



THE WOODLANDS
TOWNSHIP

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended December 31, 2019
The Woodlands Township, Montgomery County, Texas



The Woodlands Township Comprehensive Annual Financial Report

**Fiscal Year Ended
December 31, 2019**

**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

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INTRODUCTORY SECTION



June 23, 2020

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, 2019 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, 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 Woodlands Township's financial statements for the year ended December 31, 2019. 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. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE WOODLANDS TOWNSHIP

The Woodlands Township is the 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 118,000 people, nearly 2,200 businesses and a tax base valuation of more than \$20.5 billion. Located just 27 miles north of downtown Houston on I-45, it encompasses nine residential villages, commercial centers, a resort, a luxury hotel and convention center, additional upscale hotels, hospitals and health care facilities, and exceptional shopping, dining, entertainment and recreation amenities.

Since its inception, more than \$22.6 billion has been invested in The Woodlands residential villages and a 1,000-acre business district known as the Town Center. The 1,000-acre Town Center is the destination for shopping, dining and entertainment, with attractions including The Woodlands Mall - a regional shopping center with indoor and outdoor venues, Market Street - a 34-acre Main-Street styled shopping and special event destination, and The Woodlands Waterway. The Woodlands Waterway, a 1.8-mile water amenity and linear park highlighting a mixed-use urban center which connects office space, shopping, dining, hospitality, entertainment and residential living in Town Center to two lakes, including Lake Woodlands and three urban parks. In addition to Town Center, Hughes Landing is a 66-acre mixed-use upscale "lifestyle" development just off Lake Woodlands Drive and Hughes Landing Boulevard on the shores of Lake Woodlands where you can go to enjoy live music, great food, shopping, and the arts.

The Woodlands is one of the best-selling master-planned communities in Texas and the nation. There are more than 34,850 single-family homes and more than 16,950 apartments, condominiums and town homes in The Woodlands. The community features a large selection of new homes and multi-family residences. In 2019, Niche.com ranked The Woodlands as the #1 place to live in Montgomery County and the #2 place to raise a family in the United States.

The Woodlands Township also offers a variety of recreational amenities to its residents and visitors including 220 miles of pathways for residents to bike, walk, run, rollerblade or just take a stroll with family and friends. Golfers can choose from seven championship golf courses with 1,690 acres dedicated to 135 holes of golf. There are currently 148 developed parks offering exciting amenities like lighted tennis and basketball courts and jogging trails. The number of parks and pathways will increase in 2020 as the Village of Creekside Park approaches completion. In addition, the Township has 14 community pools and 5 spray grounds and offer thousands of recreational programs at both the Bear Branch Recreation Center and The Recreation Center at Rob Fleming. The Texas TreeVentures Aerial Adventure Course is the newest program offered at The Recreation Center at Rob Fleming. The adventure course is designed for individuals 6 years old and up and is a challenge-by-choice aerial adventure course.

The Woodlands Township is governed by a board of directors (“Board”) which officially organized on August 18, 1993. Policy-making and legislative authority are vested in the governing Board currently seated with seven directors who are elected at large, by position, to serve two-year staggered terms. Board elections are held annually in November. The fully elected Board and Township staff are committed to providing premier services and activities, superior educational opportunities, a diversity of jobs, vibrant public spaces, integrated mobility options, public activities and cultural events.

All services provided by the Township, as well as those provided by Visit The Woodlands (also known as 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, 2019. 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 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 Woodlands Township benefits from the vibrant Texas economy and state government policies that encourage business investment and job creation. In addition, The Woodlands is located just north of Houston, the hub of the nation’s energy industry. The Woodlands master plan and covenants provide a highly desirable environment for residents and businesses while helping to maintain property values. Existing as well as relocating businesses find The Woodlands amenities and quality of life help to attract and retain top quality employees. The 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. Of the total Township revenue base, about 64 percent comes from sales tax and room tax, user fees and grants. Since 2010, the revenue collection from these revenue sources has grown. The Township offers its residents enhanced services and amenities at a higher level than most communities, but at a lower tax than most local governments. Since 2010, the Board has been able to reduce the property tax rate from 32.8 cents per \$100 of valuation to only 22.4 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.

Business development in The Woodlands continued to be strong in 2019. The Township was home to over 15.1 million square feet of office space, 14.1 million square feet of retail and hospitality space, 4.4 million square feet of industrial/technical space and 8.2 million square feet of institutional space. The Woodlands currently has over 2,100 employers and over 68,000 employees.

The Howard Hughes Corporation announced it will be growing its own presence in The Woodlands by relocating its corporate headquarters from Dallas, Texas into the approximately 595,000-square-foot tower at 9950 Woodloch Forest Drive.

Warmack Investments has started construction of a six-story office building in The Woodlands. The speculative 140,000-square-foot office building is located at 9709 Lakeside Boulevard on the Research Forest Lakeside campus. The new office building will have a restaurant and a fitness center on-site. The office project is scheduled to be completed by August 2020.

Alight Solutions, a leader in technology-enabled health, wealth and Human Capital Management solutions, has signed a 180,000-square-foot-build-to-suit lease for a new building, developed by The Howards Hughes Corporation along New Trails Drive in the Research Forest Area. Completion is expected in early 2020.

The University of Texas MD Anderson Cancer Center has opened its new, three-story, 208,000-square-foot facility at State Highway 242 and Fellowship Drive. The outpatient clinic houses supportive services, treatment and diagnostic and screening services.

In addition to business development, multi-family development continued to be strong in 2019. Construction is nearing completion on Two Lakes Edge in Hughes Landing, the second multi-family development in Hughes Landing. Two Lakes Edge is an eight-story 386-unit luxury apartment building with retail and a restaurant planned on the ground level. The Howard Hughes Corporation has started construction on a second multi-family residential project in Creekside Park Village Center comprised of six buildings. All of the 360 units are housed in a four-story urban design with elevators. The ground level apartments will include private fenced yards. The Howard Hughes Corporation has also started a new multi-family project in The Woodlands Town Center that will feature 163 apartments, as well as town homes.

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, Center for Houston's Future, and Leadership Montgomery County. The Township Board and Visit The Woodlands Board of Directors support the Ad Hoc committees designed to plan for future development and address potential legislative needs. Visit The Woodlands worked with several groups in 2019 to bring meeting and event business to The Woodlands to increase the Township's Hotel Occupancy Tax and Retail Sales Tax. The Woodlands hosts major corporate meetings each year as well as signature events including The Woodlands Waterway Arts Festival and The Inspire Film Festival. 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.

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. Over the past ten years, the Township has built a financial model that provides top quality services at a low property tax rate and with sufficient reserves to provide for replacement of capital infrastructure as needed.

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 plus an additional \$2.0 million as of December 31, 2019, the Township's fund balance across all funds including reserves had a balance of \$111.5 million, which met all policy requirements.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The Woodlands Township for its comprehensive annual financial report for the fiscal year ended December 31, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The GFOA presented a Distinguished Budget Presentation Award to The Woodlands Township for its Annual Budget for the fiscal year beginning January 1, 2019. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device. This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to the GFOA to determine its eligibility for another award.

The Township received one of the most prestigious awards for parks and recreation professionalism in the United States. The National Recreation and Park Association's (NRPA) Gold Medal Award honors communities throughout the United States that demonstrate excellence in long-range planning, resource management and innovative approaches to delivering superb park and recreational services with sound business practices. The Township's Parks and Recreation Department received the Class III Gold Medal category for populations of 75,001-150,000. The Township's Parks and Recreation Department represents the first community in the Houston region to earn the NRPA Gold Award.

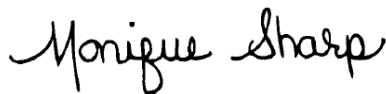
The Township is highly proactive about public safety and sponsors multiple public safety programs each year. The Township Neighborhood Watch was honored by The National Association of the Town Watch for their efforts during the 2019 National Night Out campaign, with first place in Category #2 for populations 100,000-300,000. The Township also collaborated with the State of Texas, which took first place in its category. The Township has been participating in National Night Out since 1990 and has been producing award-winning crime prevention programming since 1984. The National Night Out campaign in The Woodlands offers many opportunities for neighborhood camaraderie, including a Community Safety Expo event, public safety open houses, and resident-hosted National Night Out parties.

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "D. T. Norrell".

Don T. Norrell
President/General Manager

A handwritten signature in black ink, appearing to read "Monique Sharp".

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**

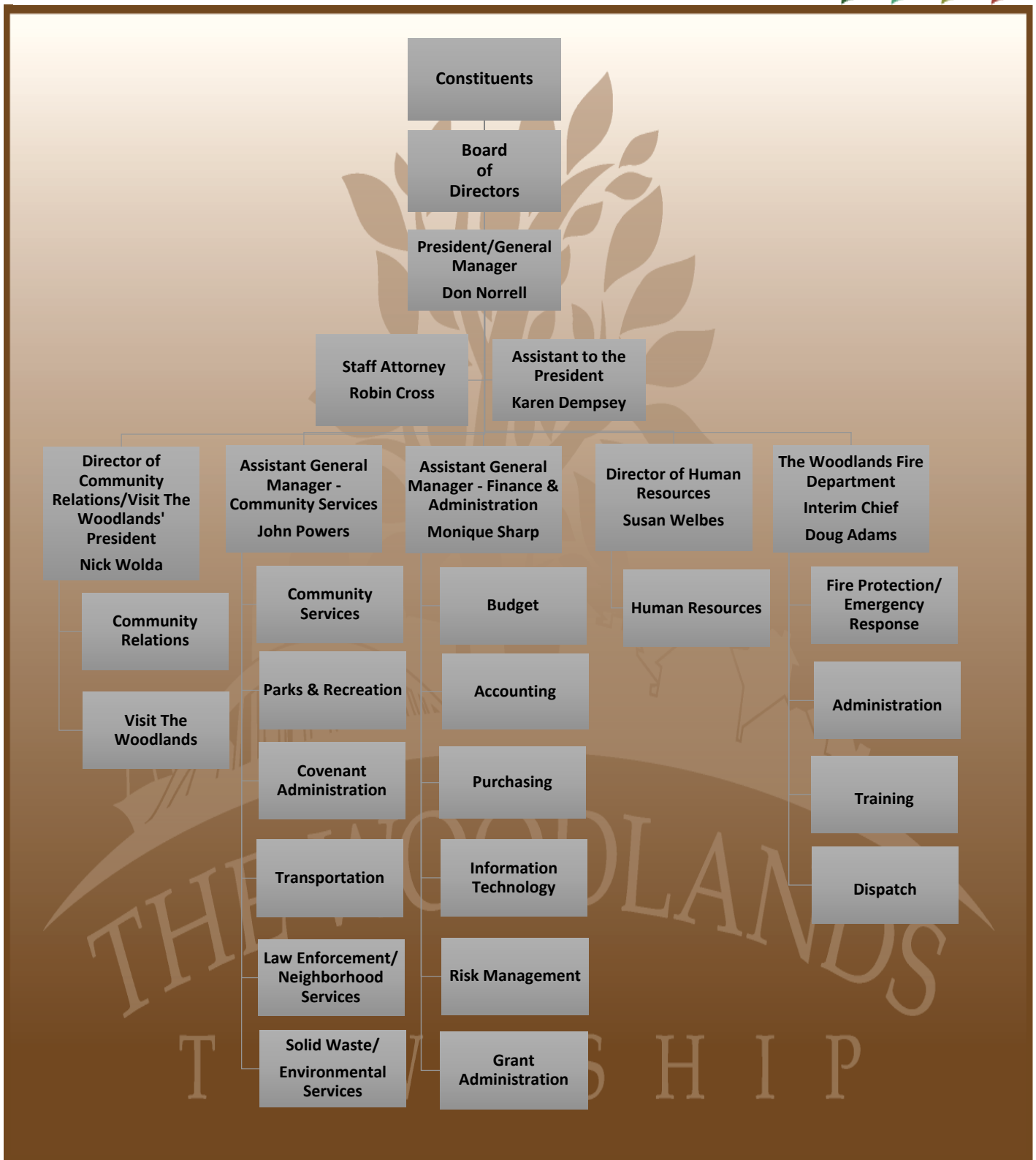
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO

Organizational Chart



**THE WOODLANDS TOWNSHIP
BOARD OF DIRECTORS**

Chairman Gordy Bunch (Elected by the Board as Chairman, November 20, 2019) <i>Position 1 - Term Expires: November 2020</i>
Vice Chairman Bruce Rieser (Elected by the Board as Vice Chairman, November 20, 2019) <i>Position 4 - Term Expires: November 2020</i>
Secretary Dr. Ann Snyder (Elected by the Board as Secretary, November 20, 2019) <i>Position 6 - Term Expires: November 2021</i>
Treasurer John Anthony Brown (Elected by the Board as Treasurer, November 20, 2019) <i>Position 3 - Term Expires: November 2020</i>
Director Brian Boniface <i>Position 2 - Term Expires: November 2020</i>
Director Dr. Shelley Sekula-Gibbs <i>Position 5 - Term Expires: November 2021</i>
Director Bob Milner <i>Position 7 - Term Expires: November 2021</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, 2019, 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

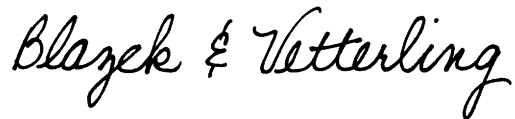
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2019, and the respective changes in 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 59-62 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.

June 23, 2020



**The Woodlands Township
Management's Discussion and Analysis
For the year ended December 31, 2019
(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, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, the Township's financial statements following this section, the annual budget and other community information found on our website at www.thewoodlandstownship-tx.gov.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Township exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$276.5 million (*net position*). Most of the Township's assets are invested in capital assets or restricted for specific purposes. The remaining \$107.3 million (*unrestricted net position*) may be used to meet the Township's ongoing obligations to its citizens and creditors in accordance with the Township's fiscal policies.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$12.8 million or 12.9% of the total General Fund's expenditures of \$99.5 million.
- Sold \$40 million in refunding bonds to defease \$46 million at par value primarily to reduce future interest cost to the Township.

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 Visit The Woodlands (also known as The Woodlands Convention & Visitors Bureau). Visit The Woodlands 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 35-56 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 \$276.5 million at December 31, 2019.

By far the largest part of the Township's net position, \$160.4 million (58.0%), 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 because the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$8.8 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, \$107.3 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 well as for its separate governmental activities.

The following table provides a comparative summary of the Township's net position as of December 31, 2019 and 2018:

	CONDENSED STATEMENTS OF NET POSITION (ROUNDED TO 000'S)	
	YEAR ENDED	YEAR ENDED
	DECEMBER 31, 2019	DECEMBER 31, 2018
Current and other assets	\$ 166,331,000	\$ 162,777,000
Long-term receivables and other assets	7,353,000	4,688,000
Capital assets	<u>214,715,000</u>	<u>218,587,000</u>
Total assets	<u>388,399,000</u>	<u>386,052,000</u>
Deferred outflows of resources	<u>1,810,000</u>	<u>5,752,000</u>
Current and other liabilities	38,920,000	37,927,000
Long-term liabilities due in more than one year	<u>50,447,000</u>	<u>64,962,000</u>
Total liabilities	<u>89,367,000</u>	<u>102,889,000</u>
Deferred inflows of resources	<u>24,295,000</u>	<u>26,058,000</u>
Net investment in capital assets	160,360,000	150,518,000
Restricted	8,844,000	20,904,000
Unrestricted	<u>107,343,000</u>	<u>91,435,000</u>
Total net position	<u>\$ 276,547,000</u>	<u>\$ 262,857,000</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, 2019 and 2018:

	CONDENSED STATEMENTS OF CHANGES IN NET POSITION (ROUNDED TO 000'S)	
	YEAR ENDED	YEAR ENDED
	DECEMBER 31, 2019	DECEMBER 31, 2018
REVENUE:		
Taxes	\$ 112,295,000	\$ 110,197,000
Program service fees	11,550,000	10,908,000
Grants and contributions	4,619,000	4,692,000
Investment earnings	2,446,000	1,841,000
Other income	<u>333,000</u>	<u>767,000</u>
Total revenue	<u>131,243,000</u>	<u>128,405,000</u>
EXPENSES:		
General and administrative	11,590,000	11,786,000
Public safety	39,557,000	36,534,000
Parks and recreation	28,692,000	26,954,000
Transportation	9,659,000	9,320,000
Economic development	9,446,000	8,871,000
Community services	15,385,000	14,358,000
Community relations	1,222,000	1,170,000
Interest and debt-related expenses	1,505,000	2,467,000
Debt issuance cost	<u>497,000</u>	<u></u>
Total expenses	<u>117,553,000</u>	<u>111,460,000</u>
CHANGES IN NET POSITION	13,690,000	16,945,000
Net position, beginning of year	<u>262,857,000</u>	<u>245,912,000</u>
Net position, end of year	<u>\$ 276,547,000</u>	<u>\$ 262,857,000</u>

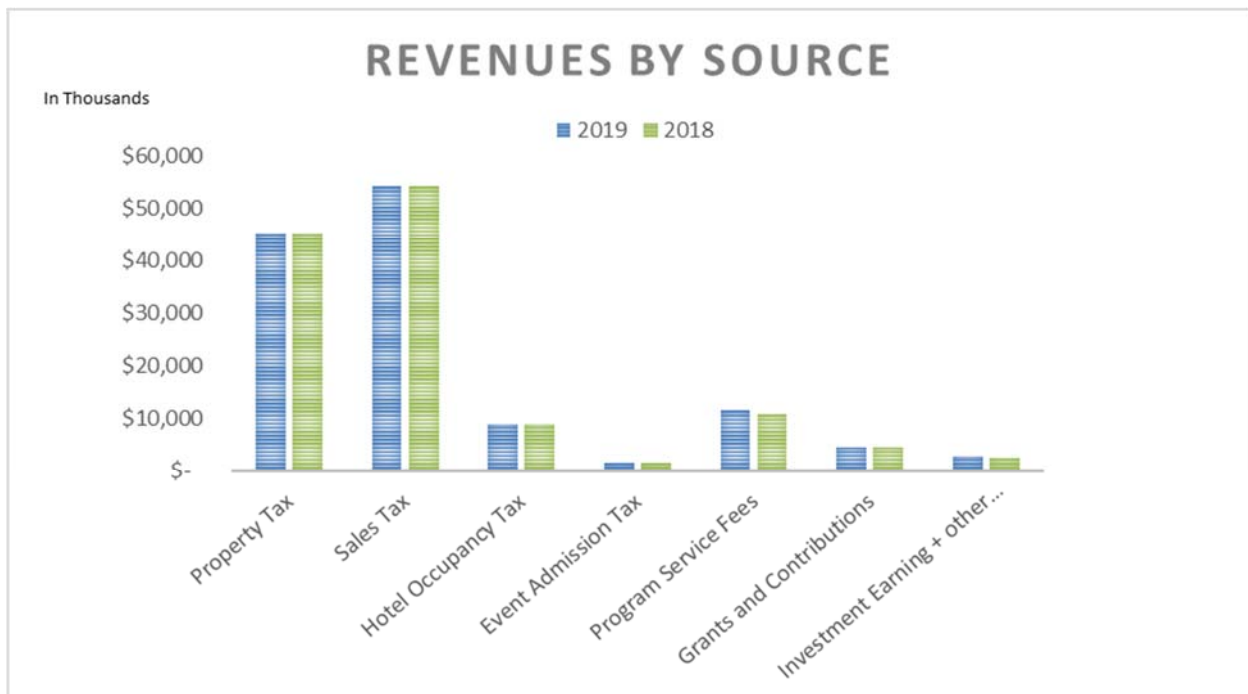
The Township's change in net position for the year ended December 31, 2019 of \$13.7 million is explained in the following section.

Governmental Activities

Key elements of the Township's \$13.7 million change in net position are as follows:

General Revenue in 2019 increased by \$2.8 million (2.2%). Tax revenue increased by \$2.0 million and investment earnings increased by \$600,000. These increases were offset by a decrease in grants and contributions and other income.

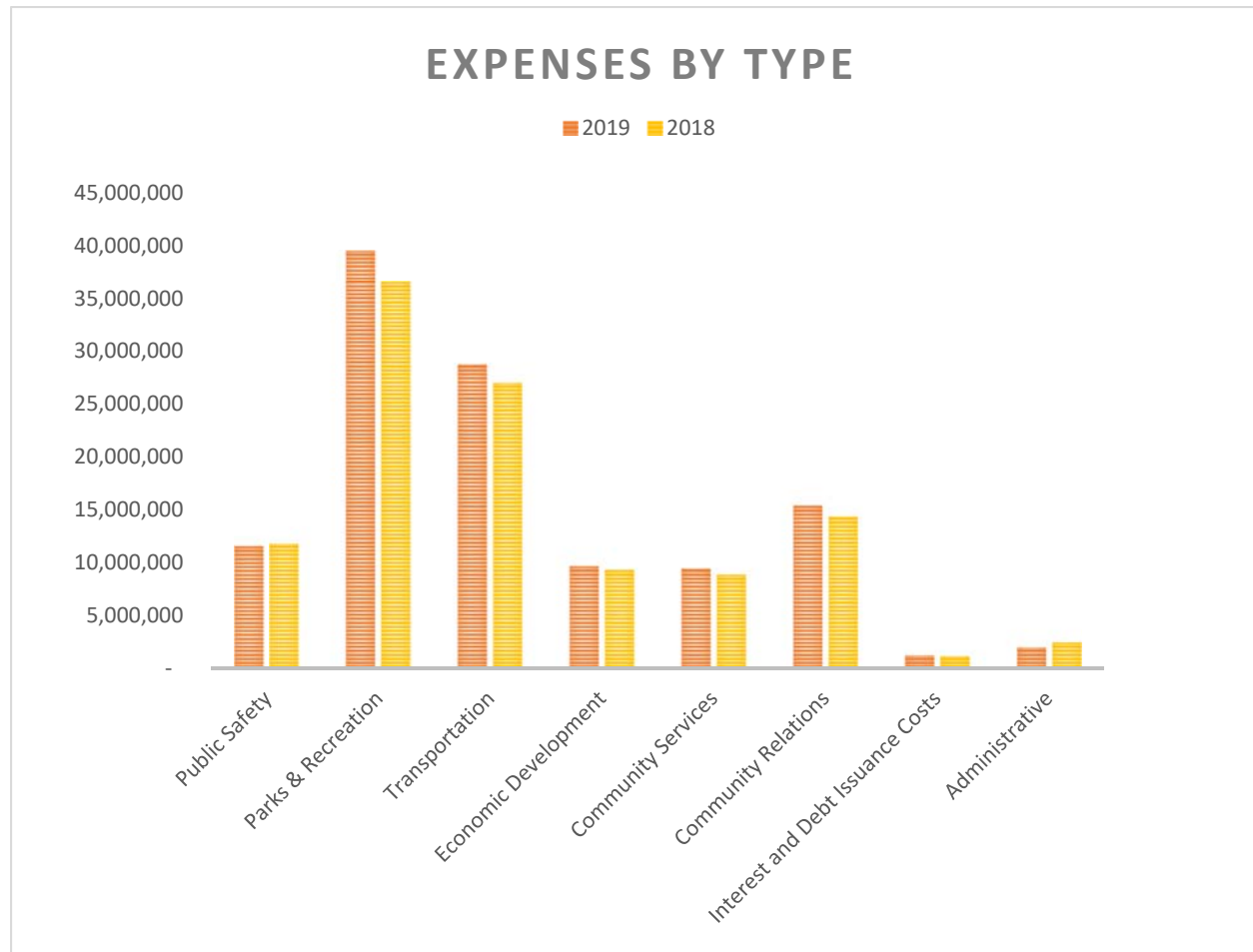
- Sales and use tax revenue increased \$1.7 million or 3.1%. Although retail sales tax is the largest component of the Township's tax base, higher revenues from the information and construction business sectors also contributed to the increase.
- Hotel occupancy tax revenue increased by 2.9% due to an increase in tourism, business travel and professional sports events. For 2019, fourteen full-service hotels are located in the Township offering approximately 2,253 guest rooms.
- Capital grants and contributions had a slight decrease of 1.9% in 2019 due to the completion of 2018 transportation capital projects that were primarily funded by grants. This decrease is offset by the Accountability Grant and PSAP Programs Grant, awarded to the Woodlands Fire Department for electronic and communication systems.



Expenses in 2019 increased by \$6.1 million (5.5%). Key elements to this increase were an increase in debt related transactions, an increase in contracted services, and park and pathway operations and maintenance. Other increases were due to:

- An increase in sales and use tax revenue generated higher regional participation agreement payments to the City of Conroe and the City of Houston, and higher annual payments for the Market Street Public Enhancement and Mall Expansion Public Enhancement Projects from the Special Revenue Fund.

- 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 solid waste services related to new properties and CPI adjustment.
- An increase in parks contracted services for park operations and pathway maintenance.
- An increase in debt related expenditures primarily due to principal payments on various issues and an early cash defeasance payment on the 2010 bonds.



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.

As of December 31, 2019, the Township's governmental funds reported a combined ending fund balance of \$111.5 million, an increase of nearly \$2.9 million or 2.7% from the prior year.

	2019 (ROUNDED TO 000'S)	2018 (ROUNDED TO 000'S)	INCREASE (DECREASE) (ROUNDED TO 000'S)
Fund balances:			
General Fund	\$ 39,645,000	\$ 34,999,000	\$ 4,646,000
Capital Projects Fund	72,759,000	62,446,000	10,313,000
Debt Service Fund	4,493,000	16,698,000	(12,205,000)
Special Revenue Fund	<u>(5,446,000)</u>	<u>(5,597,000)</u>	<u>151,000</u>
Total fund balances	<u>\$ 111,451,000</u>	<u>\$ 108,546,000</u>	<u>\$ 2,905,000</u>

Approximately \$12.8 million of the \$111.5 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 (\$20.2 million at December 31, 2019). 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 is \$5.4 million. This fund balance is offset by a deficit fund balance in the Special Revenue Fund of (\$5.4) million.
- Committed for authorized capital projects and capital and economic reserves is \$72.0 million.
- Committed to pay debt service is \$4.5 million.
- Other nonspendable or restricted funds to total \$2.0 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, 2019, the General Fund had an unassigned fund balance of \$12.8 million and a total fund balance of \$39.6 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 12.8% of total General Fund expenditures, while total fund balance represents 36.8%. 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 had an increase of \$4.6 million or 13.3% during the current fiscal year. The key factors for this increase are increases in sales and use tax and hotel occupancy tax revenue collections, an increase in investment earnings. In 2019, the Board approved an additional \$2.0 million to be maintained for operating reserve over the base 20% of annual General Fund operating expenditures.

Capital Projects Fund – The Capital Projects Fund accounts for the resources accumulated and payments made for the acquisition or construction of capital assets and other special projects. Resources are derived from General Fund allocations or debt proceeds. At December 31, 2019, the Capital Projects Fund had an ending balance of \$72.8 million, an increase of \$10.3 million over the prior fiscal year. The increase is related to the addition of reserves for the Comprehensive Community Services Agreement for joint projects between the Township and The Howard Hughes Corporation, the addition of funds for the Grogan's Mill Property Site Plan reserve and the addition of reserves for other future capital needs. All reserves and commitments 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's operating expenditures plus \$2.0 million. The remaining cash generated from favorable budget variances is allocated to 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 (pages 37 and 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 the payment of the Unlimited Tax Bonds, while Hotel Occupancy Tax revenues and up to one half of one percent of general sales tax collected by the Township are pledged for the payment of the Revenue Bonds. For 2019, the Debt Service Fund ending balance decreased by \$12.2 million. The key elements for this decrease are as follows: 1) utilized \$6.4 million from the Bond Redemption Reserve plus \$1.0 million from Hotel Tax Revenues for the cash redemption of a 2010 Sales Tax and Hotel Occupancy Tax Bond, 2) the Township sold \$40 million in refunding bonds to defease \$46 million at par value primarily to reduce future interest cost to the Township.

Additional information on the Township's debt administration can be found in Note 15 to the financial statements (page 49) 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 2019, the Special Revenue Fund recorded \$28.0 million in sales tax revenues. Of this amount, \$2.9 million was paid to the authorized Zone projects for the purpose of paying down debt service, and \$24.9 million was transferred to the General Fund to pay for Fire Department operations. The year-end deficit balance of \$5.4 million in this fund is due to a \$4.6 million liability related to the Market Street/Town Green Park project and a \$800,000 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.

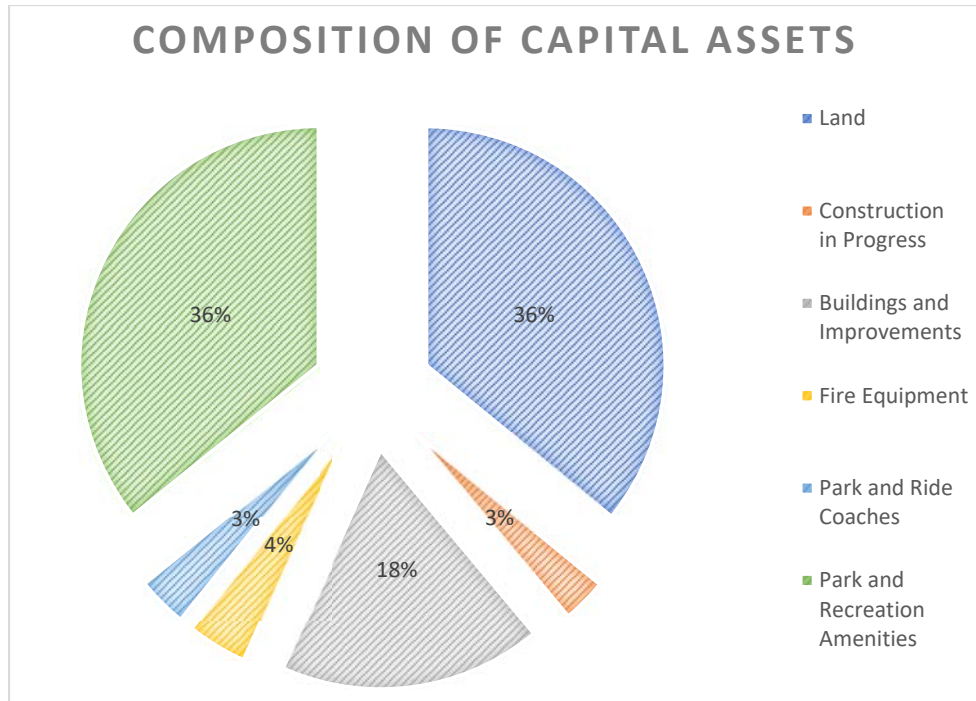
General Fund Budgetary Highlights

The actual General Fund revenues for the year ended December 31, 2019, totaled \$90.1 million, which were \$700,000 more than the final budget of \$90.8 million. The primary reasons for the favorable variance include larger collections of sales tax revenues than budgeted, favorable variance in interest income and unbudgeted grant revenue for The Woodlands Fire Department. This positive variance in revenue is offset by a small unfavorable variance in program service fees and grant revenue. Actual General Fund expenditures for the year were \$99.5 million, an amount \$6.3 million lower than the final budget of \$105.7 million. The primary reasons for the favorable variance are savings due to lower than budgeted expenses pursuant to the interlocal agreements, health insurance costs, less than anticipated expenditures within fire management and fire protection, a savings in streetlight contracts, and a savings in salaries and benefits from open positions throughout the year and a lower worker's compensation tax rate.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township's investment in capital assets for its governmental activities as of December 31, 2019 amounted to \$214.7 million (net of accumulated depreciation). This amount represents a net decrease (including additions, deductions, and depreciation) of \$3.9 million over the prior year. The investment in capital assets includes land, buildings and improvements, park and recreation amenities, fire equipment, information technology, construction in progress, and other machinery and equipment.



Major capital asset events during the year ended December 31, 2019 included:

- Completion of Texas TreeVentures at The Recreation Center at Rob Fleming Park.
- Completion of Woodlands Fire Department Microwave Tower System.
- Purchase of two Pierce Velocity Fire Engines for The Woodlands Fire Department.
- New development of pathways and other park improvements.

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

Long-Term Debt

At December 31, 2019, the Township had total debt outstanding of \$49.7 million; a decrease of \$17.7 million from the prior year's ending debt balance.

Changes in long-term debt at par value was reduced from \$67 million to \$50 million primarily due to principal payments on various issues and an early cash defeasance payment on the 2010 bonds. In addition, the Township sold \$40 million in refunding bonds to defease \$46 million at par value primarily to reduce interest cost to the Township.

	<u>2019</u>	<u>2018</u>
Debt instruments:		
Series 2010 Unlimited Tax Bonds	\$ 0	\$ 23,995,000
Series 2010 Sales Tax and Hotel Occupancy Tax Refunding Bonds	0	25,745,000
Series 2010 Sales Tax and Hotel Occupancy Tax Bonds	0	7,230,000
Series 2011 Unlimited Tax Bonds	7,075,000	7,505,000
Series 2012 Unlimited Tax Bonds	2,705,000	2,940,000
Series 2019 Unlimited Tax Bonds	20,880,000	0
Series 2019 Sales Tax and Hotel Occupancy Tax Refunding Bonds	<u>19,030,000</u>	<u>0</u>
Total debt instruments	<u>\$ 49,690,000</u>	<u>\$ 67,415,000</u>

Current ratings* on debt issues are as follows:

<i>General Obligation Debt</i>					
Bond Series	Underlying - SPUR		Insured		Insurance Company
	Moody's	S&P	Moody's	S&P	
2019	Aa1 (No Outlook)	NR	n/a	n/a	n/a
2012	NR	AA (Stable)	n/a	n/a	n/a
2011	NR	AA (Stable)	n/a	n/a	n/a

<i>Sales and Hotel Occupancy Tax Debt</i>					
Bond Series	Underlying - SPUR		Insured		Insurance Company
	Moody's	S&P	Moody's	S&P	
2019	NR	AA- (Stable)	n/a	n/a	n/a

*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 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 Township views its planning and operational activities in a strategic manner. Accordingly, the 2019 budget was prepared with the goal of achieving certain key objectives as defined in the *Vision 2034 Strategic Plan* as adopted by the Board in July 2014. Those objectives include:

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

During the 2020 budget process, total projected revenue for 2020 equaled \$128.7 million, which is a \$1.2 million decrease from 2019's actual revenue of \$129.9 million. The decrease in projected revenue is due to underestimating the growth of sales and use tax revenues in the fourth quarter of 2019, which resulted in a low 2020 budget estimate for this revenue source. Additionally, there was a reduction in federal grant funds from the Federal Transit Administration due to certain capital projects for the Park and Ride and Trolley transportation programs being completed in 2019.

Property tax revenue is based on a property tax rate of \$0.2240 applied to the taxable property value base of \$20.5 billion, an increase of \$396 million from last year's certified tax base of \$20.1 billion. This rate is equal to the effective rate published by the Montgomery County Tax Assessor's Office for the Township. Total property tax revenue is projected to be \$45.8 million in 2020. Revenue from property tax comprises 36% of total 2020 budgeted revenue.

During the 2020 budget process, the sales tax revenue for 2020 projected to be \$54.5 million, which is a 2.6% decrease from the \$56 million collected for 2019, which resulted in a low 2020 budget estimate. Revenue from sales tax comprises 42% of total 2020 budgeted revenue. Revenue from a 9% hotel occupancy tax is anticipated to generate \$9.7 million in revenue for 2020, which is a 5% increase from the \$9.2 million collected in 2019. During the 2020 budget process, the projected increase is due to higher occupancy and room rates than the previous year because of a favorable economy and a concentrated marketing program.

The 2020 consolidated budget includes \$127 million in expenditures, representing a 1 % increase from the 2019 actual expenditures total of \$125.8 million. The increase is primarily the result of increased expenditures for contracted services for solid waste and streetscape maintenance and higher expenditures within the fire department and parks and recreation department. These increases are offset with a decrease in capital projects and debt service.

The five-year financial plan is updated each year as the annual budget is prepared. The 2020 budget and five-year plan include funding for capital projects and assets required by the Woodlands Fire Department, Parks and Recreation, and Information Technology to maintain current services and amenities, to address community growth, to replace existing assets that have reached the end of their useful lives, and to stay abreast of technological advances. The 2020 five-year plan also provides for several future reserves including a Grogan's Mill Property Site Plan Reserve, a Bond Redemption Reserve, an Incorporation Reserve, and a Sales Tax Reserve.

Debt service requirements for 2020 are projected at \$4.7 million. Of this amount, \$2.2 million is related to the revenue bonds.

In response to the pandemic caused by the 2019 novel coronavirus (COVID-19), the Township established a Budget Task Force comprised of three current Board members to monitor ongoing economic impacts on the Township resulting from the virus and to make recommendations to the Board regarding projected revenue losses from the sales and use tax and hotel occupancy tax. A financial plan has been developed and approved by the Board that uses reductions in operating expense deferral of certain capital projects and limited use of existing reserve balances to address any revenue shortfalls that may materialize.

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, 2019

ASSETS

Cash and cash equivalents	\$ 129,268,878
Receivables, net	36,655,944
Prepaid expenses	405,434
Capital lease receivable	1,866,377
Long-term rent paid in advance	2,717,002
Net pension asset	2,769,663
Capital assets not being depreciated	83,558,979
Capital assets, net of depreciation	<u>131,156,253</u>
Total assets	<u>388,398,530</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension outflows	1,737,609
Deferred OPEB outflows	<u>72,392</u>
Total deferred outflows of resources	<u>1,810,001</u>

LIABILITIES

Accounts payable and accrued liabilities	8,810,119
Accrued interest payable	98,910
Unearned property tax revenue	23,618,541
Due within one year:	
Bonds payable	5,176,217
Unearned revenue related to operating lease	177,500
Compensated absences	1,037,833
Due in more than one year:	
Bonds payable	49,179,370
Unearned revenue related to operating lease	443,750
OPEB plan liability	<u>824,212</u>
Total liabilities	<u>89,366,452</u>

DEFERRED INFLOWS OF RESOURCES

Property tax – deferred revenue	22,450,586
Deferred OPEB inflows	109,240
Deferred pension inflows	<u>1,735,568</u>
Total deferred inflows of resources	<u>24,295,394</u>

NET POSITION

Net investment in capital assets	160,359,645
Restricted for debt retirement	4,493,226
Restricted for healthcare obligations	800,000
Restricted for The Woodlands Township Firefighters' Retirement System	2,771,704
Restricted for cultural events and education	779,497
Unrestricted	<u>107,342,613</u>
Total net position	<u>\$ 276,546,685</u>

See accompanying notes to financial statements.

The Woodlands Township

Statement of Activities for the year ended December 31, 2019

		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	\$ 11,589,665	\$ 281,380	\$ 57,275	\$ 1,509,607	\$ (9,741,403)
Public safety	39,557,142	1,464,460	217,798		(37,874,884)
Parks and recreation	28,691,755	5,303,219	90,757		(23,297,779)
Transportation	9,659,120	3,557,427	2,659,236		(3,442,457)
Economic development	9,445,639	802,589	83,650		(8,559,400)
Community services	15,385,401	140,797			(15,244,604)
Community relations	1,221,956				(1,221,956)
Interest expense	1,504,938				(1,504,938)
Debt issuance costs	497,792				(497,792)
Total primary government	<u>\$ 117,553,408</u>	<u>\$ 11,549,872</u>	<u>\$ 3,108,716</u>	<u>\$ 1,509,607</u>	<u>(101,385,213)</u>
General revenue:					
Taxes:					
Property					45,740,942
Sales					55,973,484
Hotel occupancy					9,245,682
Event admissions					1,335,193
Investment earnings					2,445,820
Other income					333,970
Total general revenue					<u>115,075,091</u>
Change in net position					13,689,878
Net position, beginning of year					<u>262,856,807</u>
Net position, end of year					<u>\$ 276,546,685</u>

See accompanying notes to financial statements.

The Woodlands Township

Balance Sheet – Governmental Funds as of December 31, 2019

	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	SPECIAL REVENUE	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 65,379,445	\$ 59,060,007	\$ 4,829,340	\$ 86	\$ 129,268,878
Receivables, net	28,743,875		2,079,917	5,832,152	36,655,944
Due from other funds	7,159,523	14,482,253	2,133,173		23,774,949
Prepaid expenditures	405,434				405,434
Long-term receivables from other funds	<u>5,416,057</u>				<u>5,416,057</u>
TOTAL ASSETS	<u>\$ 107,104,334</u>	<u>\$ 73,542,260</u>	<u>\$ 9,042,430</u>	<u>\$ 5,832,238</u>	<u>\$ 195,521,262</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 7,942,217	\$ 125,131		\$ 742,771	\$ 8,810,119
Due to other funds	16,615,426	657,926	\$ 1,381,849	5,119,748	23,774,949
Unearned property tax revenue	22,037,126		1,581,415		23,618,541
Long-term payable to other funds				<u>5,416,057</u>	<u>5,416,057</u>
Total liabilities	<u>46,594,769</u>	<u>783,057</u>	<u>2,963,264</u>	<u>11,278,576</u>	<u>61,619,666</u>
Deferred inflows of resources:					
Unavailable property tax revenue	<u>20,864,646</u>		<u>1,585,940</u>		<u>22,450,586</u>
Fund balances:					
Nonspendable:					
Prepaid expenditures	405,434				405,434
Long-term receivables	5,416,057				5,416,057
Restricted for:					
Healthcare obligations	800,000				800,000
Cultural events and education		779,497			779,497
Committed for:					
Capital reserves		56,408,576			56,408,576
Capital projects		11,978,530			11,978,530
Debt service			4,493,226		4,493,226
Economic development reserve		3,592,600			3,592,600
Assigned for:					
Operating reserve	20,243,342				20,243,342
Unassigned	<u>12,780,086</u>			<u>(5,446,338)</u>	<u>7,333,748</u>
Total fund balances	<u>39,644,919</u>	<u>72,759,203</u>	<u>4,493,226</u>	<u>(5,446,338)</u>	<u>111,451,010</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 107,104,334</u>	<u>\$ 73,542,260</u>	<u>\$ 9,042,430</u>	<u>\$ 5,832,238</u>	<u>\$ 195,521,262</u>

See accompanying notes to financial statements.

The Woodlands Township

Reconciliation of the Balance Sheet – Government Funds to the Statement of Net Position for the year ended December 31, 2019

Total fund balances, governmental funds \$ 111,451,010

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; therefore, are not reported in the fund financial statements. 214,715,232

Certain unearned revenue is not earned in the current period; therefore, is not reported in the fund financial statements.
Unearned revenue related to operating lease (621,250)

Certain assets and deferred outflows of resources included in the statement of net position are not available to pay current period expenditures; therefore, are not reported as assets in the governmental fund financial statements.

Deferred pension outflows	1,737,609
Deferred OPEB outflows	72,392
Capital lease receivable	1,866,377
Long-term rent paid in advance	2,717,002
Net pension asset	2,769,663

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	(98,910)
Bonds payable	(54,355,587)
Compensated absences	(1,037,833)
OPEB plan liability	(824,212)
Deferred OPEB inflows	(109,240)
Deferred pension inflows	<u>(1,735,568)</u>

Net position of governmental activities in the statement of net position \$ 276,546,685

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, 2019

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUE:					
Property taxes	\$ 42,318,783		\$ 3,422,159		\$ 45,740,942
Sales taxes	27,927,632			\$ 28,045,852	55,973,484
Hotel occupancy taxes	2,054,596		7,191,086		9,245,682
Event admissions taxes	1,335,193				1,335,193
Investment earnings	1,170,925	\$ 1,103,121	72,309	863	2,347,218
Interest received from other funds	369,155				369,155
Program service fees and grants	14,915,057				14,915,057
Total revenue	<u>90,091,341</u>	<u>1,103,121</u>	<u>10,685,554</u>	<u>28,046,715</u>	<u>129,926,731</u>
EXPENDITURES:					
General and administrative	10,634,391				10,634,391
Public safety	37,358,427				37,358,427
Parks and recreation	20,532,288				20,532,288
Transportation	7,544,317				7,544,317
Economic development	6,778,224			2,552,530	9,330,754
Community services	15,385,401				15,385,401
Community relations	1,213,331				1,213,331
Capital outlay	15,360	8,184,493			8,199,853
Interest paid to other funds				369,155	369,155
Debt service:					
Principal			11,915,000		11,915,000
Interest			2,848,577		2,848,577
Debt issuance costs			497,792		497,792
Total expenditures	<u>99,461,739</u>	<u>8,184,493</u>	<u>15,261,369</u>	<u>2,921,685</u>	<u>125,829,286</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(9,370,398)</u>	<u>(7,081,372)</u>	<u>(4,575,815)</u>	<u>25,125,030</u>	<u>4,097,445</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	28,516,592	17,834,443	500,000		46,851,035
Transfers out	(14,500,267)	(439,380)	(6,936,777)	(24,974,611)	(46,851,035)
Proceeds from issuance of refunding bonds			44,527,743		44,527,743
Payments to agent for defeasance			(45,720,000)		(45,720,000)
Total other financing sources (uses)	<u>14,016,325</u>	<u>17,395,063</u>	<u>(7,629,034)</u>	<u>(24,974,611)</u>	<u>(1,192,257)</u>
CHANGES IN FUND BALANCES	<u>4,645,927</u>	<u>10,313,691</u>	<u>(12,204,849)</u>	<u>150,419</u>	<u>2,905,188</u>
Fund balances, beginning of year	<u>34,998,992</u>	<u>62,445,512</u>	<u>16,698,075</u>	<u>(5,596,757)</u>	<u>108,545,822</u>
Fund balances, end of year	<u>\$ 39,644,919</u>	<u>\$ 72,759,203</u>	<u>\$ 4,493,226</u>	<u>\$ (5,446,338)</u>	<u>\$ 111,451,010</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, 2019

Changes in fund balances	\$ 2,905,188
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay	8,199,853
Depreciation expense	(13,581,200)

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	1,509,607
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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	(1,398)
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Governmental funds do not recognize revenue that is not available to pay current obligations.

Garage lease revenue	177,500
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Government funds report repayment of bond principal as an expenditure and bond proceeds as funding sources. The statement of activities treats such repayments as a reduction in long-term liabilities and proceeds as an increase in long-term liabilities.

Principal retirement on debt and bond refunding	57,635,000
Proceeds from new debt issuance	(44,527,743)

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	737,143
Amortization of discount on construction costs reimbursed in lieu of future rents	(103,308)
Changes in pension expenses related to actuarial valuation of plan assets and liabilities	177,448
Changes in other postemployment expenses related to plan liabilities	(53,376)
Amortization of discount on refunding due to defeasance	(358,078)
Change in financing premiums	964,575
Compensated absences	8,667

Change in net position of governmental activities	<u>\$ 13,689,878</u>
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See accompanying notes to financial statements.

The Woodlands Township

Notes to Financial Statements for the year ended December 31, 2019

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 as it appoints a voting majority of the 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

Visit The Woodlands – Visit The Woodlands (also known as The Woodlands Convention & Visitors Bureau), 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, Visit The Woodlands helps stimulate demand for The Woodlands as a travel destination and stimulates economic development. Visit The Woodlands 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.

Visit The Woodlands is a blended component unit of the Township because of the ability of the Township to exert its will on Visit The Woodlands' Board of Directors and the financial burden of the Township for Visit The Woodlands. Members are elected by the Board of the Township or appointed by Visit The Woodlands Board of Directors. Currently, the Township is the only member of Visit The Woodlands. As of December 31, 2019, Visit The Woodlands' seven-member Board of Directors was composed of three Township Directors, the President of the Township and three community business leaders. The President of Visit The Woodlands is the Director of Public Relations for the Township. Visit The Woodlands and the Township have executed a service agreement whereby the Township employs all staff of Visit The Woodlands and provides administrative support at no cost to Visit The Woodlands. The Township provides substantially all of the support of Visit The Woodlands.

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 and short-term investments in privately managed public fund investment pools. Cash equivalents have original maturities of three months or less at the time of purchase.

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 acquisition 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 asset:

<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 for services if they involved organizations external to the Township are accounted for as revenue and expenditures in the applicable funds. Interfund services provided and used are not eliminated in consolidation. 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 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:

- *Net investment in capital assets* 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 its 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 result from its enabling legislation.

Program Revenue

Program revenue primarily represents fees for services related to the use of the Township's recreational facilities and fare revenues from the Township's park and ride 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 GASB statements during fiscal year 2019:

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, is effective for fiscal year 2019. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit, assets pledged as collateral for the debt, and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

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 statements.

Statement No. 83, *Certain Asset Retirement Obligations*, is effective for fiscal year 2020. 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 2020. 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. 87, *Leases*, is effective for fiscal year 2022. 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.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, is effective for fiscal year 2021. The statement establishes accounting requirements for interest cost incurred before the end of a construction period. The statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the

economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported.

Statement No. 90, *Majority Equity Interests*, is effective for fiscal year 2021. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

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. The Township does not utilize encumbrances.

Deficit Fund Balances

The Special Revenue Fund has a deficit fund balance of \$5.4 million as of December 31, 2019. 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, 2019 consist of the following:

Cash on hand	\$ 6,073
Demand deposits	14,780,557
Certificates of deposit	16,013,940
Investments:	
TexPool	94,062,931
TexSTAR	<u>4,405,377</u>
Total cash and cash equivalents and investments	<u>\$ 129,268,878</u>

The carrying value of demand deposits of the primary government at December 31, 2019 was \$14,780,557 and the related bank balances were \$16,734,127. 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 fair 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, 2019, the Township had investments with the following maturities and credit quality:

<u>INVESTMENT</u>	<u>FUND</u>	<u>FAIR VALUE</u>	<u>WAM</u>	<u>S&P RATINGS</u>
TexPool	General	\$ 34,749,498	<90 days	AAAm
TexSTAR	General	3,450,122	<90 days	AAAm
TexSTAR**	General	845,555	<90 days	AAAm
TexPool	Debt Service	1,200	<90 days	AAAm
TexPool	Debt Service	252,226	<90 days	AAAm
TexSTAR	Debt Service	109,700	<90 days	AAAm
TexPool	Capital Projects	54,458,262	<90 days	AAAm
TexPool	Capital Projects	4,304,776	<90 days	AAAm
TexPool	Capital Projects	<u>296,969</u>	<90 days	AAAm
Total investments		<u>\$ 98,468,308</u>		

**Account restricted for health insurance claims contingency fund.

TexPool is an investment pool that is overseen by the State of Texas Comptroller of Public Accounts and operated under the supervision of the Texas Treasury Safekeeping Trust Company. TexSTAR is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791 and the Public Funds Investment Act, Chapter 2256. Funds are managed by J.P. Morgan Investment Management, Inc. and Hilltop Securities, Inc. Funds are held in a separate custodial account at the Federal Reserve Bank.

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 fair 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, 2019, the following deposit including accrued interest as of December 31, 2019, 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	\$8,013,940	317 days
Origin Bank	Certificate of Deposit	General	\$8,000,000	296 days

NOTE 4 – RECEIVABLES AND DEFERRED REVENUE

Receivables as of December 31, 2019 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	\$ 21,313,799		\$ 1,573,421		\$ 22,887,220
Sales tax	5,798,265			\$ 5,832,152	11,630,417
Hotel occupancy tax			538,527		538,527
Events admission tax	125,728				125,728
Grant receivable	1,005,798				1,005,798
Other receivables	<u>934,113</u>		<u> </u>	<u> </u>	<u>934,113</u>
Total receivables	29,177,703		2,111,948	5,832,152	37,121,803
Less: Allowance for uncollectible accounts	<u>(433,828)</u>	<u> </u>	<u>(32,031)</u>	<u> </u>	<u>(465,859)</u>
Receivables, net	<u>\$ 28,743,875</u>	<u>\$ 0</u>	<u>\$ 2,079,917</u>	<u>\$ 5,832,152</u>	<u>\$ 36,655,944</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, deferred revenue reported in the governmental funds consists of unavailable property tax of \$22,450,586 and unearned property tax revenue of \$23,618,541.

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 \$27,927,632 in the General Fund and \$28,045,852 in the Special Revenue Fund from the levy of sales tax for the fiscal year ended December 31, 2019.

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. The Township recognized grant revenues for public transportation services of \$2.7 million.

The Township's government grants require fulfillment of certain conditions as set forth in grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by the Township with the terms of the contracts. Management believes such disallowances, if any, would not be material to the Township's financial position or change in net position.

NOTE 10 – CAPITAL ASSETS

The Township's investment in capital assets at December 31, 2019 consists of the following:

	BALANCE JANUARY 1, 2019	ADDITIONS	COMPLETIONS/ DISPOSALS	BALANCE DECEMBER 31, 2019
Depreciable capital assets:				
Parks and pathways	\$ 174,825,200	\$ 4,120,334	\$ (187,151)	\$ 178,758,383
Buildings and leasehold improvements	52,031,639	551,459		52,583,098
Equipment	41,747,770	4,999,616	(335,838)	46,411,548
Depreciable capital assets, at cost	268,604,609	9,671,409	(522,989)	277,753,029
Accumulated depreciation:				
Parks and pathways	94,512,883	7,520,648	(187,151)	101,846,380
Buildings and leasehold improvements	16,448,573	1,858,521		18,307,094
Equipment	22,577,109	4,202,031	(335,838)	26,443,302
Accumulated depreciation	133,538,565	13,581,200	(522,989)	146,596,776
Total depreciable capital assets, net	135,066,044	(3,909,791)		131,156,253
Nondepreciable capital assets:				
Land	74,964,449	932,350		75,896,799
Construction in progress	7,353,751	753,625	(1,647,924)	6,459,452
Sculpture and art	1,202,728			1,202,728
Total nondepreciable capital assets	83,520,928	1,685,975	(1,647,924)	83,558,979
Total capital assets, net	\$ 218,586,972	\$ (2,223,816)	\$ (1,647,924)	\$ 214,715,232

For the year ended December 31, 2019, depreciation expense was charged to the following functions:

Parks and recreation	\$ 8,159,467
Public safety	2,322,787
Transportation	2,114,803
General and administrative	963,941
Economic development	11,577
Community relations	8,625
Total depreciation expense	\$ 13,581,200

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 Woodlands 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, 2019, the Township had the following commitments:

PROJECT	AMOUNT AUTHORIZED	SPENT TO DATE	REMAINING COMMITMENT
Parks and pathways improvements	\$11,500,000	\$8,723,530	\$2,776,470

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 2019, the Township remitted \$1,709,400 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, 2019 are as follows:

<u>RECEIVABLE FUND</u>	<u>PAYABLE FUND</u>	<u>AMOUNT</u>
General	Special Revenue	\$ 5,119,748
General	Debt Service	1,381,849
General	Capital Projects	657,926
Capital Projects	General	14,482,253
Debt Service	General	<u>2,133,173</u>
Total interfund receivables and payables		<u>\$ 23,774,949</u>

\$5,119,748 due to the General Fund from the Special Revenue Fund is for sales tax revenue to be transferred. \$1,381,849 due to the General Fund from the Debt Service Fund is for hotel occupancy tax (HOT) revenue to be transferred. \$14,482,253 due to the Capital Projects Fund from the General Fund is for designated capital reserves (\$11,210,066) and for reimbursement of disbursements made from the General Fund for Capital Projects (\$3,272,187). \$2,133,173 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, 2019 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	\$ 24,974,611				\$ 24,974,611
Capital Projects	439,380				439,380
General		\$ 14,000,267	\$ 500,000		14,500,267
Debt Service	<u>3,102,601</u>	<u>3,834,176</u>			<u>6,936,777</u>
Total	<u>\$ 28,516,592</u>	<u>\$ 17,834,443</u>	<u>\$ 500,000</u>	<u>\$ 0</u>	<u>\$ 46,851,035</u>
Transfers in	\$ 28,516,592	\$ 17,834,443	\$ 500,000	\$ 0	\$ 46,851,035
Transfers out	<u>(14,500,267)</u>	<u>(439,380)</u>	<u>(6,936,777)</u>	<u>(24,974,611)</u>	<u>(46,851,035)</u>
Total	<u>\$ 14,016,325</u>	<u>\$ 17,395,063</u>	<u>\$ (6,436,777)</u>	<u>\$ (24,974,611)</u>	<u>\$ 0</u>

Transfers out for the year ended December 31, 2019 from the General Fund to the Capital Projects Fund were \$2,409,813 for capital projects and \$11,590,454 for capital reserves and \$500,000 for debt service. Transfers from the Special Revenue Fund to the General Fund of \$24,974,611 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 (the Zone) 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 \$10.6 million 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, 2019, aggregate net revenue payments including interest to the developer totaled \$14,581,990 and priority payments to the Township totaled \$2,800,000.

Waterway Square

Approved in July 2003 and amended in October 2004, project costs include public enhancements to the mixed-use development located at The Woodlands Mall expansion (the 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, 2019, aggregate net revenue payments including interest to the developer totaled \$10,506,171 and priority payments to the Township totaled \$5,600,000.

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 2019 from the Zone and the expanded boundaries was \$24,974,611.

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 \$8,200,000 in total remaining lease payments over the term of the lease. The future minimum lease payments are \$1,866,377 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>
2020	\$ 1,472	\$ 98,528	\$ 100,000
2021	1,550	98,450	100,000
2022	1,632	98,368	100,000
2023	1,718	98,282	100,000
2024	1,808	98,192	100,000
2025-2029	10,579	489,421	500,000
2030-2034	13,683	486,317	500,000
2035-2039	17,696	482,304	500,000
2040-2044	22,887	477,113	500,000
2045-2049	29,601	470,399	500,000
2050-2054	38,283	461,717	500,000
2055-2059	49,513	450,487	500,000
2060-2064	64,037	435,963	500,000
2065-2069	82,821	417,179	500,000
2070-2074	107,116	392,884	500,000
2075-2079	138,537	361,463	500,000
2080-2084	179,174	320,826	500,000
2085-2089	231,732	268,268	500,000
2090-2094	299,707	200,293	500,000
2095-2099	387,622	112,378	500,000
2100-2101	185,209	14,791	200,000
Total	<u>\$ 1,866,377</u>	<u>\$ 6,333,623</u>	<u>\$ 8,200,000</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, 2019, the principal amount of the Township's remaining debt on bonds issued to construct the leased facilities was \$19,030,000.

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	\$1,251,084	\$1,849,730

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 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 liabilities for the year ended December 31, 2019:

	<u>BALANCE DECEMBER 31, 2018</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE DECEMBER 31, 2019</u>	<u>PAYABLE WITHIN ONE YEAR</u>
Revenue bonds	\$ 32,975,000	\$ 19,030,000	\$ (32,975,000)	\$ 19,030,000	\$ 2,225,000
General obligation bonds	34,440,000	20,880,000	(24,660,000)	30,660,000	2,440,000
Compensated absences	1,046,500	3,655,311	(3,663,978)	1,037,833	1,037,833
Unearned financing premium	1,012,419	4,617,742	(964,574)	4,665,587	511,217
Unearned revenue related to operating lease	<u>798,750</u>	<u></u>	<u>(177,500)</u>	<u>621,250</u>	<u>177,500</u>
Total	<u>\$ 70,272,669</u>	<u>\$ 48,183,053</u>	<u>\$ (62,441,052)</u>	<u>\$ 56,014,670</u>	<u>\$ 6,391,550</u>

The following table displays the total principal debt outstanding by issuance as of December 31, 2019:

<u>DESCRIPTION</u>	<u>ISSUANCE DATE</u>	<u>INTEREST RATES</u>	<u>FINAL MATURITY DATE</u>	<u>OUTSTANDING PRINCIPAL AMOUNT</u>
Series 2011 Unlimited Tax Bonds	November 17, 2011	2%-3.45%	March 1, 2032	\$7,075,000
Series 2012 Unlimited Tax Bonds	February 1, 2012	1.75%-3%	March 1, 2032	\$2,705,000
Series 2019 Refunding General Obligation Bonds	December 17, 2019	1.18%-1.19%	March 1, 2030	\$20,880,000
Series 2019 Refunding Unlimited Tax Bonds	December 17, 2019	5%	March 1, 2027	\$19,030,000

Annual debt service requirements to maturity are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2020	\$ 4,665,000	\$ 1,374,487	\$ 6,039,487
2021	4,365,000	1,672,325	6,037,325
2022	4,570,000	1,468,372	6,038,372
2023	4,760,000	1,281,035	6,041,035
2024	4,935,000	1,110,691	6,045,691
2025-2029	21,780,000	2,755,824	24,535,824
2030-2032	<u>4,615,000</u>	<u>162,380</u>	<u>4,777,380</u>
Total	<u>\$ 49,690,000</u>	<u>\$ 9,825,114</u>	<u>\$ 59,515,114</u>

At December 31, 2019, the Township had \$1,035,000 of authorized but unissued unlimited tax bonds.

Historically, benefits related to the Other Postemployment Benefits (OPEB) liability have been paid from the General Fund of the Township.

During the year ended December 31, 2019, proceeds from the 2019 Revenue and General Obligation Refunding bond offerings were used to defease the 2010 Revenue and General Obligation bonds. Additionally, reserve funds were used to defease the Series 2010 Sales Tax and Hotel Occupancy Tax Bonds. Because the funds have been deposited with an escrow agent to repay these obligations, the related liabilities have been removed from the statement of financial position. All bonds are collateralized by future revenue.

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, 2019 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 the Township's 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 are 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.

SB 1014 (Creighton/Keogh) and SB 1015 were passed during the 85th Legislature, Regular Session. SB 1014 (Creighton/Keogh) provided clarifications to the Township's creation legislation. This bill (1) provided a number of clarifications to the district's creation legislation; (2) modified the procedure for filling vacancies on the Township's Board; (3) provided procedures for the calling and holding of an incorporation election over the territory of the Township; (4) provided procedures for the transfer of assets, liabilities, powers, obligations and functions of the Township to the new city; (5) provided procedures for dissolution of the Township; (6) codified a reference to the Township's enabling Act in Chapter 11011 of the Special District Local Laws Code; and (7) specified certain provisions of the enabling Act that remain applicable to the new city in the event of incorporation and dissolution of the Township (effective immediately).

SB 1015 pertained to the Township's procedures for incorporation. This bill amended Section 43.0754, Local Government Code, to provide the procedures and mechanics to incorporate an area subject to a regional participation agreement irrespective of population and geographic limitations (applicable to the Township only) (effective June 9, 2017).

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 public records laws, 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 2019, the Township paid \$1,790,414 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 \$1,478,432 to the Section 457 plan in 2019.

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 2019, provided an employee made salary deferral contributions of 7.0% of their salary. For the year ended December 31, 2019, the Township's contributions to this plan totaled \$1,525,149. The plan is fully funded on a current basis.

Other Postemployment Benefits

Plan Description – The Township's OPEB plan is a self-administered, single employer 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. Additionally, the plan provides a Health Reimbursement Account (HRA) benefit of \$1,500 for those retirees selecting single coverage and \$3,000 for those retirees selecting coverage for themselves and their dependents. 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. 75. The most recent OPEB liability actuarial valuation was completed in May 2020 for the year ended December 31, 2019. A copy of the report may be obtained by contacting the Finance Director of the Township. The actuarial valuation covering the year ended December 31, 2019 includes 2 retired employees receiving benefits, 38 retirees (fully eligible employees), and 325 active employees who are not fully eligible.

Funding Policy – GASB Statement No. 75 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. There are no stand-alone financial statements for the plan.

The following outlines total and net OPEB liabilities as of December 31, 2019:

OPEB liability:

Actives	\$ 788,914
Retirees	<u>35,298</u>
Total OPEB liability	<u>\$ 824,212</u>
Covered employee payroll	<u>\$ 24,880,969</u>
OPEB liability as a percentage of covered payroll	3.2%

Total OPEB expense for the year ended December 31, 2019 is as follows:

Service cost	\$ 42,468
Interest cost	33,080
Changes in assumptions or other inputs	<u>(3,092)</u>
Total OPEB expense	<u>\$ 72,456</u>

Deferred outflows and deferred inflows of resources related to changes in assumptions were recognized at December 31, 2019 in the amount of \$25,665 and \$(109,420), respectively. Deferred outflows related to differences between actual and estimated experience were recognized at December 31, 2019 in the amount of \$46,727.

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 December 31, 2019, and utilized the projected Entry Age Normal Cost Method. It was assumed that postemployment benefits would continue to be paid from general assets of the Township. The valuation results were developed assuming a discount rate of 2.74% and assumed a healthcare cost trend rate of 6.0% for the year ended December 31, 2019 and grading down by 0.5% each year to a 4.5% healthcare cost trend rate. The Medical Consumer Price Index is assumed to increase at a rate of 3.0% each year. The remaining closed amortization period is considered to be 12.5 years beginning January 1, 2019. 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. Health claim costs were developed using 24 months of historical claims experience. Employee salary assumptions are not applicable to the valuation.

Sensitivity of the OPEB liability to the changes in the discount rate:

	<u>1% DECREASE</u>	<u>CURRENT DISCOUNT RATE</u>	<u>1% INCREASE</u>
Percentage	1.74%	2.74%	3.74%
Net pension (asset) liability	<u>\$ 726,000</u>	<u>\$ 824,212</u>	<u>\$ 939,000</u>

Sensitivity of the OPEB liability to the changes in the healthcare cost trend rate:

	<u>1% DECREASE</u>	<u>CURRENT DISCOUNT RATE</u>	<u>1% INCREASE</u>
Percentage	5.0%	6.0%	7.0%
Net pension (asset) liability	<u>\$ 740,000</u>	<u>\$ 824,212</u>	<u>\$ 927,000</u>

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 (the 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 plan. The System plan 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 the 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). During 2018, the System was amended to add a Deferred Retirement Option Program (DROP). A member is eligible for this program after the attainment of age 52 and 20 years of credited service if an election to participate is made while the member is still in active service. Once the DROP is elected, the member is treated as if he or she has retired as of the elected date, although the member will continue to work, and his or her monthly annuity benefit is calculated as of the date of the election. The benefit will be deferred and will commence at the time of the member's actual retirement from the Township Fire Department.

In the January 1, 2020 actuarial valuation, there were 141 active participants, 4 inactive participants not yet receiving benefits, and 2 inactive participants receiving benefits 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 agreement between the Township and the System's Board of Trustees 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 required to be 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, 2020, the total normal cost rate is 22.0% of normal payroll.

The Township's net pension asset was measured at December 31, 2019 and 2018, and the total pension liability used to calculate the net pension asset was determined by actuarial valuation as of that date.

	<u>2019</u>	<u>2018</u>
System fiduciary net position	\$ 42,315,851	\$ 32,836,586
Total pension liability	<u>(39,546,188)</u>	<u>(33,562,741)</u>
Net pension asset (liability)	<u>\$ 2,769,663</u>	<u>\$ (726,155)</u>
System fiduciary net position as a percentage of total pension liability	107.0%	97.84%

The total pension liability in the January 1, 2020 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: PubS-2010 using scale MP-2019

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's 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, 2019 are summarized in the following table:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED RATE OF RETURN</u>
Equities	75%	7.5%
Fixed-income	24%	2.5%
Cash	1%	0.0%

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes 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 2.74% (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:

	<u>TOTAL PENSION LIABILITY</u>	<u>PLAN FIDUCIARY NET POSITION</u>	<u>NET PENSION (ASSET) LIABILITY</u>
Balance as of January 1, 2018	\$ 30,264,890	\$ 32,217,888	\$ (1,952,998)
Changes:			
Service cost	2,313,411		2,313,411
Interest	2,010,932		2,010,932
Changes in benefit terms	(1,968,668)		(1,968,668)
Changes in assumptions	1,215,535		1,215,535
Differences between expected and actual experience	(208,947)		(208,947)
Contributions – employer		1,377,955	(1,377,955)
Contributions – employee		1,377,955	(1,377,955)
Net investment income		(1,973,302)	1,973,302
Benefit payments, including refunds of employee contributions	(64,412)	(64,412)	
Administrative expense		(99,498)	99,498
Balance as of December 31, 2018	33,562,741	32,836,586	726,155
Changes:			
Service cost	2,432,667		2,432,667
Interest	2,514,662		2,514,662
Changes in assumptions	749,231		749,231
Differences between expected and actual experience	430,210		430,210
Contributions – employer		1,461,363	(1,461,363)
Contributions – employee		1,461,364	(1,461,364)
Net investment income		6,835,356	(6,835,356)
Benefit payments, including refunds of employee contributions	(143,323)	(143,323)	
Administrative expense		(135,495)	135,495
Balance as of December 31, 2019	<u>\$ 39,546,188</u>	<u>\$ 42,315,851</u>	<u>\$ (2,769,663)</u>

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

	<u>1% DECREASE</u>	<u>CURRENT DISCOUNT RATE</u>	<u>1% INCREASE</u>
Percentage	6%	7%	8%
Net pension (asset) liability	<u>\$ 3,509,152</u>	<u>\$ (2,769,663)</u>	<u>\$ (7,956,711)</u>

For the year ended December 31, 2019, the Township recognized pension expense of \$1,283,917. At December 31, 2019, deferred outflows of resources and deferred inflows of resources related to the System are as follows:

	<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>DEFERRED INFLOWS OF RESOURCES</u>
Differences between expected and actual experience		\$ 194,077
Changes in assumptions	\$ 1,737,609	
Net difference between projected and actual earnings on investments		<u>1,541,491</u>
Total	<u>\$ 1,737,609</u>	<u>\$ 1,735,568</u>

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

2020	\$ (182,048)
2021	(202,168)
2022	96,716
2023	(767,139)
2024	121,713
Thereafter	<u>934,967</u>
Total	<u>\$ 2,041</u>

At December 31, 2019, the Township reported a payable of \$157,318 for the outstanding amount of contributions of the System contractually required for the year ended December 31, 2019.

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 employees' 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 is as follows:

Balance at December 31, 2017	\$ 268,353
Claims incurred	3,715,704
Claims paid	<u>(3,710,893)</u>
Balance at December 31, 2018	273,164
Claims incurred	4,052,168
Claims paid	<u>(4,307,612)</u>
Third-party reimbursement of claims made in excess of \$105,000	<u>204,633</u>
Balance at December 31, 2019	<u>\$ 222,353</u>

The liability for incurred, but not paid liabilities was calculated based on historical trends and known outstanding claims and includes related administrative costs.

NOTE 19 – SUBSEQUENT EVENTS

In March 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and a national emergency was declared in the United States. The stay-at-home orders issued by Montgomery County and Harris County, which included the Township, forced temporary closure of retail complexes, caused cancellations of planned events in the area, and limited travel. These restrictions will negatively impact sales and hotel tax revenues associated with those activities. Parks, pools, and bus services also have been closed and are being reopened with capacity restrictions.

The extent of the impact of COVID-19 on the Township's operational and financial performance will depend on developments such as the duration and spread of the outbreak, impact on residents, employees, and vendors, all of which are uncertain and cannot be predicted. Therefore, while the Township expects this matter to negatively impact its operating results and financial position, the financial impact cannot be reasonably estimated at this time. The Board has established a Budget Task Force to monitor the financial impacts of the pandemic and recommend actions the Board can take to mitigate potential revenue loss, including reducing operating expenses, deferring capital expenditures, and limited utilization of reserves.



REQUIRED SUPPLEMENTARY INFORMATION

The Woodlands Township

Required Supplementary Information
Schedule of Funding Progress
Other Postemployment Benefits
Year Ended December 31, 2019

Plan information in accordance with the requirements of GASB Statement No. 75:

	<u>2019**</u>	<u>2018*</u>	<u>2017*</u>
Changes in total OPEB liability:			
Beginning OPEB liability	\$ 775,774	\$ 815,733	\$ 754,019
Service cost	42,468	40,800	39,443
Interest cost	33,080	28,702	26,641
Changes in assumptions	(8,210)	(65,108)	33,315
Benefit payments	<u>(18,900)</u>	<u>(44,353)</u>	<u>(37,685)</u>
Total OPEB liability	<u>\$ 824,212</u>	<u>\$ 775,774</u>	<u>\$ 815,733</u>
Covered employee payroll	\$25,880,969	\$24,471,000	\$23,643,593
OPEB liability as a percentage of covered payroll	3.2%	3.2%	3.5%

Notes to Schedule:

There are no assets in a trust or segregated assets to pay related benefits. The plan is funded on a pay-as-you-go basis; accordingly, benefit payments are equal to employer contributions.

Measurement date:	December 31, 2018
Funding:	The plan is an unfunded plan
Actuarial Cost Method:	Entry Age Normal Cost Method
Amortization Method:	Amortized over the maximum period of 13.1 years
Remaining Amortization Period:	11.1 years
Discount Rate:	4.09%
Healthcare Cost Trend Rate:	8.0% grading down annually 0.5% to 4.5%, 6.5% at December 31, 2018
Salary Increases:	Not applicable to the valuation
Retirement Age:	Years of service and age at retirement must equal 75 (Rule of 75)
Mortality:	*RP-2014 generational table scaled using MP-2017 and applied on a gender specific basis **PubS-2010 generational table scaled using MP-2019 and applied on a gender specific basis

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 Statement No. 75, only periods for which such information is available are presented.

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, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Pension liability:					
Service cost	\$ 2,432,667	\$ 2,313,411	\$ 2,339,052	\$ 2,231,125	\$ 2,082,564
Interest	2,514,662	2,010,932	2,014,981	1,689,051	141,034
Changes in benefit terms		(1,968,668)			
Difference between expected and actual experience	430,210	(208,947)	(535,534)	632,469	(654,318)
Changes in assumptions	749,231	1,215,535			
Contribution					20,468,906
Benefit payments, including refunds of employees' contributions	<u>(143,323)</u>	<u>(64,412)</u>	<u></u>	<u>(8,867)</u>	<u>(135,573)</u>
Net change in pension liability	5,983,447	3,297,851	3,818,499	4,543,778	21,902,613
Pension liability, beginning of year	<u>33,562,741</u>	<u>30,264,890</u>	<u>26,446,391</u>	<u>21,902,613</u>	<u></u>
Pension liability, end of year	<u>\$ 39,546,188</u>	<u>\$ 33,562,741</u>	<u>\$ 30,264,890</u>	<u>\$ 26,446,391</u>	<u>\$ 21,902,613</u>
Plan fiduciary net position:					
Contributions – employer	\$ 1,461,363	\$ 1,377,955	\$ 1,338,373	\$ 1,282,518	\$ 1,184,257
Contributions – employee	1,461,364	1,377,955	1,338,373	1,282,518	1,184,257
Contributions – buyback					20,468,906
Net investment income	6,835,356	(1,973,302)	3,428,834	1,531,200	(387,995)
Benefit payments, including refunds of employees' contributions	(143,323)	(64,412)		(8,867)	(135,573)
Administrative expense	<u>(135,495)</u>	<u>(99,498)</u>	<u>(76,496)</u>	<u>(82,676)</u>	<u>(129,741)</u>
Net change in plan fiduciary net position	9,479,265	618,698	6,029,084	4,004,693	22,184,111
Plan net position, beginning of year	<u>32,836,586</u>	<u>32,217,888</u>	<u>26,188,804</u>	<u>22,184,111</u>	<u></u>
Plan net position, end of year	<u>\$ 42,315,851</u>	<u>\$ 32,836,586</u>	<u>\$ 32,217,888</u>	<u>\$ 26,188,804</u>	<u>\$ 22,184,111</u>
Net pension (asset) liability	<u>\$ (2,769,663)</u>	<u>\$ 726,155</u>	<u>\$ (1,952,998)</u>	<u>\$ 257,587</u>	<u>\$ (281,498)</u>
Plan net position as a percentage of total pension (asset) liability	107.0%	97.8%	106.5%	99.0%	101.3%
Covered payroll	\$12,007,492	\$11,482,958	\$11,153,108	\$10,687,650	\$9,868,805
Net pension (asset) liability as a percentage of covered payroll	(23.1)%	6.3%	(17.5)%	2.4%	(2.9)%

(continued)

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, 2019

(continued)

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. There have been no changes in plan benefits since the inception of the plan that would require an actuarial evaluation of contribution requirements. The contractually agreed contribution requirements are 12% of covered payroll for both the employer and employee.

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:	PubS-2010 (above-median, amount-weighted) mortality tables projected to valuation date using Scale MP
Other Information:	There were no benefit changes during the year

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.

The Woodlands Township

Required Supplementary Information
Schedule of Contributions
The Woodlands Firefighters' Retirement System
Year Ended December 31, 2019

Fiscal Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio as a Percentage	Annual Employee Covered Payroll	UAAL 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%
2017	\$32,217,888	\$30,264,890	\$(1,952,998)	106.5%	\$11,153,108	(17.5)%
2018	\$32,836,586	\$33,562,741	\$726,155	97.8%	\$11,482,958	6.3%
2019	\$42,315,851	\$39,546,188	\$(2,769,663)	107.0%	\$12,007,492	(23.1)%

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Annual Employee Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$1,184,257	\$1,184,257	\$0	\$9,868,808	12%
2016	\$1,282,518	\$1,282,518	\$0	\$10,687,650	12%
2017	\$1,338,373	\$1,338,373	\$0	\$11,153,108	12%
2018	\$1,377,955	\$1,377,955	\$0	\$11,482,958	12%
2019	\$1,440,899	\$1,440,899	\$0	\$12,007,492	12%

Notes to Schedule:

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. There have been no changes in plan benefits since the inception of the plan that would require an actuarial evaluation of contribution requirements. The contractually agreed contribution requirements are 12% of covered payroll for both the employer and employee.

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, 2019**

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				
	2019	2018	2017	2016	2015
Governmental activities					
Net investment in capital assets	\$ 160,359,645	\$ 150,517,631	\$ 146,666,827	\$ 132,543,345	\$ 123,220,556
Restricted for capital projects	-	-	-	-	3,003,746
Restricted for debt retirement	4,493,226.00	16,698,075	8,834,946	5,532,028	5,364,881
Restricted for health care obligations	800,000.00	800,000	800,000	800,000	800,000
Restricted for The Woodlands Township					
Firefighters Retirement System	2,771,704.00	2,594,256	805,709	547,481	610,490
Restricted for cultural events/education	779,497.00	811,380	704,512	682,543	542,969.00
Unrestricted	107,342,613	91,435,465	88,099,701	82,123,762	66,104,620
Total governmental activities net position	<u>\$ 276,546,685</u>	<u>\$ 262,856,807</u>	<u>\$ 245,911,695</u>	<u>\$ 222,229,159</u>	<u>\$ 199,647,262</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	\$ 160,359,645	\$ 150,517,631	\$ 146,666,827	\$ 132,543,345	\$ 123,220,556
Restricted for capital projects	-	-	-	-	3,003,746
Restricted for debt service	4,493,226	16,698,075	8,834,946	5,532,028	5,364,881
Restricted for health care obligations	800,000	800,000	800,000	800,000	800,000
Restricted for The Woodlands Township					
Firefighters Retirement System	2,771,704	2,594,256	805,709	547,481	610,490.00
Restricted for cultural events/education	108,122,110	811,380.00	704,512	682,543	542,969.00
Unrestricted	-	91,435,465	88,099,701	82,123,762	66,104,620
Total primary government net position	<u>\$ 276,546,685</u>	<u>\$ 262,856,807</u>	<u>\$ 245,911,695</u>	<u>\$ 222,229,159</u>	<u>\$ 199,647,262</u>

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

Exhibit S-1
(continued)

	Fiscal Year				
	2014	2013	2012	2011	2010
Governmental activities					
Net investment in capital assets	\$ 97,405,129	\$ 89,038,043	\$ 85,987,494	\$ 65,271,080	\$ 73,219,481
Restricted for capital projects	2,195,005	4,530,939	5,661,945	17,167,406	15,085,853
Restricted for debt retirement	9,927,839	19,679,961	7,074,176	3,197,965	3,038,105
Restricted for health care obligations	800,000	800,000	800,000	800,000	800,011
Restricted for The Woodlands Township Firefighters Retirement System	389,121	303,240	174,074	-	-
Restricted for cultural events/education	-	-	-	72,144	-
Unrestricted	67,598,502	38,726,227	35,115,127	34,037,438	21,088,129
Total governmental activities net position	<u>\$ 178,315,596</u>	<u>\$ 153,078,410</u>	<u>\$ 134,812,816</u>	<u>\$ 120,546,033</u>	<u>\$ 113,231,579</u>
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	\$ 97,405,129	\$ 89,038,043	\$ 85,987,494	\$ 65,271,080	\$ 73,219,481
Restricted for capital projects	2,195,005	4,530,939	5,661,945	17,167,406	15,085,853
Restricted for debt service	9,927,839	19,679,961	7,074,176	3,197,965	3,038,105
Restricted for health care obligations	800,000	800,000	800,000	800,000	800,011
Restricted for The Woodlands Township Firefighters Retirement System	-	-	-	-	-
Restricted for cultural events/education	389,121.00	303,240.00	174,074.00	72,144.00	-
Unrestricted	67,598,502	38,726,227	35,115,127	34,037,438	21,088,129
Total primary government net position	<u>\$ 178,315,596</u>	<u>\$ 153,078,410</u>	<u>\$ 134,812,816</u>	<u>\$ 120,546,033</u>	<u>\$ 113,231,579</u>

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

Exhibit S-2

Expenses	Fiscal Year				
	2019	2018	2017	2016	2015
Governmental activities:					
General and administrative	\$ 11,589,665	\$ 11,786,441	\$ 10,001,976	\$ 9,261,891	\$ 9,622,152
Public safety	39,557,142	36,534,240	35,961,318	36,515,682	34,044,146
Parks and recreation	28,691,755	26,953,574	25,920,750	24,855,917	23,193,611
Transportation	9,659,120	9,320,017	8,740,848	8,000,757	8,020,936
Economic development	9,445,639	8,871,056	8,286,514	7,701,277	7,926,550
Community services	15,385,401	14,357,706	13,849,360	13,348,780	13,452,833
Community relations	1,221,956	1,170,123	1,126,069	1,080,372	1,109,528
Interest expense and other financing charges	2,002,730	2,466,551	2,615,395	2,791,107	2,978,405
Total governmental activities expenses	117,553,408	111,459,708	106,502,230	103,555,783	100,348,161
Total business-type activities expenses	-	-	-	-	-
Total primary government expenses	<u>\$ 117,553,408</u>	<u>\$ 111,459,708</u>	<u>\$ 106,502,230</u>	<u>\$ 103,555,783</u>	<u>\$ 100,348,161</u>
Program revenues					
Governmental activities:					
Charges for services:					
General and administrative	\$ 281,380	\$ 279,194	\$ 264,169	\$ 242,516	\$ 289,166
Public safety	1,464,460	1,404,461	1,407,241	1,308,736	1,230,077
Parks and recreation	5,303,219	4,619,004	4,328,518	4,162,785	4,128,669
Transportation	3,557,427	3,679,648	3,586,546	4,435,029	3,896,306
Economic development	802,589	783,946	782,906	722,383	578,708
Community services	140,797	141,828	111,489	113,667	135,325
Community relations	-	-	-	14,000	14,000
Operating grants and contributions	3,108,716	3,242,246	2,730,077	2,557,468	3,578,535
Capital grants and contributions	1,509,607	1,449,481	6,596,910	9,483,179	5,459,167
Total governmental activities program revenues	16,168,195	15,599,808	19,807,856	23,039,763	19,309,953
Total business-type activities program revenues	-	-	-	-	-
Total primary government program revenues	<u>\$ 16,168,195</u>	<u>\$ 15,599,808</u>	<u>\$ 19,807,856</u>	<u>\$ 23,039,763</u>	<u>\$ 19,309,953</u>
Net (expense)/revenue					
Governmental activities	\$ (101,385,213)	\$ (95,859,900)	\$ (86,694,374)	\$ (80,516,020)	\$ (81,038,208)
Business-type activities	-	-	-	-	-
Total primary government net expense	<u>\$ (101,385,213)</u>	<u>\$ (95,859,900)</u>	<u>\$ (86,694,374)</u>	<u>\$ (80,516,020)</u>	<u>\$ (81,038,208)</u>
General revenues and other changes in net position					
Governmental activities:					
Taxes:					
Property	\$ 45,740,942	\$ 45,314,798	\$ 45,122,456	\$ 42,419,414	\$ 41,014,842
Sales and use	55,973,484	54,297,650	52,885,588	50,040,030	51,309,122
Other	10,580,875	10,584,203	10,136,584	9,250,727	9,330,222
Unrestricted investment earnings	2,445,820	1,840,811	836,951	411,713	190,761
Other revenues	333,970	767,550	2,166,220	976,033	524,927
Total governmental activities	115,075,091	112,805,012	111,147,799	103,097,917	102,369,874
Gain (loss) on disposal of property	-	-	-	-	-
Total primary government	<u>\$ 115,075,091</u>	<u>\$ 112,805,012</u>	<u>\$ 111,147,799</u>	<u>\$ 103,097,917</u>	<u>\$ 102,369,874</u>
Changes in net position					
Governmental activities	\$ 13,689,878	\$ 16,945,112	\$ 24,453,425	\$ 22,581,897	\$ 21,331,666
Business-type activities	-	-	-	-	-
Due to transition agreement	-	-	-	-	-
Total primary government changes in net position	<u>\$ 13,689,878</u>	<u>\$ 16,945,112</u>	<u>\$ 24,453,425</u>	<u>\$ 22,581,897</u>	<u>\$ 21,331,666</u>

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

Exhibit S-2
(continued)

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

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

Exhibit S-3

	Fiscal Year				
	2019	2018	2017	2016	2015
General fund					
Nonspendable	\$ 5,821,491	\$ 6,266,039	\$ 6,010,424	\$ 6,346,633	\$ 6,835,150
Restricted	800,000	1,611,380	1,504,512	1,482,543	3,803,746
Committed	-	-	-	58,508,622	542,996
Assigned	20,243,342	17,161,000	16,078,951	16,107,130	15,007,906
Unassigned	12,780,086	9,960,573	10,339,401	4,722,035	13,982,529
Unreserved, undesignated	-	-	-	-	-
Unreserved, designated	-	-	-	-	-
Reserved for long-term receivable	-	-	-	-	-
Reserved for prepaids	-	-	-	-	-
Total general fund	<u>39,644,919</u>	<u>34,998,992</u>	<u>33,933,288</u>	<u>87,166,963</u>	<u>40,172,327</u>
All other governmental funds					
Restricted	779,497	-	-	-	-
Committed	76,472,932	79,143,587	68,763,937	58,508,622	43,399,461
Unassigned	(5,446,338)	(5,596,757)	(5,765,473)	(5,922,661)	(6,069,195)
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>71,806,091</u>	<u>73,546,830</u>	<u>62,998,464</u>	<u>52,585,961</u>	<u>37,330,266</u>
Total all fund balances	<u>\$ 111,451,010</u>	<u>\$ 108,545,822</u>	<u>\$ 96,931,752</u>	<u>\$ 139,752,924</u>	<u>\$ 77,502,593</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				
	2014	2013	2012	2011	2010
General fund					
Nonspendable	\$ 6,781,189	\$ 7,080,922	\$ 7,884,084	\$ 7,870,337	\$ -
Restricted	800,000	800,000	800,000	800,000	-
Committed	389,121	303,240	174,044	872,144	-
Assigned	14,500,715	13,768,442	19,268,851	19,189,514	-
Unassigned	11,934,012	9,054,699	7,819,322	7,535,672	-
Unreserved, undesignated	-	-	-	-	22,774,184
Unreserved, designated	-	-	-	-	-
Reserved for long-term receivable	-	-	-	-	6,665,722
Reserved for prepaids	-	-	-	-	880,720
Total general fund	<u>34,405,037</u>	<u>31,007,303</u>	<u>35,946,301</u>	<u>36,267,667</u>	<u>30,320,626</u>
All other governmental funds					
Restricted	2,195,005	4,530,939	5,661,945	17,167,406	-
Committed	55,335,115	53,564,038	35,026,508	19,310,321	-
Unassigned	(6,205,803)	(6,333,145)	(6,451,895)	(6,562,558)	-
Reserved for debt service	-	-	-	-	6,458,933
Reserved for capital projects	-	-	-	-	26,483,201
Unreserved, designated reported in:					
Capital projects	-	-	-	-	-
Special revenue	-	-	-	-	-
Unreserved, undesignated reported in:					
Special revenue	-	-	-	-	(7,311,827)
Total all other governmental funds	<u>51,324,317</u>	<u>51,761,832</u>	<u>34,236,558</u>	<u>29,915,169</u>	<u>25,630,307</u>
Total all fund balances	<u>\$ 85,729,354</u>	<u>\$ 82,769,135</u>	<u>\$ 70,182,859</u>	<u>\$ 66,182,836</u>	<u>\$ 55,950,933</u>

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

Exhibit S-4

	Fiscal Year				
	2019	2018	2017	2016	2015
Revenues					
Property tax	\$ 45,740,942	\$ 45,314,798	\$ 45,122,456	\$ 42,419,414	\$ 41,014,842
Sales tax	55,973,484	54,297,650	52,885,588	50,040,030	51,309,122
Hotel occupancy tax	9,245,682	8,989,428	8,791,317	7,855,255	7,791,741
Event admissions tax	1,335,193	1,594,775	1,345,267	1,395,472	1,538,481
Investment earnings	2,347,218	1,742,138	738,213	312,911	91,959
Intergovernmental revenue	369,155	381,399	392,817	403,465	413,392
Program service fees	14,915,057	15,717,975	19,758,462	20,064,423	16,957,887
Other revenues	-	-	-	-	-
Total revenues	<u>129,926,731</u>	<u>128,038,163</u>	<u>129,034,120</u>	<u>122,490,970</u>	<u>119,117,424</u>
Expenditures					
General and administrative	10,634,391	10,785,273	9,055,079	8,489,531	9,005,899
Public safety	37,358,427	36,238,418	34,125,537	34,393,552	32,654,857
Parks and recreation	20,532,288	18,979,296	18,289,261	17,476,512	16,031,468
Transportation	7,544,317	7,222,577	7,027,410	6,774,548	8,020,936
Economic development	9,330,754	8,767,748	8,212,206	10,143,349	8,324,127
Community services	15,385,401	14,357,706	13,849,360	13,347,504	13,452,167
Community relations	1,213,331	1,161,498	1,117,444	1,066,856	1,088,004
Capital outlay	8,199,853	10,626,555	19,292,918	12,828,693	30,438,180
Debt service:					
Principal	11,915,000	5,320,000	5,165,000	4,980,000	4,805,000
Interest and fiscal charges	3,715,524	2,965,022	3,135,116	3,326,055	3,523,547
Bond refundings	-	-	-	-	-
Total expenditures	<u>125,829,286</u>	<u>116,424,093</u>	<u>119,269,331</u>	<u>112,826,600</u>	<u>127,344,185</u>
Excess of revenues over (under) expenditures	<u>4,097,445</u>	<u>11,614,070</u>	<u>9,764,789</u>	<u>9,664,370</u>	<u>(8,226,761)</u>
Other financing sources (uses)					
Debt issuance	-	-	-	-	-
Proceeds from sale of property	-	-	-	-	-
Other contractual obligations	-	-	-	-	-
Total financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balance due to transition agreement	-	-	-	-	-
Net change in fund balances	<u>\$ 4,097,445</u>	<u>\$ 11,614,070</u>	<u>\$ 9,764,789</u>	<u>\$ 9,664,370</u>	<u>\$ (8,226,761)</u>
 Debt service as a percentage of noncapital expenditures	 13.3%	 7.8%	 8.3%	 8.3%	 8.6%

Note:

- 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				
	2014	2013	2012	2011	2010
Revenues					
Property tax	\$ 42,830,246	\$ 42,201,573	\$ 41,205,807	\$ 39,657,768	\$ 38,091,288
Sales tax	50,116,690	46,102,554	40,213,060	35,021,092	31,307,932
Hotel occupancy tax	7,366,412	6,520,692	6,086,477	4,807,693	3,607,297
Event admissions tax	1,677,866	1,291,655	1,019,297	729,078	-
Investment earnings	62,196	118,103	245,776	221,078	320,588
Intergovernmental revenue	422,651	431,284	439,334	213,319	200,997
Program service fees	7,804,329	6,536,764	7,134,504	4,918,158	3,438,408
Other revenues	-	-	-	-	-
Total revenues	110,280,390	103,202,625	96,344,255	85,568,186	76,966,510
Expenditures					
General and administrative	8,950,587	8,036,722	8,102,699	8,257,871	7,938,138
Public safety	30,593,589	29,163,979	28,214,207	26,604,702	23,610,653
Parks and recreation	13,917,069	13,234,866	14,833,317	12,705,645	12,014,668
Transportation	-	-	-	-	-
Economic development	7,105,163	6,950,437	6,365,106	5,244,454	4,661,526
Community services	13,075,813	12,638,013	12,238,660	12,543,864	11,759,355
Community relations	997,870	1,087,448	1,022,199	1,245,903	988,242
Capital outlay	8,986,870	9,745,644	16,192,115	12,115,143	13,747,069
Debt service:					
Principal	19,640,000	5,190,000	4,520,000	3,545,000	21,872,403
Interest and fiscal charges	4,053,210	4,569,270	4,288,016	4,327,239	6,036,495
Bond refundings	-	-	-	-	40,530,000
Total expenditures	107,320,171	90,616,379	95,776,319	86,589,821	143,158,549
Excess of revenues over (under) expenditures	2,960,219	12,586,246	567,936	(1,021,635)	(66,192,039)
Other financing sources (uses)					
Debt issuance	-	-	4,205,000	9,900,000	87,775,000
Proceeds from sale of property	-	-	-	502,045	-
Other contractual obligations	-	-	27,117	51,493	1,918,830
Total financing sources (uses)	-	-	4,232,117	10,453,538	89,693,830
Change in fund balance due to transition agreement	-	-	-	-	4,970,839
Net change in fund balances	\$ 2,960,219	\$ 12,586,246	\$ 4,800,053	\$ 9,431,903	\$ 28,472,630
 Debt service as a percentage of noncapital expenditures					
	24.1%	12.1%	11.1%	10.6%	21.6%

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
2019	\$ 55,973,484	\$ 9,245,682	\$ 45,740,942	\$ 1,335,193	\$ 112,295,301
2018	54,297,650	8,989,428	45,314,798	1,594,775	110,196,651
2017	52,885,588	8,791,317	45,122,456	1,345,267	108,144,628
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	50,116,690	7,366,412	42,201,573	1,677,866	101,362,541
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

Notes:

- 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 Ten 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
2019	\$15,777,169,903	\$3,653,091,814	\$1,517,894,575	\$1,180,327,581	\$2,075,619,198	\$20,052,864,675	0.2300
2018	15,606,149,369	3,431,813,381	1,252,894,178	1,136,339,250	1,812,359,699	19,614,836,479	0.2300
2017	15,992,932,415	3,227,204,678	1,134,109,745	1,140,310,863	1,906,300,047	19,588,257,654	0.2300
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

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	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
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	0.0900	0.0900	0.0900	0.0800	0.0700
The Woodlands Township EDZ	-	-	-	-	-	-	-	-	-	-
Total Hotel Occupancy Tax	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1500	0.1400	0.1300
Property Tax ³										
State of Texas	-	-	-	-	-	-	-	-	-	-
The Woodlands Township	0.2273	0.2300	0.2300	0.2300	0.2500	0.2940	0.3173	0.3250	0.3274	0.3280
The Woodlands Township EDZ	-	-	-	-	-	-	-	-	-	-
Montgomery County	0.4667	0.4667	0.4667	0.4767	0.4767	0.4838	0.4838	0.4838	0.4838	0.4838
Harris County	0.4071	0.4186	0.4180	0.4166	0.4192	0.4146	0.3912	0.3912	0.3881	0.3922
Conroe Independent School District	1.2880	1.2800	1.2800	1.2800	1.2800	1.2850	1.2900	1.2950	1.2950	1.2850
Magnolia Independent School District	1.3795	1.3795	1.3795	1.3795	1.3895	1.3995	1.3995	1.3995	1.3995	1.3800
Lone Star College System	0.1078	0.1078	0.1078	0.1079	0.1081	0.1160	0.1198	0.1210	0.1176	0.1101
Tomball Independent School District	1.2900	1.3400	1.3400	1.3400	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600
Harris County Department of Education	0.0050	0.0052	0.0052	0.0052	0.0054	0.0064	0.0066	0.0066	0.0066	0.0061
Montgomery County Hospital District	0.0599	0.0664	0.0665	0.0710	0.0725	0.0727	0.0729	0.0745	0.0754	0.0755
Harris County Hospital District	0.1659	0.1711	0.1711	0.1718	0.1700	0.1700	0.1922	0.1922	0.1922	0.1922
Harris County Flood Control District	0.0279	0.0288	0.0283	0.0283	0.2733	0.2827	0.0281	0.2809	0.2923	0.0292
Port of Houston Authority	0.0107	0.0116	0.0126	0.0133	0.1342	0.0172	0.0186	0.1856	0.0205	0.0164
The Woodlands Metro Center MUD	0.0900	0.1050	0.1250	0.1550	0.1650	0.1650	0.1750	0.1750	0.1900	0.1900
The Woodlands MUD #1 ⁴	0.0750	0.0800	0.0900	-	-	-	-	-	-	-
Montgomery County MUD #2	-	-	-	0.1000	0.1100	0.1300	0.1500	0.1700	0.1900	0.2300
Montgomery County MUD #6	0.0700	0.0750	0.0750	0.0750	0.0750	0.0750	0.0800	0.8750	0.0950	0.1000
Montgomery County MUD #7	0.1250	0.1645	0.1645	0.1645	0.1645	0.1645	0.1675	0.1675	0.1750	0.1750
Montgomery County MUD #36	0.0350	0.0350	0.0350	0.0550	0.0550	0.0350	0.0350	0.0400	0.0550	0.1000
Montgomery County MUD #39	0.3555	0.3550	0.3650	0.4000	0.4150	0.4150	0.4200	0.4200	0.4300	0.4300
Montgomery County MUD #40 ⁴	-	-	-	0.0900	0.1300	0.1400	0.1500	0.1600	0.1700	0.1800
Montgomery County MUD #46	0.2125	0.2125	0.2125	0.2250	0.2300	0.2400	0.2550	0.2650	0.2750	0.2850
Montgomery County MUD #47	0.2450	0.2450	0.2450	0.2450	0.2450	0.2450	0.2450	0.2450	0.2500	0.2500
Montgomery County MUD #60	0.1650	0.1650	0.1650	0.1850	0.1975	0.2175	0.2275	0.2375	0.2400	0.2400
Montgomery County MUD #67	0.1600	0.2175	0.2375	0.2575	0.2800	0.3025	0.3125	0.3125	0.3200	0.3200
Harris-Montgomery County MUD #386	0.4900	0.4650	0.4650	0.4650	0.5000	0.7200	0.9400	0.9900	0.9900	1.1500
Montgomery County WCID #1	0.7820	0.7820	0.7600	0.7600	0.8100	0.8100	0.8100	0.8100	0.7750	0.7750
The Woodlands Road Utility District #1	0.2000	0.2150	0.2600	0.3200	0.3600	0.3600	0.4063	0.4266	0.4300	0.4491

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 Nine Years Ago
(unaudited)**

Exhibit S-8

Taxpayer	2019			2010		
	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	\$ 216,129,760	1	1.08%	\$ -	-	-
The Woodlands Mall Associates	200,749,641	2	1.00%	61,956,137	2	0.54%
IMI Market Street LLC	140,069,430	3	0.70%	45,066,100	7	0.40%
Woodlands Land Development LP	107,846,560	4	0.54%	128,487,340	1	1.07%
CLPF Waterway Plaza LLC	78,700,000	5	0.39%	39,291,690	10	0.34%
HL Multi-Family Holdings LLC	74,000,000	6	0.37%	-	-	-
24 Waterway LLC	72,845,540	7	0.36%	-	-	-
CVS Pharmacy Inc	67,805,941	8	0.34%	46,567,214	6	0.41%
CSHV Woodlands LP	62,098,320	9	0.31%	-	-	-
JD Warmack Woodlands LP	61,879,330	10	0.31%	40,970,170	9	0.36%
Hughes Christensen Company	-	-	-	56,076,990	3	0.49%
Lex-Gen Woodlands LP	-	-	-	51,483,230	4	0.45%
SSR WM Texas LP	-	-	-	48,539,050	5	0.43%
Regency Centers	-	-	-	44,409,390	8	0.39%
	<u>\$ 1,082,124,522</u>		<u>5.40%</u>	<u>\$ 562,847,311</u>		<u>4.94%</u>

Sources: Montgomery Central Appraisal District and Harris County Appraisal District

Note:

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

**The Woodlands Township
Property Tax Levies and Collections
Last Ten 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
2019	2018	\$ 45,433,374	\$ 45,238,088	99.6%	\$ -	\$ 45,238,088	99.6%
2018	2017	45,177,948	44,987,598	99.6%	112,126	45,099,724	99.8%
2017	2016	45,041,156	44,851,026	99.6%	145,178	44,996,204	99.9%
2016	2015	42,305,226	42,151,299	99.6%	119,932	42,271,231	99.9%
2015	2014	40,892,582	40,740,479	99.6%	125,876	40,866,355	99.9%
2014	2013	42,710,243	42,573,160	99.7%	114,397	42,687,557	99.9%
2013	2012	42,151,140	42,012,384	99.7%	114,263	42,126,647	99.9%
2012	2011	41,145,045	40,984,794	99.6%	142,687	41,127,481	100.0%
2011	2010	39,535,097	39,409,114	99.7%	108,326	39,517,440	100.0%
2010	2009	38,136,495	38,034,113	99.7%	85,566	38,119,679	100.0%

Source: Montgomery County Tax Office

**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
2019	\$ 2,792,763,221	\$ 27,927,632	9,383	\$ 2,976	\$ 56	\$ 3,010	\$ (26,207)	\$ 957,473	3%
2018	2,725,799,918	27,257,999	7,963	3,423	71	3,475	(30,068)	907,369	3%
2017	2,720,964,591	27,209,646	6,865	3,964	87	4,022	(20,159)	905,561	3%
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%

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
2019	3.40%	3.40%	n/a	13.21%	8.92%	4.29%	21.58%	17.29%	4.29%
2018	3.30%	3.30%	n/a	13.24%	10.44%	2.80%	21.89%	15.37%	6.52%
2017	3.30%	3.30%	n/a	12.85%	8.12%	4.72%	21.32%	13.50%	7.82%
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%

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					
	2019	2019 % Total	2018	2017	2016	2015
Retail Trade	\$ 12,847,335	45%	\$ 12,463,362	\$ 11,999,953	\$ 12,190,666	\$ 11,489,749
Accommodation and Food Services	3,757,457	13%	3,630,778	3,441,680	3,360,388	3,144,319
Manufacturing	1,897,580	7%	1,944,241	2,491,761	2,119,185	1,958,435
Information	2,777,086	10%	2,339,604	2,816,552	2,341,904	1,853,406
Wholesale Trade	990,263	4%	1,255,739	1,092,781	915,540	1,938,332
Mining	790,500	3%	932,593	756,020	844,376	1,020,380
Professional, Scientific, and Technical Services	1,445,712	5%	1,397,905	1,684,050	1,191,947	939,332
Real Estate, Rental, and Leasing	880,634	3%	864,820	460,408	293,164	591,113
Utilities	364,712	1%	428,078	368,808	403,845	424,592
Arts, Entertainment, and Recreation	699,018	2%	683,985	633,019	634,815	512,328
Admin, Support, Waste Management, Remediation	404,454	1%	415,256	414,378	436,429	447,534
Construction	739,436	3%	597,891	517,027	413,179	398,563
Other Taxable Activity	649,070	2%	716,670	934,335	638,916	1,603,933
Total	<u>\$ 28,243,258</u>	<u>100%</u>	<u>\$ 27,670,922</u>	<u>\$ 27,610,771</u>	<u>\$ 25,784,354</u>	<u>\$ 26,322,017</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					2010 % Total
	2014	2013	2012	2011	2010	
Retail Trade	\$ 10,748,302	\$ 10,366,395	\$ 10,220,424	\$ 8,906,872	\$ 8,233,076	53%
Accommodation and Food Services	3,013,928	2,804,129	2,731,280	2,454,925	2,143,342	14%
Manufacturing	1,835,758	1,782,312	1,107,831	1,153,341	1,012,955	7%
Information	1,751,365	1,419,895	1,238,836	856,407	619,491	4%
Wholesale Trade	1,845,561	1,209,165	975,481	701,979	694,951	4%
Mining	783,753	857,637	821,596	645,002	553,934	4%
Professional, Scientific, and Technical Services	1,052,367	1,063,762	705,375	574,582	509,086	3%
Real Estate, Rental, and Leasing	827,724	1,259,235	673,056	417,565	249,565	2%
Utilities	435,655	377,436	341,410	378,090	326,290	2%
Arts, Entertainment, and Recreation	442,572	435,271	402,569	366,545	326,492	2%
Admin, Support, Waste Management, Remediation	473,026	448,310	383,828	350,221	285,837	2%
Construction	629,794	539,318	235,967	270,823	164,608	1%
Other Taxable Activity	1,512,178	993,299	619,772	713,681	459,802	3%
Total	<u>\$ 25,351,984</u>	<u>\$ 23,556,164</u>	<u>\$ 20,457,425</u>	<u>\$ 17,790,033</u>	<u>\$ 15,579,429</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
2019	\$ 32,755,150	\$ 21,600,438	\$ -	\$ -	\$ 5,521,276	\$ 59,876,863	0.43%	\$ 507
2018	34,440,000	33,778,760	-	-	1,012,419	69,231,179	0.50%	590
2017	36,630,000	36,105,000	-	-	1,121,302	73,856,302	0.65%	635
2016	38,760,000	39,140,000	-	-	1,230,185	79,130,185	0.70%	690
2015	40,835,000	42,045,000	-	-	1,339,068	84,219,068	0.66%	749
2014	42,855,000	44,830,000	-	-	1,447,951	89,132,951	0.78%	813
2013	44,820,000	62,505,000	-	-	1,556,834	108,881,834	0.87%	1,010
2012	46,735,000	65,780,000	-	-	1,665,717	114,180,717	1.01%	1,085
2011	43,865,000	68,965,000	-	-	1,747,483	114,577,483	1.03%	1,138
2010	34,800,000	71,675,000	-	-	1,822,897	108,297,897	1.18%	1,116

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	Less: Amounts Available in Debt Service Fund	Total	Total Taxable Assessed Value	Percentage of Actual Taxable Value of Property	Per Capita
2019	2018	\$ 32,755,150	\$ 256,725	\$ 32,498,424	\$ 20,052,864,675	0.16%	\$ 275
2018	2017	34,648,659	271,286	34,377,373	19,614,836,479	0.18%	293
2017	2016	36,856,726	284,335	36,572,391	19,588,257,654	0.19%	315
2016	2015	39,004,793	291,212	38,713,581	18,329,690,014	0.21%	338
2015	2014	41,100,860	248,382	40,852,478	16,240,321,964	0.25%	363
2014	2013	43,135,927	246,508	42,889,419	14,329,077,638	0.30%	391
2013	2012	45,118,994	231,686	44,887,308	13,170,368,194	0.34%	417
2012	2011	47,052,061	168,259	46,883,802	12,624,771,351	0.37%	445
2011	2010	44,173,011	-	44,173,011	12,024,205,550	0.37%	439
2010	2009	35,160,824	-	35,160,824	11,405,063,138	0.31%	362

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.
- General Obligation debt includes \$208,659 of the total unearned premium.

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
2019	\$ 21,600,438	\$ 4,236,502	\$ 17,363,936	\$ 1,499,111,415	1.16%
2018	33,778,760	16,426,789	17,351,971	1,462,782,492	1.19%
2017	36,999,576	8,550,611	28,448,965	1,458,163,594	1.95%
2016	40,125,392	6,691,209	33,434,183	1,356,529,107	2.46%
2015	43,118,208	6,683,097	36,435,111	1,384,299,088	2.63%
2014	45,997,024	9,681,330	36,315,694	1,330,940,457	2.73%
2013	63,762,840	19,448,274	44,314,566	1,233,322,315	3.59%
2012	67,128,656	6,905,916	60,222,740	1,076,893,407	5.59%
2011	70,435,008	7,685,429	62,749,579	938,602,571	6.69%
2010	73,233,006	6,458,932	66,774,074	841,201,351	7.94%

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 decreased 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, 2019
(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	\$ 32,755,150	100.00%	\$ 32,755,150
The Woodlands Township Revenue Bonds	21,600,438	100.00%	21,600,438
Total direct debt			<u>54,355,587</u>
Overlapping debt:			
Conroe Independent School District	1,269,275,000	43.64%	553,911,610
Harris County ²	1,885,182,125	0.47%	8,860,356
Harris County Department of Education	6,320,000	0.47%	29,704
Harris County Flood Control District	83,075,000	0.47%	390,453
Harris County Hospital District	55,005,000	0.47%	258,524
Harris-Montgomery County MUD #386	151,395,000	100.00%	151,395,000
Lone Star College System	570,885,000	9.16%	52,293,066
Magnolia Independent School District	165,760,000	4.24%	7,028,224
Montgomery County	509,380,000	27.16%	138,347,608
Montgomery County MUD #39	12,810,000	100.00%	12,810,000
Montgomery County MUD #46	68,400,000	100.00%	68,400,000
Montgomery County MUD #47	18,960,000	100.00%	18,960,000
Montgomery County MUD #60	11,705,000	100.00%	11,705,000
Montgomery County MUD #67	15,340,000	100.00%	15,340,000
Montgomery County WCID #1	16,695,000	4.25%	709,538
Port of Houston Authority	572,569,397	0.47%	2,691,076
The Woodlands Metro Center MUD	11,315,000	100.00%	11,315,000
The Woodlands Road Utility District #1	42,925,000	100.00%	42,925,000
Tomball Independent School District	<u>479,350,000</u>	21.13%	<u>101,286,655</u>
Total overlapping debt			<u>1,198,656,813</u>
Total direct and overlapping debt			<u><u>\$ 1,253,012,400</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	
2019	\$ 13,963,816	\$ 7,191,086	\$ 21,154,902	\$ 4,115,000	\$ 1,730,781	\$ 5,845,781	3.62
2018	13,629,000	6,991,777	20,620,777	3,985,000	1,870,100	5,855,100	3.52
2017	13,604,823	6,837,691	20,442,514	3,860,000	2,002,575	5,862,575	3.49
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

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
2019	118,000	\$ 14,022,648	\$ 118,836	38	2,186	68,488	2.6%	62,577
2018	117,305	13,745,800	117,180	38	2,181	67,850	3.1%	61,323
2017	116,278	11,311,524	97,280	38	2,138	66,820	4.2%	59,489
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

Sources: The Woodlands Development Company

Note:

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	2019			2009		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Conroe Independent School District	4,514	1	7%	3,303	1	7%
Memorial Hermann Hospital, The Woodlands	2,650	2	4%	1,381	4	3%
Exxon Mobil	2,317	3	3%	-	-	-
Occidental	2,020	4	3%	-	-	-
CHI St. Luke's Health	1,650	5	2%	1,123	5	2%
Houston Methodist Hospital, The Woodlands	1,445	6	2%	-	-	-
Alight Solutions	1,300	7	2%	-	-	-
Lone Star College - Montgomery	1,204	8	2%	-	-	-
Texas Children's Hospital, The Woodlands	1,198	9	2%	-	-	-
Huntsman Corporation	1,039	10	2%	750	6	2%
Anadarko Petroleum Corporation	-	-	-	2,532	2	6%
Hewitt Associates, LLC	-	-	-	1,500	3	3%
Woodforest National Bank	-	-	-	721	7	2%
Chevron Phillips Chemical Co.	-	-	-	651	8	1%
US Oncology	-	-	-	630	9	1%
Baker Hughes	-	-	-	600	10	1%
Total	19,337		27%	13,191		29%

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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General and administrative:	-	-	-	-	-	-	-	-	-	-
President's Office	4.0	4.0	4.0	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	1.0	1.0	1.0
Transportation	6.0	6.0	6.0	5.0	1.0	1.0	-	-	-	-
Legal Services	2.0	2.0	2.0	2.0	-	-	-	-	-	-
Human Resources	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Finance	14.0	14.0	14.0	14.0	15.0	14.0	14.0	15.0	15.0	16.0
Information Technology	16.0	16.0	16.0	15.0	12.0	11.0	11.0	9.0	9.0	8.0
Records	4.0	4.0	4.0	4.0	6.0	7.0	7.0	8.0	8.0	8.0
Parks and recreation:										
Parks Administration	11.0	11.0	14.0	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	10.0	10.0	10.0
Parks Operations	52.5	48.5	43.5	43.5	41.0	38.5	38.5	38.5	39.5	39.0
Aquatics	69.0	69.0	70.0	70.0	70.0	70.0	70.0	67.0	67.0	67.0
Recreation	46.0	36.0	23.7	23.7	21.7	15.7	15.5	18.0	18.0	18.0
Town Center	16.5	16.5	16.0	15.0	15.0	13.8	13.5	8.0	-	-
Township Events	5.0	5.0	2.0	2.0	-	-	-	-	-	-
Operations and Maintenance	-	-	-	-	-	-	-	-	-	-
Development and planning services:										
Community Services	2.0	2.0	2.0	2.0	3.0	7.0	7.0	6.3	6.0	6.0
Community Relations	6.0	5.0	5.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0
Covenant Administration	45.5	44.0	43.0	42.0	39.0	39.0	33.0	33.0	32.8	32.5
Environmental Services	6.5	6.5	6.5	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	2.0	2.0	2.0
Town Center Ambassador Personnel	-	-	-	-	-	-	-	-	7.8	7.8
Neighborhood Services	7.3	7.3	7.3	7.3	7.3	6.3	6.3	6.0	7.0	7.0
Public Safety	-	-	-	-	-	-	-	-	-	-
Convention and Visitors Bureau:	8.5	7.5	7.25	6.3	6.3	6.3	6.3	5.3	5.3	5.3
Total	<u>340.5</u>	<u>323.0</u>	<u>305.0</u>	<u>299.5</u>	<u>285.0</u>	<u>271.3</u>	<u>254.1</u>	<u>255.6</u>	<u>254.6</u>	<u>254.4</u>

Source: The Woodlands Township Human Resources Department

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

Exhibit S-21

	2019	2018	2017	2016	2015
Public Safety					
Patrol cars & equipment - Sheriff's Department ¹	\$ 592,736	\$ 708,148	\$ 378,348	\$ 384,522	\$ 345,489
Patrol bicycles & equipment - Sheriff's Department ¹	\$ -	\$ -	\$ -	\$ -	\$ -
Rescue & haz-mat vehicles - Fire Department	\$ 1,686,808	\$ 2,647,334	\$ 801,816	\$ -	\$ -
Special equipment - Fire Department	\$ 144,409	\$ 93,606	\$ 22,628	\$ 538,778	\$ 51,958
Communications equipment - Fire Department	\$ 151,664	\$ 283,343	\$ 298,467	\$ 151,169	\$ 208,810
Traffic controllers - Fire Department	\$ -	\$ 49,954	\$ 51,243	\$ 50,303	\$ 7,066
Patrol cars ¹	98	97	96	100	100
Patrol bicycles ¹	13	13	13	24	24
Fire stations	9	9	9	9	9
Fire apparatus	22	22	19	18	18
Economic Development ²					
Hotel rooms booked for conventions	n/a	36,587	38,175	34,981	40,281
Total convention center square feet booked	n/a	13,217,490	13,292,700	9,850,250	11,365,400
Operations					
Wayfinding signs	266	264	264	264	264
Monument signs	470	460	453	439	434
Sculptures and public art	34	34	28	27	20
Miles of pathway ³	220	220	216	212	209
Parks	148	148	148	143	140
Swimming pools	14	14	14	14	14
Park acreage	916.5	916	913	913	912

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. As of May 2020, this information was not available.

³ The Woodlands Development Company

Note:

- 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)

	2014	2013	2012	2011	2010
Public Safety					
Patrol cars & equipment - Sheriff's Department ¹	\$ 718,864	\$ 417,411	\$ 702,384	\$ 537,978	\$ 504,748
Patrol bicycles & equipment - Sheriff's Department ¹	\$ -	\$ -	\$ -	\$ 28,004	\$ 24,559
Rescue & haz-mat vehicles - Fire Department	\$ 642,807	\$ 34,621	\$ 2,122,012	\$ 590,611	\$ -
Special equipment - Fire Department	\$ 38,935	\$ 15,000	\$ 186,087	\$ 63,718	\$ 29,846
Communications equipment - Fire Department	\$ 140,938	\$ 256,018	\$ 862,733	\$ 44,136	\$ 38,871
Traffic controllers - Fire Department	\$ 95,141	\$ 8,147	\$ 32,409	\$ 13,089	\$ 44,600
Patrol cars ¹	97	95	95	82	82
Patrol bicycles ¹	24	24	24	24	24
Fire stations	9	9	9	8	7
Fire apparatus	18	18	18	15	13
Economic Development ²					
Hotel rooms booked for conventions	43,377	41,250	43,448	42,628	40,820
Total convention center square feet booked	12,150,200	12,250,550	13,024,445	14,685,250	12,812,550
Operations					
Wayfinding signs	264	260	260	255	207
Monument signs	424	408	408	392	360
Sculptures and public art	19	10	6	6	6
Miles of pathway ³	205	202	198	194	185
Parks	131	130	127	123	116
Swimming pools	14	14	13	13	13
Park acreage	855	846	704	700	690

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

Exhibit S-22

	2019	2018	2017	2016	2015
Public Safety					
Trooper hours - mounted patrol	30,022	42,107	42,073	42,333	39,018
Vehicle assists - mounted patrol ¹	11,796	9,803	9,365	8,095	7,290
Other assist calls - mounted patrol	2,059	1,848	1,692	2,867	3,032
Traffic violation calls	36,211	18,701	19,109	13,510	12,814
Total Sheriff Department calls ²	188,797	155,490	116,460	54,262	58,036
Total fire incident calls	11,573	11,873	11,097	10,129	9,901
Montgomery County Sheriff's Department	\$ 8,640,832	\$ 7,915,760	\$ 7,204,493	\$ 8,339,214	\$ 7,850,144
Number of full-time MCSO positions	88	87	96	94	93
Constable Precinct 3	\$ 98,312	\$ 85,657	\$ 101,257	\$ 102,881	\$ 109,282
Justice of the Peace Precinct 3	\$ 58,236	\$ 55,956	\$ 55,136	\$ 50,246	\$ 54,597
City of Oak Ridge North	\$ -	\$ -	\$ -	\$ -	\$ -
City of Shenandoah	\$ 265,196	\$ 261,056	\$ 261,623	\$ 232,848	\$ 219,913
The Woodlands Fire Department	\$ 21,729,913	\$ 20,882,946	\$ 20,010,534	\$ 19,727,640	\$ 18,849,858
Marketing and Public Affairs/CVB/Events					
Events produced	38	38	39	23	29
Visitor guides distributed ³	15,000	10,000	99,358	79,673	76,892
Discovery guides distributed ⁴	-	-	-	-	27,372
Sponsorships sold	\$ 78,650	\$ 102,750	\$ 131,329	\$ 238,143	\$ 326,750
Economic Development					
Convention center bookings ⁵	n/a	472	1,425	662	920
Number of jobs ⁶	68,488	67,850	66,820	64,365	63,030
ISO rating	1	1	1	1	1
Operations and Transportation					
Transportation - Trolley ridership	127,657	130,237	106,733	76,621	81,995
Transportation - Senior Rides ⁷	4,149	4,502	4,304	4,018	3,950
Transportation - Woodlands Express ⁸	514,071	537,509	551,282	607,999	636,471

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 Beginning in 2018, visitor guides distributed by the Visitor Center are no longer included.

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

⁵ The Woodlands Waterway Marriott Hotel and Convention Center. As of May 2020, this information was not available.

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

Exhibit S-22
(continued)

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

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.

⁸ Beginning in 2015, the Township began operating the Woodlands Express Park & Ride.

- Sources not specifically noted include various government departments.