,874	0.46%	8,264,396
Harris County Department of Education	7,000,000	0.46%	32,200
Harris County Flood Control District	83,075,000	0.46%	382,145
Harris-Montgomery County MUD #386	143,840,000	100.00%	143,840,000
Lone Star College System	526,080,000	10.95%	57,605,760
Magnolia Independent School District	203,435,000	4.27%	8,686,675
Montgomery County	488,215,000	29.94%	146,171,571
Montgomery County MUD #7	1,735,000	100.00%	1,735,000
Montgomery County MUD #39	15,605,000	100.00%	15,605,000
Montgomery County MUD #46	86,450,000	100.00%	86,450,000
Montgomery County MUD #47	20,590,000	100.00%	20,590,000
Montgomery County MUD #60	15,995,000	100.00%	15,995,000
Montgomery County MUD #67	11,955,000	100.00%	11,955,000
Montgomery County WCID #1	14,100,000	4.91%	692,310
Port of Houston Authority	657,994,397	0.46%	3,026,774
The Woodlands Metro Center MUD	10,420,000	100.00%	10,420,000
The Woodlands Road Utility District #1	56,740,000	100.00%	56,740,000
Tomball Independent School District	399,935,000	21.13%	84,506,266
Total overlapping debt			<u>1,254,260,301</u>
Total direct and overlapping debt			<u><u>\$ 1,332,160,301</u></u>

Source: Municipal Advisory Council of Texas

Notes:

¹ 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.

² 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-17

Fiscal Year	Sales Tax/ Hotel Occupancy Tax Bonds		Total Revenue Available for Debt Service	Debt Service Requirements			Coverage
	Sales Tax Revenue	Hotel Occupancy Tax Revenue¹		Principal	Interest	Total	
2016	\$ 12,692,485	\$ 6,109,643	\$ 18,802,128	\$ 3,700,000	\$ 2,156,348	\$ 5,856,348	3.21
2015	12,977,242	6,060,243	19,037,485	3,555,000	2,317,524	5,872,524	3.24
2014	12,490,914	5,729,431	18,220,345	3,405,000	2,475,698	5,880,698	3.10
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

Notes:

¹Supplemental 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.

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

Exhibit S-18

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Median Age	Employers	Number of Jobs	Unemployment Rate	School Enrollment¹
2016	114,625	\$ 12,760,857	\$ 111,327	37	2,158	64,365	3.8%	58,014
2015	112,505	11,419,032	101,498	37	2,182	63,030	2.9%	56,164
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

Sources: The Woodlands Development Company

Notes:

¹Conroe Independent School District

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

Exhibit S-19

Employer	2016			2006		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Conroe Independent School District	3,684	1	6%	2,271	2	5%
Anadarko Petroleum Corporation	3,173	2	5%	1,850	3	4%
Memorial Hermann, The Woodlands Hospital	2,404	3	4%	1,050	4	2%
Aon Hewitt	1,800	4	3%	2,600	1	6%
Exxon Mobil	1,700	5	3%	-	-	-
CHI St. Luke's Health	1,600	6	3%	-	-	-
Lone Star College	1,029	7	2%	-	-	-
CB&I	971	8	2%	-	-	-
Huntsman Corporation	917	9	1%	800	5	2%
Woodforest National Bank	897	10	1%	-	-	-
Montgomery College	-	-	-	751	6	2%
Hughes Christensen	-	-	-	750	7	2%
Lexicon Genetics	-	-	-	710	8	2%
Chevron Phillips Chemical Co.	-	-	-	600	9	1%
Maersk Sealand	-	-	-	545	10	1%
Total	18,175		28%	11,927		28%

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-20

	Full-time Equivalent Employees as of December 31									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General and administrative:	-	-	-	-	-	-	-	9.0	9.0	9.0
President's Office	4.0	4.0	4.0	4.0	4.0	4.0	4.0			
Legislative	1.0	1.0	1.0	1.0	1.0	1.0	1.0			
Transportation	5.0	1.0	1.0	-	-	-	-			
Legal Services	2.0	-	-	-	-	-	-			
Human Resources	5.8	5.8	5.8	5.8	5.8	5.8	5.8			
Finance	14.0	15.0	14.0	14.0	15.0	15.0	16.0			
Information Technology	14.0	12.0	11.0	11.0	9.0	9.0	8.0			
Records	5.0	6.0	7.0	7.0	8.0	8.0	8.0			
Parks and recreation:										
Parks Administration	14.0	14.0	9.0	9.0	9.0	9.0	9.0			
Parks Planning	10.0	10.0	10.0	10.0	10.0	10.0	10.0			
Parks Operations	43.5	41.0	38.5	38.5	38.5	39.5	39.0			
Aquatics	70.0	70.0	70.0	70.0	67.0	67.0	67.0			
Recreation	23.7	21.7	15.7	15.5	18.0	18.0	18.0			
Town Center	15.0	15.0	13.8	13.5	8.0	-	-			
Township Events	2.0	-	-	-	-	-	-			
Operations and Maintenance	-	-	-	-	-	-	-	3.0	3.0	3.0
Development and planning services:										
Community Services	2.0	3.0	7.0	7.0	6.3	6.0	6.0			
Community Relations	5.0	5.0	4.0	4.0	4.0	4.0	4.0			
Covenant Administration	42.0	39.0	39.0	33.0	33.0	32.8	32.5			
Environmental Services	6.0	6.0	6.0	4.3	4.3	4.3	4.0			
Public safety:										
Law Enforcement	2.0	2.0	2.0	2.0	2.0	2.0	2.0			
Town Center Ambassador Personnel	-	-	-	-	-	7.8	7.8	6.0	5.0	5.0
Neighborhood Services	7.3	7.3	6.3	6.3	6.0	7.0	7.0			
Public Safety	-	-	-	-	-	-	-	1.0	1.0	1.0
Convention and Visitors Bureau:	6.3	6.3	6.3	6.3	5.3	5.3	5.3	6.0	6.0	6.0
Total	299.5	285.0	271.3	262.1	254.1	255.6	254.6	25.0	24.0	24.0

Source: The Woodlands Township Human Resources Department

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

Exhibit S-21

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Public Safety					
Patrol cars & equipment - Sheriff's Department ¹	\$ 384,522	\$ 345,489	\$ 718,864	\$ 417,411	\$ 702,384
Patrol bicycles & equipment - Sheriff's Department ¹	\$ -	\$ -	\$ -	\$ -	\$ -
Rescue & haz-mat vehicles - Fire Department	\$ -	\$ -	\$ 642,807	\$ 34,621	\$ 2,122,012
Special equipment - Fire Department	\$ 538,778	\$ 51,958	\$ 38,935	\$ 15,000	\$ 186,087
Communications equipment - Fire Department	\$ 151,169	\$ 208,810	\$ 140,938	\$ 256,018	\$ 862,733
Traffic controllers - Fire Department	\$ 50,303	\$ 7,066	\$ 95,141	\$ 8,147	\$ 32,409
Patrol cars ¹	108	100	97	95	95
Patrol bicycles ¹	24	24	24	24	24
Fire stations	9	9	9	9	9
Fire apparatus	18	18	18	18	18
Economic Development ²					
Hotel rooms booked for conventions	34,981	40,281	43,377	41,250	43,448
Total convention center square feet booked	9,850,250	11,365,400	12,150,200	12,250,550	13,024,445
Operations					
Wayfinding signs	264	264	264	260	260
Monument signs	439	434	424	408	408
Sculptures and public art	27	20	19	10	6
Miles of pathway ³	212	209	205	202	198
Parks	143	140	131	130	127
Swimming pools	14	14	14	14	13
Park acreage	913	912	855	846	704

Sources:

¹ 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.

² Annual booking report for The Woodlands Waterway Marriott Hotel and Convention Center.

³ 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-21
(continued)

	2011	2010	2009	2008	2007
Public Safety					
Patrol cars & equipment - Sheriff's Department ¹	\$ 537,978	\$ 504,748	\$ 567,847	\$ 75,458	\$ 65,911
Patrol bicycles & equipment - Sheriff's Department ¹	\$ 28,004	\$ 24,559	\$ 5,980	\$ 2,894	\$ 3,972
Rescue & haz-mat vehicles - Fire Department	\$ 590,611	\$ -	\$ 148,990	\$ -	\$ 136,398
Special equipment - Fire Department	\$ 63,718	\$ 29,846	\$ -	\$ -	\$ 37,808
Communications equipment - Fire Department	\$ 44,136	\$ 38,871	\$ -	\$ -	\$ 3,463
Traffic controllers - Fire Department	\$ 13,089	\$ 44,600	\$ -	\$ -	\$ -
Patrol cars ¹	82	82	14	2	2
Patrol bicycles ¹	24	24	2	2	-
Fire stations	8	7	7	6	5
Fire apparatus	15	13	13	12	12
Economic Development ²					
Hotel rooms booked for conventions	42,628	40,820	45,255	49,525	40,101
Total convention center square feet booked	14,685,250	12,812,550	13,250,150	16,716,580	12,482,300
Operations					
Wayfinding signs	255	207	155	143	89
Monument signs	392	360	6	6	6
Sculptures and public art	6	6	2	2	2
Miles of pathway ³	194	185	-	-	-
Parks	123	116	2	2	1
Swimming pools	13	13	-	-	-
Park acreage	700	690	4	4	3

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

Exhibit S-22

	2016	2015	2014	2013	2012
Public Safety					
Trooper hours - mounted patrol	42,333	39,018	29,639	28,085	28,760
Vehicle assists - mounted patrol ¹	8,095	7,290	4,659	4,006	2,598
Other assist calls - mounted patrol	2,867	3,032	2,937	1,585	1,339
Traffic violation calls	13,510	12,814	15,849	18,745	8,796
Total Sheriff Department calls ²	54,262	58,036	55,871	56,663	46,124
Total fire incident calls ³	10,129	9,901	9,464	8,588	6,868
Montgomery County Sheriff's Department	\$ 8,339,214	\$ 7,850,144	\$ 7,543,984	\$ 6,903,490	\$ 6,708,814
Number of full-time MCSO positions	94	93	86	83	83.0
Constable Precinct 3	\$ 102,881	\$ 109,282	\$ 95,432	\$ 94,934	\$ 96,404
Justice of the Peace Precinct 3	\$ 50,246	\$ 54,597	\$ 50,596	\$ 50,711	\$ 46,575
City of Oak Ridge North	\$ -	\$ -	\$ -	\$ -	\$ -
City of Shenandoah	\$ 232,848	\$ 219,913	\$ 212,415	\$ 202,215	\$ 195,000
The Woodlands Fire Department	\$ 19,727,640	\$ 18,849,858	\$ 17,704,372	\$ 17,312,577	\$ 16,643,150
Marketing and Public Affairs/CVB/Events					
Events produced	23	29	27	30	30
Visitor guides distributed	79,673	76,892	89,566	113,981	135,773
Discovery guides distributed ⁴	-	27,372	35,986	25,062	25,580
Sponsorships sold	\$ 238,143	\$ 326,750	\$ 344,775	\$ 297,750	\$ 295,750
Economic Development					
Convention center bookings ⁵	662	920	951	929	1,028
Number of jobs ⁶	64,365	63,030	58,400	54,504	51,940
ISO rating	1	1	1	2	2
Operations and Transportation					
Transportation - trolley ridership	76,621	81,995	77,472	87,737	103,600
Transportation - Senior Rides ⁷	4,018	3,950	5,586	-	3,621

Sources:

¹ Beginning in 2015, the Alpha & Omega began reporting Handicap Parking assists in their report.

² Beginning in 2013, the Sherriff's Department included additional call categories in their policing reports.

³ Total fire calls for 2008 represent the Township as a whole, as previous years represent only Town Center calls.

⁴ Beginning in 2016, visitor guides were no longer distributed.

⁵ The Woodlands Waterway Marriott Hotel and Convention Center.

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

Exhibit S-22
(continued)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public Safety					
Trooper hours - mounted patrol	29,996	36,719	36,758	35,665	35,434
Vehicle assists - mounted patrol ¹	2,038	3,368	2,221	8,634	5,905
Other assist calls - mounted patrol	1,463	1,561	4,406	9,005	2,994
Traffic citations	10,710	8,686	4,270	3,629	1,393
Total Sheriff Department calls ²	43,424	40,662	8,637	8,083	5,862
Total fire incident calls ³	6,363	5,977	5,454	5,859	684
Montgomery County Sheriff's Department	\$ 6,337,658	\$ 5,637,895	\$ 1,686,848	\$ 1,414,833	\$ 1,142,287
Number of full-time MCSO positions	80	77	24	22	19
Constable Precinct 3	\$ 119,154	\$ 118,902	\$ 116,979	\$ 112,000	\$ 106,230
Justice of the Peace Precinct 3	\$ 43,331	\$ 38,429	\$ 39,819	\$ 37,522	\$ 37,047
City of Oak Ridge North	\$ -	\$ 100,000	\$ 216,472	\$ 216,472	\$ 215,635
City of Shenandoah	\$ -	\$ 100,000	\$ 216,468	\$ 216,464	\$ 216,472
The Woodlands Fire Department	\$ 15,056,962	\$ 14,085,800	\$ 14,725,000	\$ 6,603,000	\$ 472,905
Marketing and Public Affairs/CVB/Events					
Events produced	30	38	24	8	6
Visitor guides distributed	137,355	155,103	77,395	128,490	73,276
Discovery guides distributed ⁴	24,490	-	-	-	-
Sponsorships sold	\$ 261,095	\$ 225,000	\$ 267,600	\$ 237,725	\$ 272,595
Economic Development					
Convention center bookings ⁵	1,425	1,351	1,258	1,685	1,095
Number of jobs ⁶	49,960	47,100	45,380	44,202	43,200
ISO rating	2	2	2	3	3
Operations and Transportation					
Transportation - trolley ridership	127,326	144,906	113,077	97,424	-
Transportation - Friendship shuttle trips ⁷	5,090	5,301	5,087	5,600	5,456

⁶ The Woodlands Development Company.

⁷ Contract compliance reports provided by Senior Rides, formerly The Friendship Center funding not provided by the Township in 2013.

- Sources not specifically noted include various government departments.