



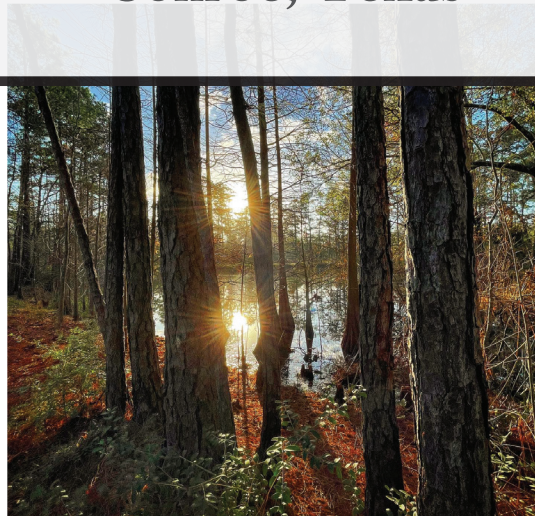
City of Conroe



Annual Comprehensive Financial Report

Year Ended September 30, 2023

Conroe, Texas



CITY OF CONROE, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Prepared by:
CITY OF CONROE, TEXAS
FINANCE & ADMINISTRATION DEPARTMENT
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Assistant Director of Finance
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Accounting Manager



City of Conroe, Texas
Annual Comprehensive Financial Report
For the Year Ended September 30, 2023

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Introductory Section

- ❖ Letter of Transmittal
- ❖ GFOA Certificate of Achievement
- ❖ Organization Chart
- ❖ Listing of City Officials





CITY OF CONROE

Est. 1904

March 13, 2024

To the Honorable Mayor, Members of the City Council,
and Citizens of the City of Conroe, Texas

The Annual Comprehensive Financial Report of the City of Conroe, Texas (the City) for the fiscal year ended September 30, 2023, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of their presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City, as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. This letter of transmittal is intended to compliment the Management Discussion and Analysis (MD&A), which begins on page 15.

I. PROFILE OF THE GOVERNMENT

The City of Conroe is thirty-five miles north of downtown Houston, and is only twenty-five miles from Bush Intercontinental Airport. In addition, Conroe is the County Seat of Montgomery County, whose two most populous areas are Conroe and, to the south, The Woodlands.

The City was incorporated in 1904 and is a home rule city operating under the Mayor-Council form of government. The City Council is comprised of the Mayor and five Council members, who enact local legislation, adopt budgets, determine policies, execute the laws, and administer the government of the City. The City votes in even numbered years. Conroe voters elect the Mayor and two Council members and two years later the remaining three Council positions are filled. All council members are elected at large. Terms of office for all Council positions are for four consecutive years. Each Council member may run for two consecutive four year terms.

The Council, by adopted ordinance, has created a City Administrator position to act as the chief administrative officer of the City. The City Administrator is not appointed for a fixed time and may be removed by vote of City Council. One of the responsibilities of the City Administrator is to conduct the general affairs of the City in accordance with the policies of the City Council.

The City provides to its citizens a full range of municipal services as required by statute or charter. These services include police and fire protection, public improvements, city planning, street and drainage maintenance, recreation and parks, transportation/transit, and general administrative services. In addition to general government activities, the City provides water, sewer, and residential sanitation services.

Activities of City funds are included in the annually appropriated budget. The following governmental funds do not have an annual budget: Public Improvement District "PID" Assessments, Owen Theatre, Firearms Training Facility, and Woodlands Township Regional Participation. Capital project and grant funds adopt annual budgets. The City of Conroe Other Post-Employment Benefit Trust Fund also does not have an annually appropriated budget.

The Director of Finance may, at any time with the consent of the City Administrator, transfer any unencumbered appropriation from one line-item to another line-item within the same department. Provided, however, that no unencumbered appropriation may be transferred from one department or fund to another, except upon the express approval of the City Council. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. The legal level of budgetary control (that is, the level at which expenditures may not legally exceed appropriation) is the department level.

Departmental appropriations that have not been expended by the departments lapse at the end of the fiscal year. The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances outstanding at year-end are voided. Remaining commitments must be re-appropriated and encumbered in the new fiscal year.

The City amends the budget on a quarterly basis in accordance with the Financial Management Policy. Such amendment may increase or decrease expenditures or revenues in the City's appropriated funds. Budget amendments are utilized to address unforeseen circumstances that arise outside of the normal budgeting process.

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of controls should not exceed the benefits expected to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management.

We believe that the City's accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period by employees in the normal course of performing their assigned functions.

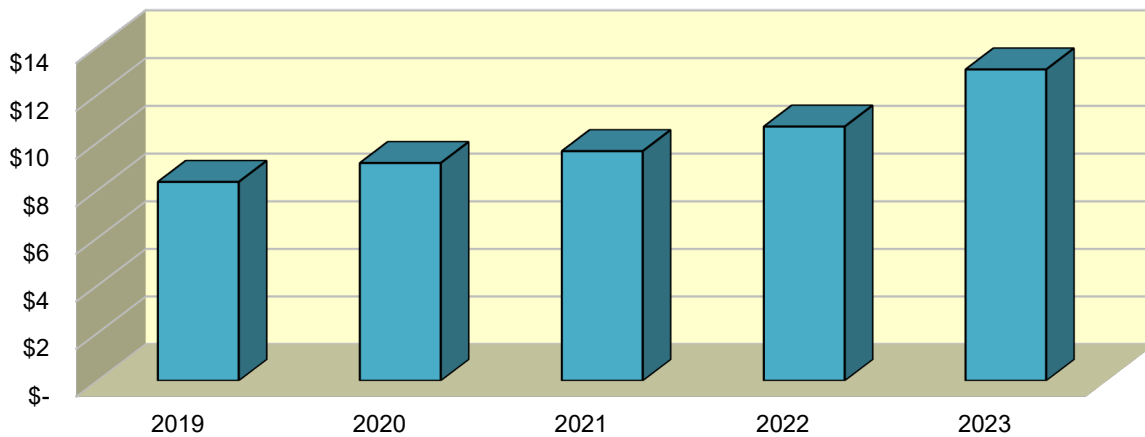
The Basic Financial Statements of the City include all government activities, organizations, and functions for which the City is financially accountable, as defined by the Governmental Accounting Standards Board (GASB).

LOCAL ECONOMY

Because of the strength of the regional and local economy, Conroe continues to experience growth in residential, commercial, and light industrial development. Conroe's estimated population for 2023 is 103,035.

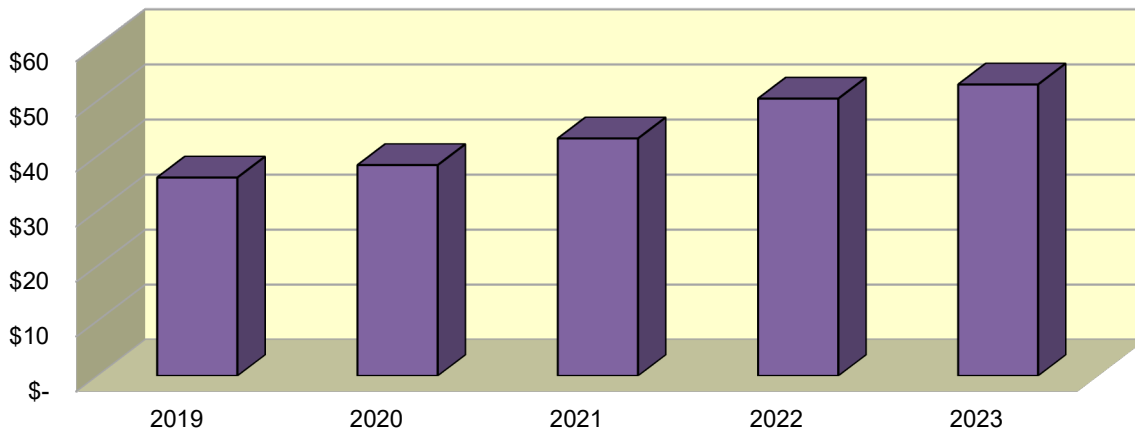
The tax roll certified by the Montgomery Central Appraisal District for 2023 (FY24) increased by \$1,293,750,720 or 9.9% to \$14,358,166,956. New improvements and personal property accounted for approximately \$600,276,777 of this amount. Newly annexed property added approximately \$258,260 to the roll. This will affect revenues recorded in next year's Annual Comprehensive Financial Report (ACFR). The taxable value increase for the current fiscal year is \$2,392,118,460 or 22.4%.

**Assessed Property Valuation
(in billions)**



Sales tax revenue is the largest revenue source for the City. Excluding the CIDC's portion, the City's sales tax revenue totaled \$52,982,897 for the fiscal year ended September 30, 2023. This amount represents an increase of \$2,560,265, or 5.1%, from the prior fiscal year.

**Sales Tax Revenues
(in millions)**



The City issued 2,543 building permits for properties & improvements valued at \$777,771,722. This included 1,823 building permits for single family housing starts totaling \$414,456,423. The average single-family home value, exclusive of land, was \$227,349. The City reported a total labor force of 45,752 with an unemployment rate of 4.2% as of September 2023. These data are compiled by Labor Market & Career Information (LMCI.com).

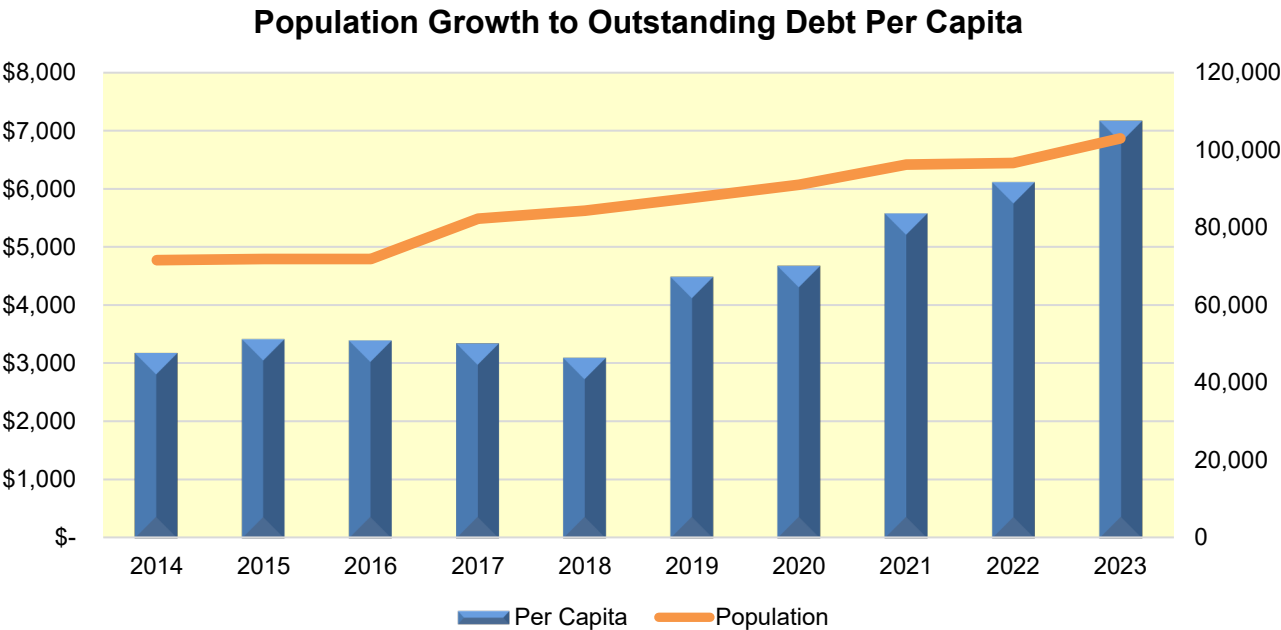
LONG-TERM FINANCIAL PLANNING

The \$54,710,894 unassigned fund balance in the General Fund is the equivalent of 175 days of expenditures. This exceeds the financial policy guidelines set by Council of maintaining at least 90 days of fund balance. The purpose of this unassigned balance is to protect the City against short-term

operating deficits in the General Fund. It will be available to defer short term tax increases, cover revenue shortfalls, or cover unanticipated expenditures.

The City also studies a multi-year plan for evaluating tax rates and utility rates as they relate to debt financing for capital needs and the operating costs of providing services to citizens. Projected revenues and expenditures are forecast through September 30, 2029, in the current budget. As a result of the multi-year review, the City has been able to maintain its property tax rate of \$0.4272 per \$100 of value for FY 23.

Outstanding debt per capita increased from \$6,105 in 2022 to \$7,158 in 2023. The current ratio of net general bonded debt to assessed value of all taxable property is 2.62%. The City continues to maintain its current Moody’s rating of Aa1 and Standard & Poor’s rating of AA+ on its Certificates of Obligation and its current Moody’s rating of Aa1 and Standard & Poor’s rating of AA on its Water and Sewer Revenue Bonds.



In addition, the City has recognized the long-term financial implications of its pension and retiree health benefits. Regarding pensions, the City funds the full contribution rate to the Texas Municipal Retirement System to ensure the long-term sustainability of the plan. For retiree health care, the City funded 100% of the actuarially determined contribution (ADC).

MAJOR INITIATIVES

Construction has been completed on the Hyatt Regency Conroe Hotel & Convention Center. The hotel is owned by the Conroe Local Government Corporation (CLGC) and will be managed by Hyatt. The economic development project adds another full-service hotel to Conroe. The Hyatt Regency Conroe is a 7-story hotel, consisting of 250 guestrooms and suites, food and beverage facilities, a fitness center, pool, and other related amenities and facilities.

The Hyatt Regency Conroe offers all of the services and amenities expected for an upper-upscale convention center hotel serving both corporate and leisure guests. Food and beverage amenities includes a full-service three-meal restaurant with private dining room, a club lounge, a lobby bar, and a

breakfast buffet. Other amenities includes a business center, high-speed Internet, an outdoor pool terrace with amenity deck, a fitness center, and a marketplace area.

The Convention Center consists of public conference rooms and meeting space of approximately 30,000 square feet, including a main ballroom of approximately 14,000 square feet, a junior ballroom of approximately 6,077 square feet, and additional meeting space of approximately 6,000 square feet.

The Hyatt Regency Conroe Hotel and Convention Center is full-service, meaning patrons can hold meetings and gatherings, and dine all in one location. Out of town visitors spend money in the local economy on retail, restaurants, fuel, lodging, and nightlife, which supports local jobs and businesses. The project will also generate hotel occupancy tax revenue, sales tax revenue, and mixed beverage tax revenue. The project opened in May 2023.

The City has seen growth in the Conroe Park North Industrial Park, and major tenants have purchased land, constructed, and/or expanded facilities within the park in the past year. The Conroe Industrial Development Corporation (CIDC) is funding the rehabilitation of the streets within the existing park. In 2018, the CIDC purchased 610 acres to expand the industrial park. The CIDC continues to fund streets, signals, water, sewer, and drainage infrastructure in the expanded area of the park and will be funding the Water Plant Elevated Storage Tank – In the Industrial Park and Technology Park. The CIDC is currently funding two Water Plant projects, which should be completed in FY 24, that are necessary to serve the increased demand in the industrial park.

Transportation services expanded transit operations to include a new Park and Ride commuter bus service to Houston, which began April 1, 2019 and has provided additional revenue in ticket sales. After a decrease in ridership due to COVID-19, operations have resumed a consistent ridership. In December 2022, a Downtown Circular route was added to enhance the patronage to the downtown businesses.

The City has numerous capital improvement projects slated to begin or be completed in FY 24, including street rehabilitation in the Glenwood Park and Sunset Ridge subdivisions, East Semands Street area, and Lake Conroe Forest Phase I, underground electrical conversion in downtown alleys, signal upgrades to IH-45 at North Loop 336, construction of a new fire station, expansion of the police station parking lot, HVAC replacement and upgrades at the Conroe Municipal Center, drainage improvements south of Loop 336 on Lilly Boulevard, and construction of a new Oscar Johnson, Jr. Community Center.

On September 10, 2021, the City contracted with Ameresco to replace water meters and install Automatic Metering Infrastructure (AMI) throughout the City. The project is to replace aging meters with smart meters utilizing ultrasonic technology that allows meter reading to be done on a fixed base station system instead of the current “drive-by” reading system. The project also includes implementing the Water Smart customer service software, which will allow customers to view water usage history and set usage and billing notifications. This project is anticipated to be completed in FY24.

The City also has capital improvement projects for its water and sewer utility, including water storage tank and water well improvements, water line rehabilitations and extensions, sanitary sewer line replacements and rehabilitations, sewer lift station replacements, and continuation of the sanitary sewer overflow initiative.

The City of Conroe is committed to providing well-maintained infrastructure and a variety of quality services to protect and enhance the living conditions of its citizens.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement Program. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Conroe for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended September 30, 2022. This was the seventeenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Report. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Report continues to meet the Certificate of Achievement Program's requirements, and it will be submitted for consideration.

The preparation of this report was accomplished with diligence and efficiency by the entire staff of the Finance & Administration Department. I express my appreciation to all members of the Department who assisted and contributed to its preparation. I also thank the Mayor, members of the City Council, and City Administrator for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

PAFR Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for the Popular Annual Financial Reporting Award Program (PAFR) for the fiscal year ended September 30, 2022. This was the eighth year that the City has achieved this prestigious award. State and local governments must be able to extract information from their annual comprehensive financial report to produce a high quality popular annual financial report specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance.

Independent Audit. The City Charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the City by an independent certified public accountant. The accounting firm of Whitley Penn, LLP, was selected by the City Council. This requirement has been fulfilled, and the auditors' opinion is included in this report. Whitley Penn, LLP, has issued an unmodified ("clean") opinion of the City's financial statements for the year ended September 30, 2023. Their report is located at the front of the financial section of this report.

Respectfully Submitted,

Collin Boothe

Collin Boothe
Assistant City Administrator/Director of Finance



Government Finance Officers Association

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

Presented to

**City of Conroe
Texas**

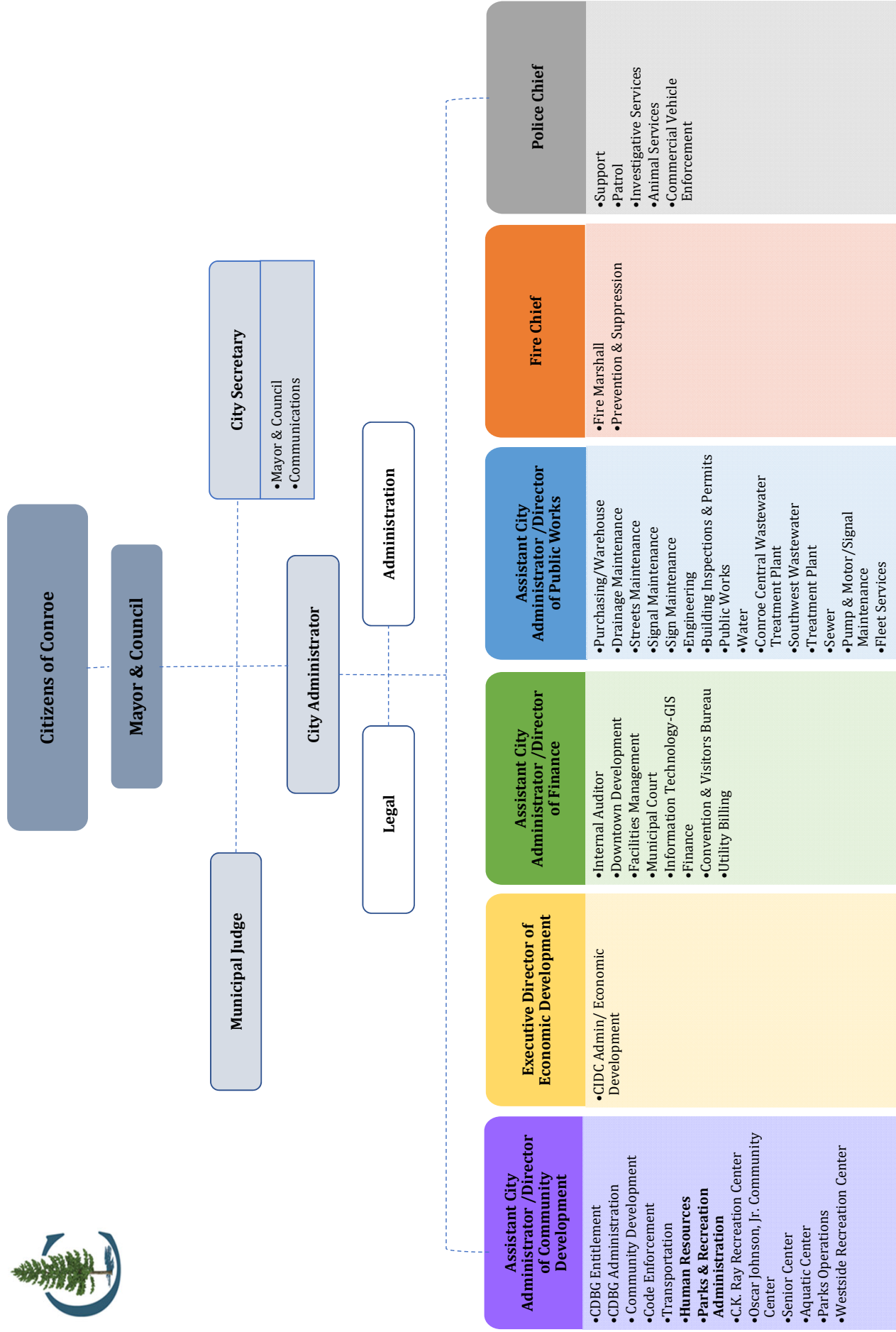
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morill

Executive Director/CEO

City of Conroe, Texas Organization Chart



**City of Conroe
2022-2023**

Listing of City Officials

Elected Officials

Mayor
Councilman Place 1
Councilman Place 2 - Mayor ProTem
Councilman Place 3
Councilman Place 4
Councilman Place 5
Municipal Court Judge

Jody Czajkoski
Todd Yancey
Curt Maddux
Harry Hardman
Howard Wood
Marsha Porter
William Waggoner

Appointed Officials

City Administrator
City Secretary
City Attorney - Interim
Assistant City Administrator/Director of Finance
Assistant City Administrator/Director of Public Works
Assistant City Administrator/Director of Community Development
Police Chief
Fire Chief
Director of Human Resources
Director of Parks & Recreation
Executive Director of Conroe Industrial Development Corporation

Gary Scott
Soco Gorjon
Michael Garner
Collin Boothe
Norman McGuire
Nancy Mikeska
Jeff Christy
Ken Kreger
Andre Houser
Mike Riggins
Danielle Scheiner



CITY OF CONROE

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Financial Section

- ❖ Independent Auditor's Report
- ❖ Management's Discussion and Analysis
- ❖ Basic Financial Statements
- ❖ Required Supplementary Information
- ❖ Combining Statements and Budgetary Comparison Schedules



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of City Council
City of Conroe, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Conroe, Texas (the "City"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Honorable Mayor and
Members of City Council
City of Conroe, Texas

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, general fund budgetary comparison schedule, pension information, and other post-employment benefits information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

To the Honorable Mayor and
Members of City Council
City of Conroe, Texas

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements and budgetary comparison schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2024, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Houston, Texas
March 13, 2024

CITY OF CONROE, TEXAS

Management's Discussion and Analysis

This section of the City of Conroe, Texas (the City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2023. Please read it in conjunction with the City's transmittal letter in the preceding section (introductory) and the basic financial statements following this section.

FINANCIAL HIGHLIGHTS

Government-wide

The total government-wide assets and deferred outflows of resources of the City of Conroe exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$352,358,882. This is a net increase of \$49,699,549. The majority of the increase is attributable to increased property tax, sales tax, and capital contributions.

The net position of the primary government is comprised of the following:

- (1) Net investment in capital assets of \$203,873,546 includes land and easements, construction in progress, buildings and improvements, machinery and equipment, and infrastructure, net of accumulated depreciation, and is reduced by outstanding debt, net of unspent proceeds, related to the purchase or construction of capital assets.
- (2) Net position of \$66,200,350 is restricted by constraints imposed from outside the City for debt obligations, special revenue funds, severance pay sinking fund, seized assets, red light cameras, and state cable franchise fees.
- (3) Unrestricted net position of \$82,284,986 represents the portion available to meet ongoing obligations.

Governmental Fund Financial Statements

- As of September 30, 2023, the City of Conroe's governmental funds reported combined ending fund balances of \$261,799,946, an increase of \$7,087,245 in comparison with the prior year. Approximately 21 percent of this total amount, \$54,709,652, is available for spending at the government's discretion (unassigned fund balance). The remaining fund balance consists of \$16,600,508 classified as nonspendable, \$172,645,964 classified as restricted, \$8,692,237 classified as committed, and \$9,151,585 is classified as assigned.
- The General Fund is used to account for the general operations of the City. At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$54,709,652, or 48 percent of total General Fund expenditures. The General Fund had a nonspendable fund balance of \$600,508, restricted fund balance of \$2,756,216, and assigned fund balance of \$9,151,585 at September 30, 2023.
- The Conroe Industrial Development Corporation (CIDC) is a blended component unit whose sole purpose is to promote economic development within the City and vicinity. The total fund balance was \$50,561,987 at September 30, 2023. Of this amount, \$16,000,000 is nonspendable for advances to other funds, \$2,420 is restricted for severance pay 2% sinking fund, \$28,658,811 is restricted for special revenue funds, and \$5,900,756 is restricted for debt service.
- The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bonds, contractual obligations, and certificates of obligation. The entire fund balance of \$11,063,344 is restricted to meet these obligations.
- The Conroe Local Government Corporation CIP Fund is used to account for expenditures related to design, planning, acquisition, construction, equipping, expansion, of the hotel being constructed for the City. These funds are held and managed by a trustee. This fund was closed in the current year with the completion of the hotel.
- The Certificates of Obligation, Series 2022B CIP Fund is used to account for expenditures related the design, planning, acquisition, construction, equipping, expansion, repair, renovation, and/or rehabilitation of City streets, signal systems, facilities, parks, and drainage. The entire fund balance of \$47,427,248 is restricted for capital projects.
- The nonmajor governmental funds had total combined fund balances of \$85,529,406 at September 30, 2023. Of this amount, \$9,806,492 is restricted for special revenue funds, \$18,113 is restricted for debt service, \$67,012,564 is restricted for capital project funds, and \$8,692,237 is committed.

CITY OF CONROE, TEXAS

Management's Discussion and Analysis

Long-Term Debt

The City of Conroe issues debt to finance an ongoing capital improvement program. During FY 23, the City issued \$92,650,000 in Certificates of Obligation. Also, the business-type activities purchased \$77,090,000 in Hotel Revenue Bonds from the governmental activities. Note VI to the financial statements provides details of long-term obligations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Conroe's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. Required supplementary information is included in addition to the basic financial statements. This report also contains other supplementary information.

Government-wide Financial Statements are designed to provide readers with a broad overview of City finances, in a manner similar to those used by private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the components (assets and deferred outflows of resources, less liabilities and deferred inflows of resources) presented as net position. Net position is reported as one of three categories: net investment in capital assets, restricted, or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net position that is otherwise restricted. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting.

The Statement of Net Position and the Statement of Activities divide the City's activities into two types:

Governmental activities - Most of the City's basic services are reported here, including general government, finance, public safety (police and fire protection), community development, parks and recreation, and public works. Sales and property taxes and franchise fees provide the majority of the financing for these activities.

Business-type activities - Activities for which the City charges a fee to customers to pay most or all of the costs of a service it provides are reported here. The City's business-type activities include water and wastewater services and hotel services via the CLGC Hotel.

The government-wide financial statements include not only the City itself but also component units: the Oscar Johnson, Jr. Community Center Volunteers, Inc. (OJJCCV) financial information is reported separately from the financial information presented for the primary government. The Conroe Industrial Development Corporation (CIDC) and the Conroe Local Government Corporation (CLGC), although also legally separate, function for all practical purposes as departments of the City, and therefore have been included as an integral part of the primary government.

Fund Financial Statements provide more detailed information about the City's most significant funds—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants, while others are established by the City Council to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

Governmental funds— Governmental funds are used to account for the majority of the City's activities, which are essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term

CITY OF CONROE, TEXAS

Management's Discussion and Analysis

inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The focus of the governmental funds financial statements is narrower than that of the government-wide financial statements. Therefore, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison. These reconciliations explain the differences between the government's activities as reported in the government-wide statements and the information presented in the governmental funds financial statements.

The City maintains 46 individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Conroe Industrial Development Corporation, Debt Service Fund, Conroe Local Government Corporation CIP Fund, and Certificates of Obligation, Series 2022B, CIP Fund, which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements later in this report.

Proprietary funds—When the City charges customers for services it provides, the activities are generally reported in proprietary funds. The City of Conroe maintains two different types of proprietary funds: enterprise and internal service.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City has two major enterprise funds, which are the Water and Sewer Fund and the CLGC Hotel. These services are primarily provided to outside, or non-governmental, customers.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its employee insurance program and fleet services.

Fiduciary funds—When the City accounts for resources held for the benefit of parties outside the City, the activities are generally reported in a fiduciary fund. Fiduciary funds are not reflected in the combined financial statements because resources of those funds are not available to support the City's own programs. The City of Conroe maintains two types of fiduciary fund: Custodial Fund - Public Improvement District "PID" and City of Conroe Other Post-Employment Benefit (OPEB) Trust Fund.

Notes to the Basic Financial Statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 39 of this report.

Required Supplementary Information presents certain required information concerning the City's General Fund budget to actual comparison, and progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found beginning on page 81 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$352,358,882 for fiscal year 2023 and \$302,659,333 for fiscal year 2022. Revenues exceeded expenses during the current fiscal year, increasing net position by \$49,699,549.

CITY OF CONROE, TEXAS

Management's Discussion and Analysis

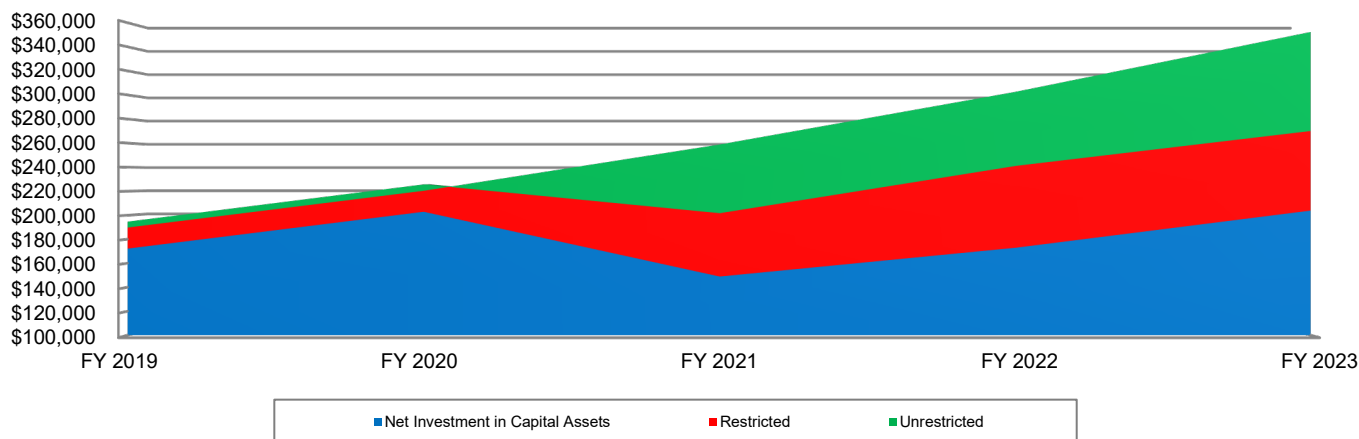
Condensed Statement of Net Position

(amounts in thousands)

Primary Government

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	\$ 329,513	\$ 334,554	\$ 142,302	\$ 94,537	\$ 471,815	\$ 429,091
Capital & Right-of-Use Assets	351,576	373,585	415,785	313,624	767,361	687,209
Total Assets	681,089	708,139	558,087	408,161	1,239,176	1,116,300
Deferred Outflows of Resources	43,972	35,790	4,636	1,991	48,608	37,781
Current and Other Liabilities	27,041	38,338	32,046	26,111	59,087	64,449
Long-Term Liabilities	463,596	487,856	382,618	255,320	846,214	743,176
Total Liabilities	490,637	526,194	414,664	281,431	905,301	807,625
Deferred Inflows of Resources	29,474	41,156	650	2,641	30,124	43,797
Net Position:						
Net Investment in Capital Assets	104,835	78,667	99,038	94,236	203,873	172,903
Restricted	57,340	65,278	8,861	2,890	66,201	68,168
Unrestricted	42,775	32,634	39,510	28,954	82,285	61,588
Total Net Position	\$ 204,950	\$ 176,579	\$ 147,409	\$ 126,080	\$ 352,359	\$ 302,659

Total Net Position Governmental and Business-Type Activities (in thousands)



The largest portion of the City's net position, \$203,873,546 (58%), reflects its net investment in capital assets (land, improvements, buildings, infrastructure, vehicles, machinery and equipment), less any related outstanding debt used to acquire those assets. The primary use of these capital assets is to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$66,200,350 (19%), is restricted for debt service, special revenue funds, severance pay sinking fund, seized assets, red light cameras, and state cable franchise PEG fee. Another portion of the City's net position is the unrestricted net position of \$82,284,986 (23%).

CITY OF CONROE, TEXAS

Management's Discussion and Analysis

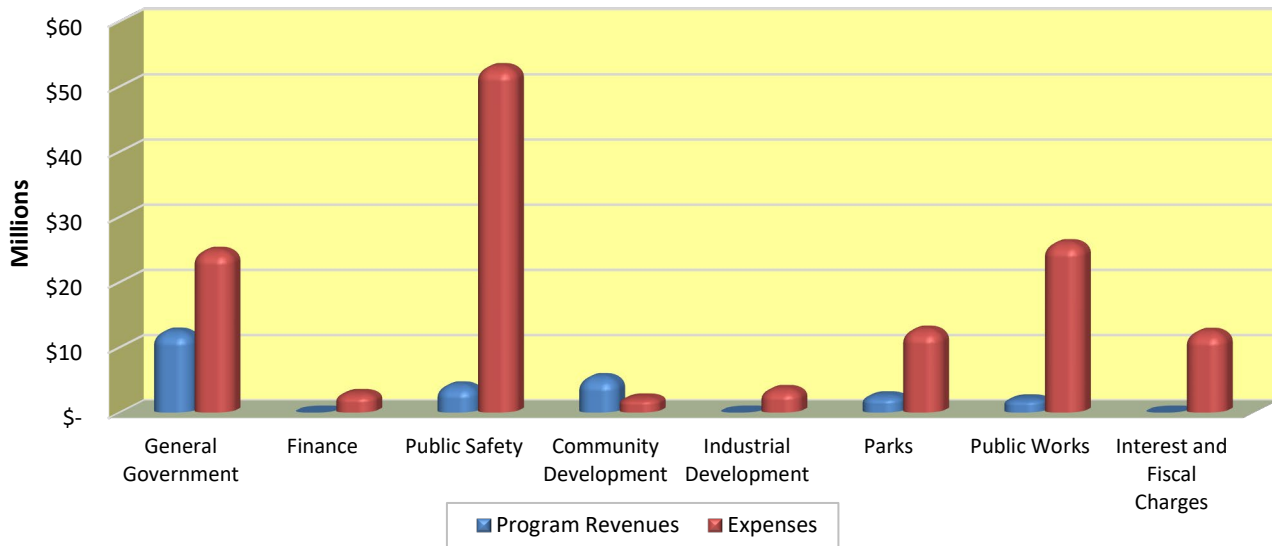
The following table indicates changes in net position for governmental and business-type activities:

Condensed Statement of Activities (amounts in thousands)						
	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues:						
Charges for Services	\$ 14,845	\$ 14,943	\$ 68,763	\$ 60,553	\$ 83,608	\$ 75,496
Operating Grants and Contributions	11,694	7,924	2,847	2,325	14,541	10,249
Capital Grants and Contributions	11	3,991	87,830	5,032	87,841	9,023
General Revenues:						
Property Taxes	53,635	46,039	-	-	53,635	46,039
In Lieu of Taxes	1,635	1,546	-	-	1,635	1,546
Franchise Fees	8,678	8,123	-	-	8,678	8,123
Sales and Other Taxes	70,645	67,230	-	-	70,645	67,230
Hotel Occupancy Taxes	2,931	2,685	-	-	2,931	2,685
Mixed Beverage Taxes	526	514	-	-	526	514
Miscellaneous	18,562	11,074	76	91	18,638	11,165
Donations	203	215	-	-	203	215
Grants and Contributions Not						
Restricted to Specific Programs	2,652	2,148	-	-	2,652	2,148
Investment Earnings	11,372	1,978	5,073	631	16,445	2,609
Net Change in Fair Value of Investments	201	(952)	98	(458)	299	(1,410)
Total Revenues	197,590	167,458	164,687	68,174	362,277	235,632
Expenses:						
General Government	27,363	24,845	-	-	27,363	24,845
Finance	2,621	2,997	-	-	2,621	2,997
Public Safety	63,761	53,015	-	-	63,761	53,015
Community Development	2,541	2,279	-	-	2,541	2,279
Industrial Development	2,888	3,635	-	-	2,888	3,635
Parks	13,745	12,738	-	-	13,745	12,738
Public Works	31,282	26,009	-	-	31,282	26,009
Interest and Fiscal Charges	12,184	12,416	-	-	12,184	12,416
Water and Sewer	-	-	63,960	53,894	63,960	53,894
Hotel	-	-	92,233	-	92,233	-
Total Expenses	156,385	137,934	156,193	53,894	312,578	191,828
Excess (Deficiency) before Transfers	41,205	29,524	8,494	14,280	49,699	43,804
Transfers	(12,834)	(617)	12,834	617	-	-
Change in Net Position	28,371	28,907	21,328	14,897	49,699	43,804
Net Position - Beginning	176,579	147,672	126,081	111,183	302,660	258,855
Net Position - Ending	\$ 204,950	\$ 176,579	\$ 147,409	\$ 126,080	\$ 352,359	\$ 302,659

CITY OF CONROE, TEXAS

Management's Discussion and Analysis

Program Revenues and Expenses - Governmental Activities



Revenues

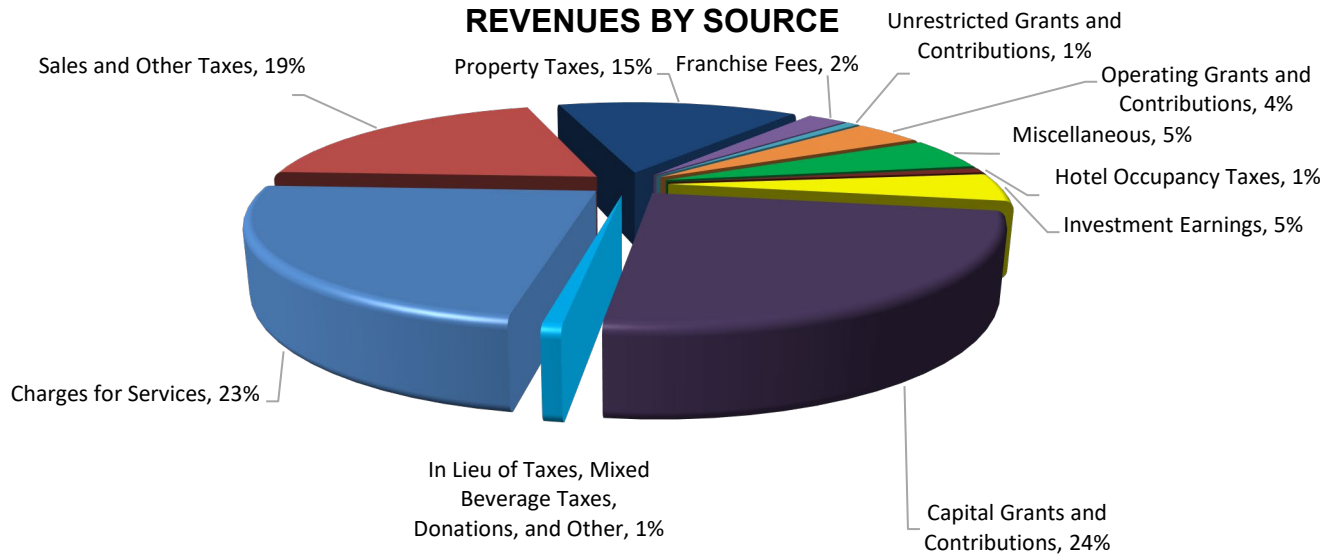
For fiscal year ended September 30, 2023, revenues for the primary government totaled \$362,278,048. The revenues are categorized by activity type: governmental activities totaled \$197,589,288 and business-type activities totaled \$164,688,760.

Program revenues are derived from the program itself and reduce the cost of the function to the City. Total program revenues were \$185,991,004 or 51% of total revenues, which increased \$91,222,717 compared to the prior year. The largest portion of program revenues is Capital Grants and Contributions of \$87,841,493, which is 24% of total revenues. Of that amount, \$11,023 is from governmental activities, which includes fees collected by Municipal Court, Police, Parks, and Public Works departments. The other portions of program revenues are Operating Grants and Contributions of \$14,541,078 (4%) and Charges for Services \$83,608,433 (23%). The business-type Charges for Services of \$68,763,159 are primarily derived from water and sewer charges.

General revenues are revenues that cannot be assigned to a specific function. They consist of Sales and Other Taxes of \$70,643,863, one of the largest revenue sources for governmental activities and 19% of total revenues. Property Taxes of \$53,635,044 or 15% of total revenues, which is a \$7.6M increase from prior year Property Taxes of \$46,038,718, primarily due to increases in appraised values. Miscellaneous revenues of \$18,638,798 (5%) increased due to the CLGC Hotel purchasing the hotel revenue debt from the City and the City donating the assets that were purchased with those bond proceeds. Other categories are Investment Earnings of \$16,445,866 (5%), Franchise Fees of \$8,678,059 (2%), Grants and Contributions Not Restricted to Specific Programs of 2,652,126 (1%), Hotel Occupancy Taxes of \$2,931,003 (1%). The remaining revenue categories as combines for 1% of total revenues: In Lieu of Taxes of \$1,634,701, Mixed Beverage Taxes of \$525,926, Donations of \$202,776, and Net Change in Fair Value of Investments of \$298,882.

CITY OF CONROE, TEXAS

Management's Discussion and Analysis



Expenses

For fiscal year ended September 30, 2023, expenses for the primary government totaled \$312,578,499. These expenses are divided by activity type: governmental activities of \$156,385,125 and business-type activities of \$156,193,374.

The City's largest governmental activities function is Public Safety. The main components of this function are the Police and Fire departments. Total expenses for this function were \$63,761,222 or 20% of total expenses. The expenses can be primarily attributed to salaries (including benefits and overtime) and vehicle maintenance.

The Water and Sewer business-type activities function expenses were \$63,959,993 or 20% of total expenses. These expenses enable the City to provide water and sewer treatment services to its customers.

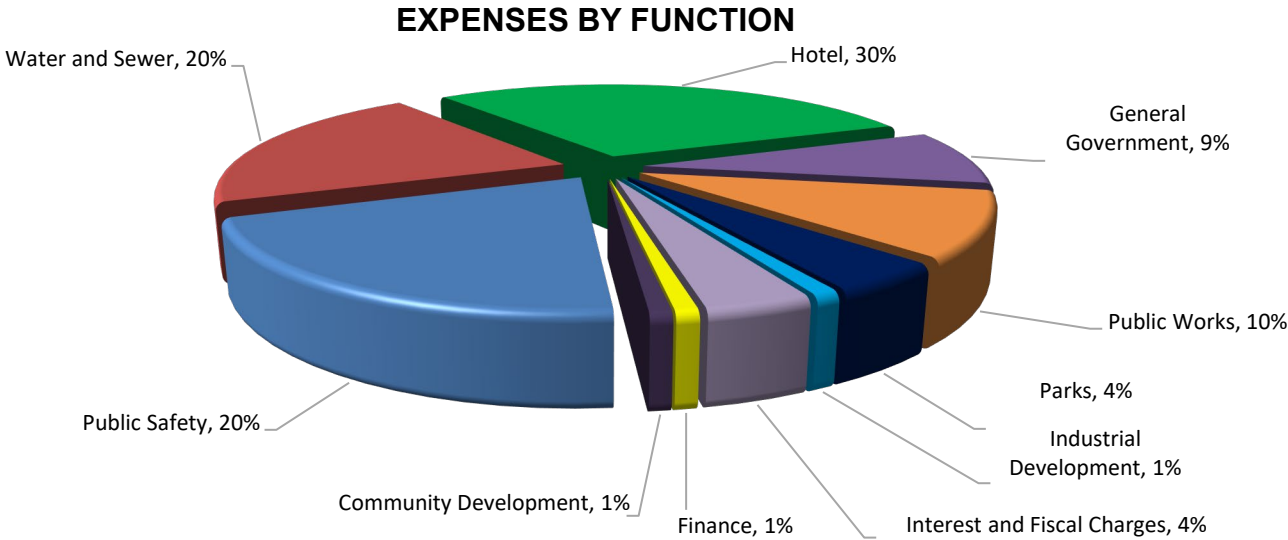
The Hotel business-type activities function expenses were \$92,233,381 or 30% of total expenses.

General Government governmental activities function expenses were \$27,363,108 or 9% of total expenses. The expenses can be primarily attributed to salaries and benefits for employees.

The Public Works governmental activities function had expenses of \$31,281,720 or 10% of total expenses. These services include: street maintenance, drainage maintenance, signal maintenance, sign maintenance, engineering, and building inspections and permits.

The remaining governmental activities functions are Parks with expenses of \$13,745,163 or 4%, Interest and Fiscal Charges with expenses of \$12,183,635 or 4%, Industrial Development with expenses of \$2,888,409 or 1%, Finance with expenses of \$2,621,254 or 1%, and Community Development had expenses of \$2,540,614 or 1%.

CITY OF CONROE, TEXAS
Management's Discussion and Analysis



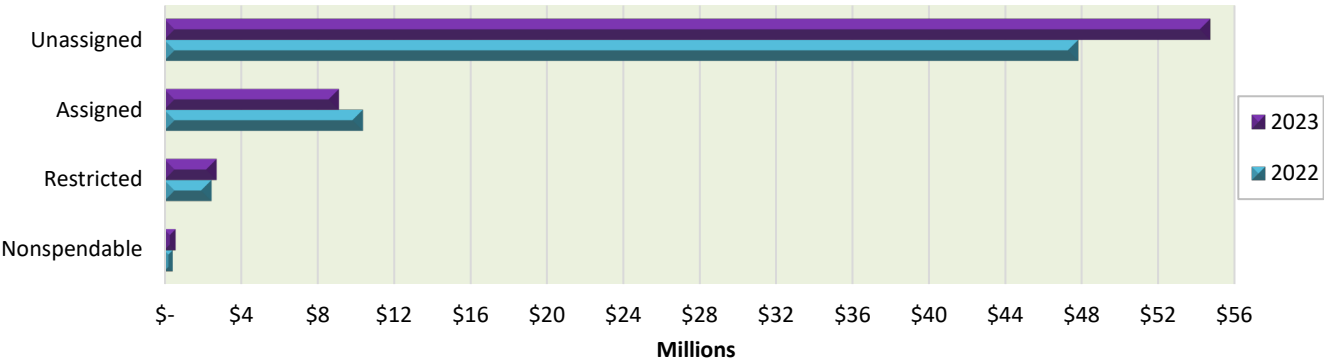
FINANCIAL ANALYSIS OF THE CITY’S MAJOR FUNDS

Governmental Funds

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

The **General Fund** is the chief operating fund of the City. At the end of the current year, its unassigned fund balance was \$54,709,652, while the total fund balance reached \$67,217,961. The General Fund total fund balance increased \$6,112,477 primarily due to increased property tax and sales tax revenues. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned and total fund balance to its expenditures. Unassigned fund balance was \$54,709,652, or 48% of total General Fund expenditures. Total fund balance was \$67,217,961, or 59% of General Fund expenditures. The General Fund also had nonspendable amounts of \$149,548 for prepaid items and \$450,960 for inventories; restricted amounts of \$35,801 for Severance Pay 2% Sinking Fund, \$1,824,051 for Seized Assets, \$254,183 for Red Light Cameras and, \$642,181 for the State Cable Franchise 1% PEG fee; and assigned amounts of \$836,752 for Tree Mitigation, \$171,266 for Tree Enforcement, \$6,631,993 for vehicle and equipment replacement, \$1,511,574 for technology and equipment replacement.

General Fund Components of Fund Balance



The **Conroe Industrial Development Corporation** ended the fiscal year with a total fund balance of \$50,561,987. There is \$2,420 restricted for Severance Pay 2% Sinking Fund, \$16,000,000 advance to other funds, and \$5,900,756 restricted for debt service reserves. The remaining \$28,658,811 is for on-going operations of the CIDC.

CITY OF CONROE, TEXAS

Management's Discussion and Analysis

The **Debt Service Fund** ended the fiscal year with a total fund balance of \$11,063,344 compared to \$11,051,778 at the end of fiscal year 2022. This fund balance is restricted for the payment of debt.

The **Conroe Local Government Corporation** capital projects fund was closed this fiscal year with the completion of the hotel.

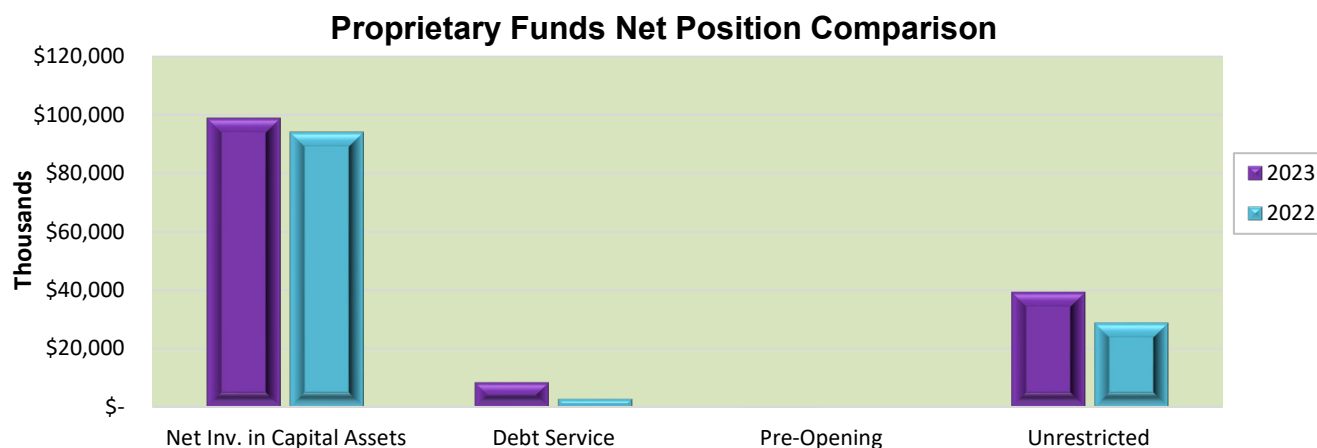
The **Certificates of Obligation, Series 2022B CIP Fund** ended the fiscal year with a total fund balance of \$47,427,248 that is restricted for construction projects.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net position of the **Water and Sewer Fund** at the end of the year amounted to \$36,278,284. The total increase in net position of \$21,929,310. The increase was largely due to increased temperatures during the summers months causing higher water usage, increased interest rates resulting in higher investment income, and a large capital contribution from the CIDC.

Unrestricted net position of the **Conroe Local Government Corp. Hotel** at the end of the year amounted to \$3,232,192.



General Fund Budgetary Highlights

During the year, there was a \$8,090,821 increase in appropriations between the original and final amended budget. This increase is primarily due to adjustments for supplies and other goods due to overall market increases due to supply chain shortfalls, and an increase in capital outlay to cover vehicles that were not received in the current year due to shortages in the market. The City also provided a cost of living increase and market adjustment to employee salaries.

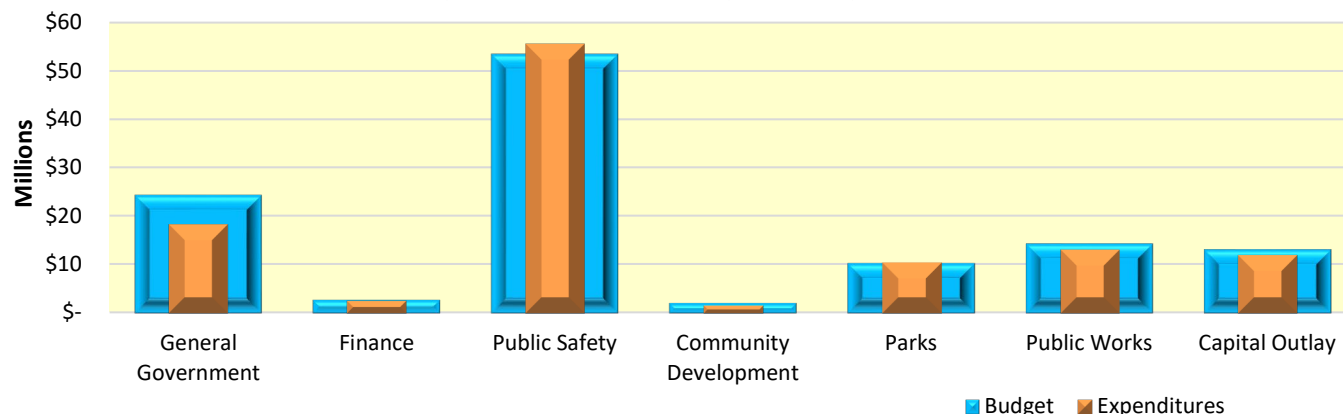
Actual General Fund revenues exceeded budgeted revenues by \$10,481,228 during the year. This increase is primarily due to increased property tax collections, sales tax collections, licenses and permits revenues, and intergovernmental revenues.

Total expenditures were lower than budgeted amounts by \$6,295,140 for the fiscal year. This decrease is mainly due to expenditures for capital outlay for vehicles that will get spent in FY 2023.

CITY OF CONROE, TEXAS

Management's Discussion and Analysis

Expenditures to Budget Comparison



A more detailed schedule of the General Fund budget to actual comparison is presented in the required supplementary information on page 81.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets, net of accumulated depreciation/amortization, for its governmental and business-type activities as of September 30, 2023, was \$767,360,909, an increase of \$80,151,040 from capital assets reported September 30, 2022 of \$687,209,869. These capital assets include land and easements, construction in progress, buildings and improvements, machinery and equipment, and infrastructure.

	Capital Assets					
	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land and Easements	\$ 28,608,759	\$ 28,267,050	\$ 3,985,982	\$ 3,937,692	\$ 32,594,741	\$ 32,204,742
Construction in Progress	31,341,145	88,750,134	41,693,173	45,030,296	73,034,318	133,780,430
Right-to-Use Assets	4,721,520	508,064	99,781	32,214	4,821,301	540,278
Buildings and Improvements	161,684,604	130,677,291	76,586,467	8,924,882	238,271,071	139,602,173
Machinery and Equipment	49,061,581	43,810,476	20,867,611	12,681,610	69,929,192	56,492,086
Infrastructure	266,651,957	257,262,767	412,201,830	369,392,780	678,853,787	626,655,547
	542,069,566	549,275,782	555,434,844	439,999,474	1,097,504,410	989,275,256
Accumulated						
Depreciation/Amortization	(190,493,852)	(175,690,617)	(139,649,649)	(126,374,770)	(330,143,501)	(302,065,387)
Total	\$ 351,575,714	\$ 373,585,165	\$ 415,785,195	\$ 313,624,704	\$ 767,360,909	\$ 687,209,869

More detailed information about the City's capital assets is presented in Note V of the basic financial statements. More detailed information about the City's right-to-use assets is presented in Note VII of the basic financial statements.

Long-Term Obligations

At year-end the City had \$846,213,759 in long-term obligations outstanding, of which \$733,659,095 is bonded debt. During the year, the City issued \$92,650,000 in Certificates of Obligation. Also, the business-type activities purchased \$77,090,000 in Hotel Revenue Bonds from the governmental activities. The City's Standard & Poor's and Moody's Investor Service, Inc. credit ratings, respectively, for Water and Wastewater Revenue Bonds remained unchanged at AA and Aa3, General Obligation Bonds were unchanged at AA+ and Aa1, and Hotel Revenue Bonds were AA+ and Aa1.

CITY OF CONROE, TEXAS

Management's Discussion and Analysis

	Long-Term Obligations Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Bonds Payable, net	\$ 363,239,146	\$ 419,195,315	\$ 370,419,949	\$ 248,037,632	\$ 733,659,095	\$ 667,232,947
Customer Deposits	-	-	1,930,303	1,709,797	1,930,303	1,709,797
Arbitrage Rebate Liability	686,994	-	-	-	686,994	-
Health Claims Liability	2,870,631	704,849	-	-	2,870,631	704,849
Lease Liabilities	176,699	202,845	30,123	25,910	206,822	228,755
Subscription Based IT Arrangements	3,583,952	-	39,447	-	3,623,399	-
Net OPEB Liability	12,447,864	9,068,840	2,424,136	1,933,829	14,872,000	11,002,669
Net Pension Liability/TMRS	32,099,558	10,054,210	6,251,169	2,143,948	38,350,727	12,198,158
Net Pension Liability/Fire R/R	32,624,940	33,862,306	-	-	32,624,940	33,862,306
Severance Payable	1,930,713	1,877,135	-	-	1,930,713	1,877,135
Compensated Absences	13,935,093	12,890,303	1,523,042	1,468,430	15,458,135	14,358,733
Total	\$ 463,595,590	\$ 487,855,803	\$ 382,618,169	\$ 255,319,546	\$ 846,213,759	\$ 743,175,349

More detailed information about the City's long-term obligations is presented in Note VI of the basic financial statements. Please see the following notes of the basic financial statements for more information on Note VII – Leases, Note VIII – Subscription-Based Information Technology Arrangements, Note X - Other Post Employment Benefits, and Note XI - Pension Plans.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- Appraised value used for the FY23-24 budget preparation is up \$1,392,118,460, or 9.9%, from FY22-23.
- Sales tax revenue for the City was estimated with a 2.5% decrease in FY23-24. This was based on general patterns of the local economy.
- Spending in the General Fund increases in the FY23-24 budget from \$115,509,814 to \$122,344,814. This is a 5.9% increase.

These indicators were considered when adopting the General Fund budget for FY23-24. Overall, revenue sources are projected to increase. Although the tax rate remains the same, property tax revenue will increase, due to higher assessed values, annexations, and new construction.

If these estimates are realized, the City's budgetary General Fund fund balance is expected to increase by approximately \$8,381,709 at the close of FY23-24.

SAN JACINTO RIVER AUTHORITY GROUNDWATER REDUCTION PLAN

The City is a participant in the San Jacinto River Authority (SJRA) Groundwater Reduction Plan (GRP). The SJRA has constructed a surface water treatment facility and transmission system to provide treated surface water to the City. The transmission system was interconnected to the City's water system, and in December 2015 the City started receiving treated surface water. Based on the agreement between the City and the SJRA, the City pays the SJRA for groundwater pumped from the Jasper aquifer and for treated surface water from Lake Conroe. More information regarding this agreement can be found in Note XII in the Notes to the Financial Statements.

HYATT REGENCY CONROE AND CONVENTION CENTER

In August 2021, the Hyatt Regency Conroe Hotel and Convention Center took a giant leap forward with groundbreaking of the multi-million-dollar project. Total funding came from the sale of Hotel Revenue Bonds, Certificates of Obligation, a cash loan from the Conroe Industrial Development Corporation, contribution from the Hotel Occupancy fund and a Key Money contribution from Hyatt. Work began on this project in 2015 at the direction of the City Council and Conroe Industrial Development Corporation. The bond sales marked the conclusion of the pre-construction phase of the project and set the stage for the groundbreaking that occurred in September 2021. The hotel opened in May 2023.

The 250-room upper-upscale hotel and convention center is operated by Hyatt Hotels Corporation, a world-renowned leader in the hospitality and convention industry. The Hotel and Convention Center caters to executives and groups doing business in the area, as well as weekend leisure travel. Leisure travelers enjoy the high quality

CITY OF CONROE, TEXAS

Management's Discussion and Analysis

of the hotel, its location along Interstate 45, and the pristine amenities of the Grand Central Park master-planned community.

Partnering with Garfield Public/Private, LLC, as Development Manager, the Conroe Local Government Corporation (CLGC) contracted with DPR Construction and BOKA Powell Architects to design and construct both the hotel and accompanying convention center. The Hotel includes such amenities as a three-meal restaurant, full bar, pool deck, fitness facility, and marketplace. The Convention Center consists of a 30,000 square feet (sf) space, including a 14,000 sf grand ballroom, 6,077 sf junior ballroom, 6,000 sf of breakout and boardrooms, and pre-function space. The project also includes a parking garage and surface parking.

AMERICAN RESCUE PLAN ACT

On May 10, 2021, the U.S. Department of the Treasury announced the launch of the Coronavirus State and Local Fiscal Recovery Funds, established by the American Rescue Plan Act of 2021, to provide \$350 billion in emergency funding for eligible state, local, territorial, and Tribal governments. These funds provide eligible governments with a substantial infusion of resources to meet COVID pandemic response needs and rebuild a stronger, more equitable economy as the country recovers from the COVID pandemic. The City is classified as a Metropolitan City and was allocated \$15,844,218. The City is investing in water and sewer infrastructure, making necessary improvements to vital water and wastewater assets.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City's Finance & Administration Department.

Basic Financial Statements



CITY OF CONROE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

	Primary Government			Component Unit
	Governmental	Business-type	Total	Oscar Johnson, Jr Community Center Volunteers, Inc.
	Activities	Activities		
ASSETS				
Cash and Cash Equivalents	\$ 16,527,785	\$ 8,499,774	\$ 25,027,559	\$ 23,016
Investments	259,092,199	114,414,715	373,506,914	-
Receivables (net of allowances for uncollectibles):				
Property Taxes	1,170,092	-	1,170,092	-
Gross Receipts Tax	1,241,138	-	1,241,138	-
Accounts	847,574	10,922,384	11,769,958	-
Interest	394,633	112,898	507,531	-
Leases	3,102,385	-	3,102,385	-
Other	1,004,686	14,092	1,018,778	-
Due from Other Governments	13,755,192	-	13,755,192	-
Restricted Investments	-	5,801,753	5,801,753	-
Prepaid Items	149,548	35,360	184,908	-
Inventories	624,721	2,501,233	3,125,954	-
Land Held for Resale	31,602,753	-	31,602,753	-
Capital Assets:				
Land and Easements	28,608,759	3,985,982	32,594,741	-
Construction in Progress	31,341,145	41,693,173	73,034,318	-
Right-of-Use Assets	4,721,520	99,781	4,821,301	-
Buildings and Improvements	161,684,604	76,586,467	238,271,071	-
Machinery and Equipment	49,061,581	20,867,611	69,929,192	-
Infrastructure	266,651,957	412,201,830	678,853,787	-
Less Accumulated Depreciation/Amortization	(190,493,852)	(139,649,649)	(330,143,501)	-
Total Capital Assets (net of depreciation/amortization)	351,575,714	415,785,195	767,360,909	-
TOTAL ASSETS	681,088,420	558,087,404	1,239,175,824	23,016
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charges on Refundings	2,235,439	344,490	2,579,929	-
OPEB Contributions After Measurement Date	1,416,834	275,918	1,692,752	-
OPEB Other	3,300,568	642,763	3,943,331	-
Pension Contributions After Measurement Date	4,071,739	792,943	4,864,682	-
Pension Other	32,947,193	2,580,378	35,527,571	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	43,971,773	4,636,492	48,608,265	-
LIABILITIES				
Current Liabilities:				
Accounts Payable and Other Current Liabilities	16,910,127	27,487,981	44,398,108	-
Unearned Revenue	8,990,280	-	8,990,280	-
Accrued Interest Payable	1,140,678	4,557,911	5,698,589	-
Noncurrent Liabilities:				
Due within One Year	20,874,213	14,092,347	34,966,560	-
Due in More Than One Year	442,721,377	368,525,822	811,247,199	-
TOTAL LIABILITIES	490,636,675	414,664,061	905,300,736	-
DEFERRED INFLOWS OF RESOURCES				
Lease Related	3,102,385	-	3,102,385	-
OPEB Other	3,300,326	642,717	3,943,043	-
Pension Other	23,071,423	7,620	23,079,043	-
TOTAL DEFERRED INFLOWS OF RESOURCES	29,474,134	650,337	30,124,471	-
NET POSITION				
Net Investment in Capital Assets	104,835,120	99,038,426	203,873,546	-
Restricted for:				
Severance Pay 2% Sinking Fund	38,221	-	38,221	-
Seized Assets	1,824,051	-	1,824,051	-
Red Light Cameras	254,183	-	254,183	-
State Cable Franchise 1% PEG Fee	642,181	-	642,181	-
Special Revenue Funds	38,465,303	-	38,465,303	-
Pre-Opening	-	234,958	234,958	-
Debt Service	16,115,815	8,625,638	24,741,453	-
Unrestricted	42,774,510	39,510,476	82,284,986	23,016
TOTAL NET POSITION	\$ 204,949,384	\$ 147,409,498	\$ 352,358,882	\$ 23,016

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF CONROE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 27,363,108	\$ 8,593,125	\$ 3,916,824	\$ -
Finance	2,621,254	-	-	-
Public Safety	63,761,222	1,361,695	2,014,481	-
Community Development	2,540,614	-	5,739,409	-
Industrial Development	2,888,409	4,000	-	-
Parks	13,745,163	3,120,443	-	-
Public Works	31,281,720	1,766,011	22,875	11,023
Debt Service:				
Interest and Fiscal Charges	12,183,635	-	-	-
Total Governmental Activities	<u>156,385,125</u>	<u>14,845,274</u>	<u>11,693,589</u>	<u>11,023</u>
Business-type Activities:				
Water and Sewer	63,959,993	67,572,412	2,847,489	8,647,111
Hotel	92,233,381	1,190,747	-	79,183,359
Total Business-type Activities	<u>156,193,374</u>	<u>68,763,159</u>	<u>2,847,489</u>	<u>87,830,470</u>
Total Primary Government	<u>\$312,578,499</u>	<u>\$83,608,433</u>	<u>\$14,541,078</u>	<u>\$87,841,493</u>
COMPONENT UNITS:				
Oscar Johnson, Jr. Community Center	<u>\$ 7,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Property Taxes
 In Lieu of Taxes
 Franchise Fees
 Sales and Other Taxes
 Hotel Occupancy Taxes
 Mixed Beverage Taxes
 Miscellaneous
 Donations
 Grants and Contributions Not Restricted to Specific Programs
 Investment Earnings
 Net Change in Fair Value of Investments
 Transfers
 Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning
 Net Position - Ending

The accompanying notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			Oscar Johnson Jr. Community Center
Governmental Activities	Business-type Activities	Total	
\$ (14,853,159)	\$ -	\$ (14,853,159)	\$ -
(2,621,254)	-	(2,621,254)	-
(60,385,046)	-	(60,385,046)	-
3,198,795	-	3,198,795	-
(2,884,409)	-	(2,884,409)	-
(10,624,720)	-	(10,624,720)	-
(29,481,811)	-	(29,481,811)	-
(12,183,635)	-	(12,183,635)	-
<u>(129,835,239)</u>	<u>-</u>	<u>(129,835,239)</u>	-
-	15,107,019	15,107,019	-
-	(11,859,275)	(11,859,275)	-
-	3,247,744	3,247,744	-
<u>(129,835,239)</u>	<u>3,247,744</u>	<u>(126,587,495)</u>	-
			<u>(7,085)</u>
53,635,044	-	53,635,044	-
1,634,701	-	1,634,701	-
8,678,059	-	8,678,059	-
70,643,863	-	70,643,863	-
2,931,003	-	2,931,003	-
525,926	-	525,926	-
18,562,888	75,910	18,638,798	-
202,776	-	202,776	5,100
2,652,126	-	2,652,126	-
11,372,495	5,073,371	16,445,866	-
200,521	98,361	298,882	-
(12,833,507)	12,833,507	-	-
<u>158,205,895</u>	<u>18,081,149</u>	<u>176,287,044</u>	<u>5,100</u>
28,370,656	21,328,893	49,699,549	(1,985)
176,578,728	126,080,605	302,659,333	25,001
<u>\$ 204,949,384</u>	<u>\$ 147,409,498</u>	<u>\$ 352,358,882</u>	<u>\$ 23,016</u>

CITY OF CONROE, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	General Fund	Conroe Industrial Development Corporation	Debt Service Fund	Conroe Local Government Corporation CIP Fund	Certificates of Obligation, Series 2022B CIP Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 6,846,253	\$ 1,719,219	\$ 1,448,875	\$ -	\$ 181,046	\$ 5,762,090	\$ 15,957,483
Investments	72,324,315	29,458,474	9,622,939	-	49,197,205	93,201,885	253,804,818
Receivable (Net of Allowances for Uncollectibles):							
Property Taxes, net	911,432	-	258,660	-	-	-	1,170,092
Gross Receipts Tax	1,241,138	-	-	-	-	-	1,241,138
Accounts	-	-	-	-	-	812,876	812,876
Interest	226,565	134,755	7,150	-	-	26,163	394,633
Leases	2,960,492	18,000	-	-	-	123,893	3,102,385
Other	545,711	190,826	-	-	-	87,240	823,777
Due from Other Funds	540,630	3,103,238	-	-	-	-	3,643,868
Due from Other Governments	12,412,950	-	-	-	-	1,342,242	13,755,192
Prepaid Items	149,548	-	-	-	-	-	149,548
Inventories	450,960	-	-	-	-	-	450,960
Advances to Other Funds	-	16,000,000	-	-	-	-	16,000,000
TOTAL ASSETS	\$ 98,609,994	\$ 50,624,512	\$ 11,337,624	\$ -	\$ 49,378,251	\$ 101,356,389	\$ 311,306,770
LIABILITIES							
Accounts Payable	\$ 3,104,642	\$ 17,119	\$ -	\$ -	\$ 1,584,815	\$ 6,752,042	\$ 11,458,618
Other Payables	3,480,592	27,406	-	-	-	222,489	3,730,487
Retainage Payable	-	-	-	-	366,188	717,752	1,083,940
Due to Other Funds	3,103,238	-	-	-	-	540,630	3,643,868
Due to Other Governments	-	-	-	-	-	270,281	270,281
Customer Deposits	-	-	-	-	-	600	600
Unearned Revenue	1,790,984	-	-	-	-	7,199,296	8,990,280
Advances from Other Funds	16,000,000	-	-	-	-	-	16,000,000
TOTAL LIABILITIES	27,479,456	44,525	-	-	1,951,003	15,703,090	45,178,074
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue-Property Taxes	952,085	-	274,280	-	-	-	1,226,365
Lease Related	2,960,492	18,000	-	-	-	123,893	3,102,385
TOTAL DEFERRED INFLOWS OF RESOURCES	3,912,577	18,000	274,280	-	-	123,893	4,328,750
FUND BALANCES							
Nonspendable:							
Prepaid Items	149,548	-	-	-	-	-	149,548
Inventories	450,960	-	-	-	-	-	450,960
Advances to Other Funds	-	16,000,000	-	-	-	-	16,000,000
Restricted for:							
Severance Pay 2% Sinking Fund	35,801	2,420	-	-	-	-	38,221
Seized Assets	1,824,051	-	-	-	-	-	1,824,051
Red Light Cameras	254,183	-	-	-	-	-	254,183
State Cable Franchise 1% PEG Fee	642,181	-	-	-	-	-	642,181
Special Revenue Funds	-	28,658,811	-	-	-	9,806,492	38,465,303
Debt Service	-	5,900,756	11,063,344	-	-	18,113	16,982,213
Capital Project Funds	-	-	-	-	47,427,248	67,012,564	114,439,812
Committed for:							
TIRZ #3-Property Tax Receipts	-	-	-	-	-	7,897,096	7,897,096
Woodlands Township Reg. Participation	-	-	-	-	-	623,267	623,267
Firearms Training Facility	-	-	-	-	-	171,874	171,874
Assigned to:							
Tree Mitigation	836,752	-	-	-	-	-	836,752
Tree Enforcement	171,266	-	-	-	-	-	171,266
Equipment Replacement	6,631,993	-	-	-	-	-	6,631,993
Technology Replacement	1,511,574	-	-	-	-	-	1,511,574
Unassigned	54,709,652	-	-	-	-	-	54,709,652
TOTAL FUND BALANCES	67,217,961	50,561,987	11,063,344	-	47,427,248	85,529,406	261,799,946
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 98,609,994	\$ 50,624,512	\$ 11,337,624	\$ -	\$ 49,378,251	\$ 101,356,389	\$ 311,306,770

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF CONROE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION SEPTEMBER 30, 2023

Total Fund Balances - Governmental Funds \$ 261,799,946

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental Capital Assets	\$ 542,069,566	
Accumulated Depreciation/Amortization of Governmental Capital Assets	<u>(190,493,852)</u>	351,575,714

Land Held for Resale 31,602,753

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds. 1,226,365

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Deferred charges on refunding bonds are not available in the current period, and are therefore not reported in the funds. Liabilities at year-end and related deferred outflows and inflows consist of:

Bonds Payable, at Original Par	\$ (331,735,000)	
Premiums/Discounts on Bonds Payable	(31,504,146)	
Deferred Charge on Refunding	2,235,439	
Accrued Interest on Bonds	(1,140,678)	
Arbitrage Rebate Liability	(686,994)	
Lease Liabilities	(176,699)	
Subscription Liabilities	(3,583,952)	
Net OPEB Liability	(12,135,552)	
Deferred Outflows for OPEB	4,599,044	
Deferred Inflows for OPEB	(3,217,523)	
Net Pension Liability - TMRS	(31,294,193)	
Net Pension Liability - Firefighters' Retirement	(32,624,940)	
Deferred Outflows for Pensions	36,584,333	
Deferred Inflows for Pensions	(23,070,442)	
Severance Benefits	(1,930,713)	
Compensated Absences	<u>(13,761,938)</u>	(443,443,954)

Internal service funds are used by the City. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.

Internal service fund net position is (excluding capital assets): 2,188,560

Total Net Position - Governmental Activities \$ 204,949,384

CITY OF CONROE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Conroe Industrial Development Corporation	Debt Service Fund	Conroe Local Government Corporation CIP Fund	Certificates of Obligation, Series 2022B CIP Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 101,359,906	\$ 17,660,966	\$ 15,520,710	\$ -	\$ -	\$ 2,931,003	\$ 137,472,585
Licenses and Permits	7,992,156	-	-	-	-	-	7,992,156
Charges for Sales and Services	5,063,587	-	-	-	-	-	5,063,587
Lease Income	391,208	4,000	-	-	-	100,551	495,759
Fines and Forfeitures	1,170,185	-	-	-	-	123,587	1,293,772
Intergovernmental	4,409,424	-	-	-	-	9,947,314	14,356,738
Investment Income	3,259,000	903,001	514,822	321,199	1,932,830	4,955,005	11,885,857
Net Change in Fair Value of Investments	145,678	60,996	(3,304)	-	-	(2,849)	200,521
Penalties and Interest	220,805	-	98,055	-	-	1,344	320,204
Land Sales	-	8,925,230	-	-	-	-	8,925,230
Miscellaneous Revenue	1,450,225	-	-	-	-	1,843,513	3,293,738
TOTAL REVENUES	125,462,174	27,554,193	16,130,283	321,199	1,932,830	19,899,468	191,300,147
EXPENDITURES							
Current:							
General Government							
Administration	2,121,525	-	-	-	-	-	2,121,525
Downtown Development	195,490	-	-	-	-	-	195,490
Legal	675,793	-	-	-	-	-	675,793
Municipal Court	1,223,411	-	-	-	-	26,099	1,249,510
Building Operations	400	-	-	-	-	3,415,197	3,415,597
Warehouse/Purchasing	430,184	-	-	-	-	-	430,184
Information Technology	3,405,456	-	-	-	-	-	3,405,456
Transportation	1,644,032	-	-	-	-	1,316,605	2,960,637
Human Resources	1,167,196	-	-	-	-	-	1,167,196
Culture-Recreation	-	-	-	-	-	2,243,096	2,243,096
Non-Departmental	7,522,554	-	-	771	-	28,764	7,552,089
Finance	2,596,677	-	-	-	-	-	2,596,677
Public Safety							
Police	30,440,223	-	-	-	-	45,085	30,485,308
Fire	25,082,978	-	-	-	-	-	25,082,978
Community Development	1,603,756	-	-	-	-	670,929	2,274,685
Industrial Development	-	2,862,849	-	-	-	-	2,862,849
Parks							
Parks and Recreation Administration	1,048,064	-	-	-	-	-	1,048,064
C.K. Ray Recreation Center	1,453,326	-	-	-	-	-	1,453,326
Oscar Johnson, Jr. Community Center	1,512,455	-	-	-	-	-	1,512,455
Senior Center	198,526	-	-	-	-	-	198,526
Aquatic Center	2,060,272	-	-	-	-	-	2,060,272
Parks Operations	3,145,779	-	-	-	-	36,669	3,182,448
Westside Recreation Center	1,084,720	-	-	-	-	-	1,084,720
Public Works							
Drainage Maintenance	923,011	-	-	-	-	-	923,011
Streets	4,275,313	-	-	-	-	-	4,275,313
Signal Maintenance	1,112,141	-	-	-	-	-	1,112,141
Signs	831,313	-	-	-	-	-	831,313
Engineering	3,896,490	-	-	-	-	-	3,896,490
Building Inspection and Permits	2,126,976	-	-	-	-	-	2,126,976
Debt Service:							
Principal Retirement	609,404	4,330,000	13,200,000	-	-	-	18,139,404
Interest and Fiscal Charges	2,218	2,118,755	10,873,077	-	-	618,050	13,612,100
Bond Issuance Costs	-	-	453,123	-	-	-	453,123
Capital Outlay	12,032,457	-	-	18,254,740	3,302,388	46,754,410	80,343,995
TOTAL EXPENDITURES	114,422,140	9,311,604	24,526,200	18,255,511	3,302,388	55,154,904	224,972,747
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,040,034	18,242,589	(8,395,917)	(17,934,312)	(1,369,558)	(35,255,436)	(33,672,600)
OTHER FINANCING SOURCES (USES)							
Bonds Issued	-	-	-	-	47,040,000	-	47,040,000
Refunding Bonds Issued	-	-	-	-	-	-	-
Premium on Bonds Issued	-	-	453,123	-	1,726,806	-	2,179,929
Lease Proceeds	44,400	-	-	-	-	-	44,400
Subscription Proceeds	4,122,810	-	-	-	-	-	4,122,810
Insurance Proceeds	109,814	-	-	-	-	88,841	198,655
Transfers In	544,030	-	8,183,297	-	30,000	9,990,000	18,747,327
Transfers Out	(9,748,611)	(4,935,600)	(228,937)	(119,202)	-	(16,540,926)	(31,573,276)
TOTAL OTHER FINANCING SOURCES (USES)	(4,927,557)	(4,935,600)	8,407,483	(119,202)	48,796,806	(6,462,085)	40,759,845
Net Change in Fund Balances	6,112,477	13,306,989	11,566	(18,053,514)	47,427,248	(41,717,521)	7,087,245
Fund Balances at Beginning of Year	61,105,484	37,254,998	11,051,778	18,053,514	-	127,246,927	254,712,701
FUND BALANCES AT END OF YEAR	\$ 67,217,961	\$ 50,561,987	\$ 11,063,344	\$ -	\$ 47,427,248	\$ 85,529,406	\$ 261,799,946

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF CONROE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2023

Total Net Change in Fund Balances - Governmental Funds \$ 7,087,245

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.

Capital Outlay Expenditures	\$ 80,343,995	
Amortization Expense	(581,303)	
Depreciation Expense	<u>(17,117,615)</u>	62,645,077

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position. 920,313

Sale of Land Held for Resale (3,079,752)

Because some property taxes will not be collected for several months after the City's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. 257,151

Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Debt issued:		
Bonds	\$ (47,040,000)	
Bond Premiums	(2,179,929)	
Leases	(44,400)	
Subscriptions	(4,122,810)	
Repayments:		
To Paying Agent for Bond Principal	17,530,000	
Lease Principal	70,546	
Subscription Principal	<u>538,858</u>	(35,247,735)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of:

Accrued Interest Bonds Payable	\$ (115,324)	
Amortization of Bond Premium/Discount	2,349,697	
Amortization of Deferred Amount on Refunding	(352,785)	
Compensated Absences	(1,020,784)	
Severance Liability	(53,578)	
Arbitrage Rebate Liability	(686,994)	
Net OPEB Liability (including deferred amounts)	226,472	
Net Pension Liability - TMRS (including deferred amounts)	(2,075,594)	
Net Pension Liability - Firefighters' Retirement (including deferred amounts)	<u>(2,111,973)</u>	(3,840,863)

Internal service funds are used by the City. The net revenue of the internal service funds are reported with governmental activities. (370,780)

Change in Net Position - Governmental Activities \$ 28,370,656

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF CONROE, TEXAS, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

SEPTEMBER 30, 2023

	Enterprise Funds			Internal Service Funds
	Water and Sewer Fund	Conroe Local Government Corp. Hotel	Total Enterprise Funds	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 6,725,167	\$ 1,774,607	\$ 8,499,774	\$ 570,302
Investments	111,605,363	2,809,352	114,414,715	5,287,381
Receivables (Net of Allowances for Uncollectibles):				
Accounts	10,786,585	135,799	10,922,384	34,698
Interest	112,898	-	112,898	-
Other	14,092	-	14,092	180,909
Restricted Investments	-	5,801,753	5,801,753	-
Prepaid Items	8,000	27,360	35,360	-
Inventories	2,463,619	37,614	2,501,233	173,761
Total Current Assets	131,715,724	10,586,485	142,302,209	6,247,051
Noncurrent Assets:				
Capital Assets (Net of Accumulated Depreciation)	340,773,717	75,011,478	415,785,195	275,038
Total Noncurrent Assets	340,773,717	75,011,478	415,785,195	275,038
TOTAL ASSETS	472,489,441	85,597,963	558,087,404	6,522,089
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charges on Refundings	344,490	-	344,490	-
OPEB Contributions After Measurement Date	275,918	-	275,918	35,548
OPEB Other	642,763	-	642,763	82,810
Pension Contributions After Measurement Date	792,943	-	792,943	102,158
Pension Other	2,580,378	-	2,580,378	332,441
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,636,492	-	4,636,492	552,957
LIABILITIES				
Current Liabilities:				
Accounts Payable	5,326,535	196,964	5,523,499	318,664
Other Payables	20,248,512	518,892	20,767,404	47,537
Retainage Payable	1,197,078	-	1,197,078	-
Health Claims Liability	-	-	-	2,870,631
Accrued Interest Payable	4,324,096	233,815	4,557,911	-
Customer Deposits	1,095,191	245,394	1,340,585	-
Compensated Absences	38,774	-	38,774	4,240
Lease Liabilities	8,817	-	8,817	-
Subscription Liabilities	19,171	-	19,171	-
Bonds Payable	12,685,000	-	12,685,000	-
Total Current Liabilities	44,943,174	1,195,065	46,138,239	3,241,072
Noncurrent Liabilities, net of current portion				
Customer Deposits	589,718	-	589,718	-
Compensated Absences	1,484,268	-	1,484,268	168,915
Lease Liabilities	21,306	-	21,306	-
Subscription Liabilities	20,276	-	20,276	-
Net OPEB Liability	2,424,136	-	2,424,136	312,312
Net Pension Liability	6,251,169	-	6,251,169	805,365
Bonds Payable, Net	272,731,634	85,003,315	357,734,949	-
Total Noncurrent Liabilities	283,522,507	85,003,315	368,525,822	1,286,592
TOTAL LIABILITIES	328,465,681	86,198,380	414,664,061	4,527,664
DEFERRED INFLOWS OF RESOURCES				
OPEB Other	642,717	-	642,717	82,803
Pension Other	7,620	-	7,620	981
TOTAL DEFERRED INFLOWS OF RESOURCES	650,337	-	650,337	83,784
NET POSITION				
Net Investment in Capital Assets	108,907,746	(9,869,320)	99,038,426	275,038
Restricted for Pre-Opening	-	234,958	234,958	-
Restricted for Debt Service	2,823,885	5,801,753	8,625,638	-
Unrestricted	36,278,284	3,232,192	39,510,476	2,188,560
TOTAL NET POSITION	\$ 148,009,915	\$ (600,417)	\$ 147,409,498	\$ 2,463,598

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF CONROE, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Enterprise Funds			Internal Service Funds
	Water and Sewer Fund	Conroe Local Government Corp. Hotel	Total Enterprise Funds	
OPERATING REVENUES				
Charges for Sales and Services	\$ 67,570,762	\$ 1,190,747	\$ 68,761,509	\$ 19,851,330
Intergovernmental	2,847,489	-	2,847,489	-
TOTAL OPERATING REVENUES	70,418,251	1,190,747	71,608,998	19,851,330
OPERATING EXPENSES				
Public Works	6,220,691	-	6,220,691	-
Utility Billing and Collection	2,711,408	-	2,711,408	-
Water Production	6,066,510	-	6,066,510	-
Surface Water	17,862,829	-	17,862,829	-
Central Wastewater Plant	1,803,315	-	1,803,315	-
Southwest Wastewater Plant	5,145,569	-	5,145,569	-
Pump and Motor Maintenance	1,461,713	-	1,461,713	-
Hotel Expenses	-	2,605,093	2,605,093	-
Fleet Services	-	-	-	2,663,308
General Government	-	-	-	17,680,251
Depreciation/Amortization	12,867,835	686,902	13,554,737	56,976
TOTAL OPERATING EXPENSES	54,139,870	3,291,995	57,431,865	20,400,535
Operating Income (Loss)	16,278,381	(2,101,248)	14,177,133	(549,205)
NONOPERATING REVENUES (EXPENSES)				
Investment Income	4,702,613	370,758	5,073,371	173,632
Net Change in Fair Value of Investments	98,361	-	98,361	-
Other Income	74,104	-	74,104	12,351
Interest Expense	(9,820,123)	(3,234,630)	(13,054,753)	-
Other Services and Charges	-	(85,706,756)	(85,706,756)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(4,945,045)	(88,570,628)	(93,515,673)	185,983
Income (Loss) Before Contributions and Transfers	11,333,336	(90,671,876)	(79,338,540)	(363,222)
Capital Contributions	8,650,567	79,183,359	87,833,926	-
Transfers In	2,466,831	10,888,100	13,354,931	-
Transfers Out	(521,424)	-	(521,424)	(7,558)
NET CONTRIBUTIONS AND TRANSFERS	10,595,974	90,071,459	100,667,433	(7,558)
Change in Net Position	21,929,310	(600,417)	21,328,893	(370,780)
Net Position at Beginning of Year	126,080,605	-	126,080,605	2,834,378
NET POSITION AT END OF YEAR	\$ 148,009,915	\$ (600,417)	\$ 147,409,498	\$ 2,463,598

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF CONROE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Enterprise Funds			
	Water and Sewer Fund	Conroe Local Government Corp. Hotel	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 68,243,104	\$ 1,300,342	\$ 69,543,446	\$ 19,828,312
Payments to Employees	(9,491,675)	-	(9,491,675)	(1,135,600)
Payments to Vendors	(27,338,621)	(1,954,211)	(29,292,832)	(16,864,174)
Net Cash Provided by (Used for) Operating Activities	<u>31,412,808</u>	<u>(653,869)</u>	<u>30,758,939</u>	<u>1,828,538</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers From Other Funds	2,466,831	-	2,466,831	-
Transfers To Other Funds	(521,424)	-	(521,424)	(7,558)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>1,945,407</u>	<u>-</u>	<u>1,945,407</u>	<u>(7,558)</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of Capital Assets	(40,016,848)	-	(40,016,848)	-
Capital Contributions	8,650,567	2,424,623	11,075,190	-
Principal Paid	(12,249,450)	-	(12,249,450)	-
Interest Paid	(9,100,163)	-	(9,100,163)	-
Proceeds from Debt Issuance	49,672,112	-	49,672,112	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(3,043,782)</u>	<u>2,424,623</u>	<u>(619,159)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Purchase of Investments	(121,435,604)	(366,905)	(121,802,509)	(1,941,561)
Sale and Maturities of Investments	89,436,656	-	89,436,656	-
Interest and Dividends on Investments	4,742,218	370,758	5,112,976	173,632
Net Cash Provided by (Used for) Investing Activities	<u>(27,256,730)</u>	<u>3,853</u>	<u>(27,252,877)</u>	<u>(1,767,929)</u>
Net Increase in Cash and Cash Equivalents	3,057,703	1,774,607	4,832,310	53,051
Cash and Cash Equivalents at Beginning of Year	3,667,464	-	3,667,464	517,251
Cash and Cash Equivalents at End of Year	<u>\$ 6,725,167</u>	<u>\$ 1,774,607</u>	<u>\$ 8,499,774</u>	<u>\$ 570,302</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income	\$ 16,278,381	\$ (2,101,248)	\$ 14,177,133	\$ (549,205)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation	12,867,835	686,902	13,554,737	56,976
Other Non-Operating Income	74,104	-	74,104	-
Changes in Assets and Liabilities:				
Decrease (Increase) in Receivables	(2,224,363)	(163,159)	(2,387,522)	(23,018)
Decrease (Increase) in Inventories	160,611	(37,614)	122,997	(8,907)
Increase (Decrease) in Payables	4,309,811	715,856	5,025,667	2,326,492
Increase (Decrease) in Compensated Absences	54,612	-	54,612	24,006
Increase (Decrease) of Customer Deposits	(24,888)	245,394	220,506	-
Increase (Decrease) in OPEB Liability (including deferred amounts)	(258,108)	-	(258,108)	(27,175)
Increase (Decrease) in Net Pension Liability (including deferred amounts)	174,813	-	174,813	29,369
Net Cash Provided by (Used for) Operating Activities	<u>\$ 31,412,808</u>	<u>\$ (653,869)</u>	<u>\$ 30,758,939</u>	<u>\$ 1,828,538</u>
Noncash Capital and Related Financings and Investing Activities:				
Increase in fair value of Investments	\$ -	\$ 8,611,105	\$ 8,611,105	\$ -
Donation of Capital Assets	8,650,567	75,011,478	83,662,045	-
Increase of Hotel Revenue Bonds	-	(85,706,756)	(85,706,756)	-

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF CONROE, TEXAS

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

SEPTEMBER 30, 2023

	<u>Custodial Fund</u> <u>Public</u> <u>Improvement</u> <u>District "PID"</u>	(a) City of Conroe OPEB Trust Fund
ASSETS		
Cash and Cash Equivalents	\$ 35,580	\$ -
Investments - Mutual Funds (Fair Value)	-	14,277,483
Receivables (Net of Allowances for Uncollectibles):		
Other	2,433	-
TOTAL ASSETS	<u>38,013</u>	<u>14,277,483</u>
LIABILITIES		
Accounts Payable	-	129,340
Unearned Revenue	2,432	-
TOTAL LIABILITIES	<u>2,432</u>	<u>129,340</u>
NET POSITION		
Restricted for PID	35,581	-
Restricted for OPEB	-	14,148,143
TOTAL NET POSITION	<u>\$ 35,581</u>	<u>\$ 14,148,143</u>

(a) Information presented for the OPEB Trust Fund is as of December 31, 2022.

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF CONROE, TEXAS

STATEMENT OF CHANGES IN NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Custodial Fund Public Improvement District "PID"	(a) City of Conroe OPEB Trust Fund
ADDITIONS		
Contributions:		
Employer Contributions	\$ -	\$ 2,387,107
Private Contributions	854,176	-
Investment Earnings:		
Investment Income	28,025	535,032
Investment expenses	-	-
Net Change in Fair Value of Investment	-	(2,918,599)
TOTAL ADDITIONS	882,201	3,540
DEDUCTIONS		
Plan Administrative Expense	-	70,267
Benefits and Refunds Paid to Members and Beneficiaries	-	727,601
Recipient Payments	1,649,465	-
TOTAL DEDUCTIONS	1,649,465	797,868
Change in Net Position	(767,264)	(794,328)
Net Position at Beginning of the Year	802,845	14,942,471
NET POSITION AT END OF YEAR	\$ 35,581	\$ 14,148,143

(a) Information presented for the OPEB Trust Fund is as of December 31, 2022.

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

I. Summary of Significant Accounting Policies

The combined financial statements of City of Conroe, Texas (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following are some of the more significant accounting policies. Fiduciary funds are omitted from the government-wide financial statements.

A. Reporting Entity

The City's accompanying financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB codification, include whether: the organization is legally separate; the City holds the corporate powers of the organization; the City appoints a voting majority of the organization's board; the City is able to impose its will on the organization; the organization has the potential to impose a financial benefit/burden on the City; and/or there is fiscal dependency by the organization on the City.

BLENDED COMPONENT UNITS

Blended component units, although legally separate entities, are included as part of the primary government because they meet the above criteria as well as serve or benefit the City exclusively. Thus, blended component units are appropriately presented as funds of the primary government. The following entities are included in the financial statements as blended component units:

Conroe Industrial Development Corporation - (CIDC) A nonprofit corporation organized under the Texas Non-Profit Corporation Act whose sole purpose is to promote economic development within the City of Conroe and vicinity. The CIDC expends the proceeds of a sales and use tax levied at the rate of one-half of one percent to be used for promotion and development of new or expanded business enterprises and any other purpose authorized under Section 4B, Article 5190.6, VTCS as amended (The Development Corporation Act of 1979). Directors are appointed by the governing body of the City. There is a financial benefit/burden relationship. The CIDC attracts new businesses to the area, which provide job opportunities to the citizens as well as increased sales and property tax revenues. The CIDC does not issue separate financial statements.

Conroe Local Government Corporation – (CLGC). The corporation was created for the common good and general welfare of the City, including, without limitation, for the purpose of aiding, assisting, and acting on behalf of the City in performance of its governmental functions to promote and accomplish the development of the geographic area of the City including at or in the vicinity of the Conroe Convention Center, in furtherance of the promotion, development, encouragement and maintenance of employment, commerce, convention and meeting activity, tourism and economic development in the City, including specifically, without limitation, the development and financing of a convention center hotel to be located within 1,000 feet of the Conroe Convention Center.

DISCRETE COMPONENT UNITS

The following entities are included in the financial statements as discrete component units based upon their significant financial and operational relationship to the City:

Oscar Johnson, Jr. Community Center Volunteers, Inc. – (OJJCCV) A nonprofit corporation organized under the Texas Non-Profit Corporation Act to engage in charitable and educational activity related to the Oscar Johnson, Jr. Community Center, a municipal community center owned by the City. The community center provides programs and after school care for the children within the city and surrounding areas. The Directors are appointed by the Mayor subject to confirmation by a majority vote of the City Council. The City can significantly influence the programs, projects, activities or level of service performed by the OJJCCV. Oscar Johnson, Jr. Community Center Volunteers, Inc. does not issue separate financial statements.

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

B. Basis of Presentation, Basis of Accounting

Government-wide Statements: Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the primary government and its component units. Interfund services that are provided and used are not eliminated in the process of consolidation. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Statement of Activities demonstrates the degree to which the direct expenses of the City's programs are offset by those programs' revenues. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the Statement of Activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fiduciary funds are excluded from the government-wide presentation of the financial statements.

Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end, except for grants which are accrued as revenue using a 180-day availability period. Revenues from local sources consist primarily of property and sales taxes and are subject to accrual. Other revenues susceptible to accrual are franchise fees, intergovernmental revenues, and charges for services. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt and claims and judgments which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

All proprietary funds, including the enterprise and internal service funds, and fiduciary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when they are incurred. These funds are accounted for using the economic resources measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included in the funds' statement of net position. Proprietary funds distinguish operating revenues and expenses from non-operating items. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its maintenance of City vehicles and for costs of providing health, dental, and vision insurance to the City's employees, retirees, and dependents. The fiduciary funds financial statements reflect the City's OPEB trust fund and the Public Improvement District custodial fund.

The accounts of the City are organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means to which spending activities are controlled. Funds are classified into three categories: Governmental, Proprietary, and Fiduciary. The major funds of the City are noted within each category.

Governmental Funds are used to account for all or most of a government's general activity.

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund. The principal sources of revenue of the General Fund are property taxes, sales and use taxes, licenses and permits, charges for services, and fines and forfeitures.

The *CIDC* is a blended component unit whose sole purpose is to promote economic development within the City and vicinity. The primary source of revenue is a portion of the sales tax as per an agreement with the City. Additionally, there are land sales from tracts at the industrial parks.

The *Debt Service Fund* is used to account for the accumulation of resources and payment of general obligation bonds, contractual obligations, and certificates of obligation. The primary source of revenue is property taxes. Other sources of revenue include transfers from the CIDC to pay for certain parks and recreation debt service, as well as transfers in from the TIRZ #3 fund to pay for certain street improvement debt service.

The *Conroe Local Government Corporation CIP Fund* is a capital projects fund used to account for financial resources related to design, planning, acquisition, construction, equipping, expansion of the hotel being constructed for the City through the CLGC. These funds are held and managed through a trust.

The *Certificates of Obligation, Series 2022B CIP Fund* is a capital projects fund used to account for the design, planning, acquisition, construction, equipping, expansion, repair, renovation, and/or rehabilitation of City streets, signal systems, facilities, parks, and drainage.

Proprietary Funds are used to account for operations that are financed in a manner similar to those in the private sector, where the determination of net income is appropriate for sound financial administration.

The *Water and Sewer Fund* is an enterprise fund used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and sewer treatment services to the general public on a continuing basis are financed through user charges.

The *Conroe Local Government Corporation Hotel* is an enterprise fund used to account for the operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing hotel services to the general public.

Fiduciary Funds are used to report assets held in a trustee or custodial capacity for others and therefore cannot be used to support the government's own programs. The City reports two fiduciary funds.

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

The *City of Conroe OPEB Trust Fund* is used to report resources that are required to be held in trust for the members and beneficiaries of other postemployment benefit plans (i.e., retiree insurance).

The *Public Improvement District "PID"* custodial fund accounts for revenues and expenditures of these special assessments for which the monies are used to build infrastructure within new developments within the City. The City provides accounting services and the monies are not held in trust.

C. Implementation of New Standards

In the current fiscal year, the City implemented the following new standards:

GASB Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* ("GASB 94"), improves financial reporting by addressing issues related to public-private and public-public partnership arrangements. Implementation of GASB 94 did not have an impact on the City's financial disclosures.

GASB Statement 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"), provides guidance on the reporting for subscription-based technology arrangements (SBITAs). Implementation of GASB 96 is reflected in Note VIII and the financial statements.

GASB Statement 99, *Omnibus 2022* ("GASB 99"), objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Implementation of GASB 99 is reflected in the City's financial disclosures.

D. Cash and Investments

The City maintains and controls cash and investment pools in which the primary government's funds share. In addition, cash and investments are separately held and reflected in their respective funds as "cash and cash equivalents" and "investments". The City, as a reporting entity, considers demand deposits to be cash equivalents.

Investments for the City, except for certain investment pools, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or net asset value.

E. Property Taxes

Property taxes attach as an enforceable lien on property on February 1. Taxes are levied and become payable on October 1. The Montgomery County Tax Assessor-Collector is responsible for billing and collecting City property taxes. City property tax revenues are recognized when levied to the extent that they result in current receivables. However, not all outstanding property taxes are expected to be collected within one year of the financial statements. The combined current tax rate to finance general governmental services and payment of principal and interest on long-term debt for the year ended September 30, 2023, was \$0.4272 per \$100, allocated \$0.3022 for the General Fund and \$0.1250 for the Debt Service Fund.

F. Inventories and Prepaid Items

Inventories consist primarily of supplies, valued at cost, which approximates market. Cost is determined using a weighted average method. The cost of inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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G. Land Held for Resale

Land held for resale consists of acquisition and improvements to real property that is purchased with the intent to sell to private-sector purchasers and currently recorded in the City's discretely presented component unit, CIDC. The land held for resale is reported at cost. The CIDC oversees two economic development parks: Conroe Park North Industrial Park and Deison Technology Park.

H. Capital Assets

Capital assets include land, easements, intangible assets, land improvements, buildings, building improvements, park improvements, equipment (including machinery and vehicles), right-to-use assets (including leases and subscription-based IT arrangements), and infrastructure. Infrastructure assets are long-lived assets that are generally stationary in nature and can typically be preserved for a significantly greater number of years than other capital assets. Infrastructure assets of the City include: roads, bridges, drainage, water and sewer lines and facilities.

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Capital Assets of the City are defined as assets with an individual cost of \$5,000 or more and estimated useful lives in excess of one year. Exceptions to the \$5,000 capitalization threshold are as follows: it is the City's policy to capitalize all land and easements; the threshold for any building, building improvement, or park improvement is \$10,000; and the threshold for infrastructure is \$100,000.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is expensed as interest expense when paid. Right-to-use assets are being amortized using the straight-line method over the life of the underlying agreement.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Lives</u>
Buildings and Improvements	20-40
Machinery and Equipment	5-30
Infrastructure	25-40

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. The City has the following items that qualify for reporting in this category.

- Deferred Charges on Refundings – result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – recognized in the subsequent year.
- Difference in projected and actual earnings on pension assets - amortized on a closed basis over a 5-year period.
- Changes in actuarial assumptions used to determine pension liability - amortized over the weighted average remaining service life of all participants in the respective qualified pension plan.
- OPEB contributions after the measurement date - recognized in the subsequent year.
- Difference in projected and actual earnings on OPEB assets - amortized on a closed basis over a 5-year period.

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- Changes in actuarial assumptions used to determine OPEB liability - amortized over the weighted average remaining service life of all participants in the respective OPEB plan.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. This City has the following items that qualify for reporting in this category.

- Difference in Expected and Actual Pension Experience – recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in Expected and Actual OPEB Experience – recognized over the estimated average remaining service lives of all employees determined as of the beginning of the measurement date.
- Unavailable Revenue-Property Taxes - recognized in the period the amount becomes available.
- Unavailable Revenue-Leases – recognized in the period the amount becomes available.

J. Leases

Lessee: The City is a lessee for a non-cancellable lease of a building, machinery, and equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a measurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The City is a lessor for a non-cancellable lease of a building. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

K. Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. After five years of service, all employees - except 24-hour fire fighters - are entitled to a portion of their sick leave balance not to exceed 90 days or 720 hours. A 24-hour fire fighter's maximum for sick leave is 1,080 hours. A 24 hour-fire fighter must have a minimum of 12 months to be eligible under Civil Service. Civil Service overrides the City's policy for a minimum of 5 years of service to be paid a portion of sick leave. Employees may also accrue a variety of other types of time.

Sick and vacation leave balances are not expected to be liquidated with expendable available resources, and therefore are reported as expenses and long-term liabilities in the government-wide and proprietary fund financial statements. A liability is relieved only if they have matured, for example, as a result of employee resignations and retirements. The majority of these have typically been liquidated from the General Fund in previous years. Accumulated compensated absences of Proprietary Funds are recorded as an expense and liability in the respective fund and in the respective column of the government-wide financial statements as the benefit accrues for the employee.

L. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide Statement of Activities.

M. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

N. Net Position and Fund Balances

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In the fund financial statements, governmental funds report fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints

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on the specific purposes for which the amounts in the respective governmental funds can be spent. The City reports the following classifications of fund balance:

Nonspendable: Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted: Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed: Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance.

Assigned: Amounts that are designated by the City Administrator and the Director of Finance for a specific purpose but are not spendable until a budget ordinance is passed by City Council.

Unassigned: All amounts not included in other spendable classifications in the General Fund.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

O. Budgetary Control

a. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The City adopts annual appropriations type budgets for the following governmental funds: General Fund, Hotel/Motel Occupancy Tax Fund, Community Development Block Grant Entitlement, Facilities Management, and Debt Service Fund. Capital project funds and grant funds utilize managerial type budgets based on project expenditures anticipated during the fiscal year.

The following procedures are followed in establishing the budgetary data reflected in the required supplementary information:

- (1) Prior to the beginning of the fiscal year, the City prepares an operating and capital budget for the next succeeding fiscal year. The budget includes proposed expenditures and the means of financing them.
- (2) The proposed budget is submitted to the City Council and placed on file with the City Secretary. It is also posted on the City's website for public review.
- (3) At least 15 days after the budget is filed with the City Secretary, the City holds a public hearing on the proposed budget. The City also follows Texas "Truth-in-Taxation" laws regarding public hearings and notices of the ad valorem (property) tax rate.
- (4) Prior to the start of the fiscal year, the budget is legally adopted through passage of an ordinance by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are reflected in the official minutes of the City Council and are not made after fiscal year end. During the year, the budget was amended as necessary. All budget appropriations lapse at year end.

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The appropriated budget is prepared by fund, function, and department. The Director of Finance may, at any time with the consent of the City Administrator, transfer any unencumbered appropriation from one line item to another line item within the same department, provided however, that no unencumbered appropriation may be transferred from one department or fund to another except upon the express approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriation) is the department level.

b. Excess of Expenditures Over Appropriations

For the year ended September 30, 2023, expenditures exceeded appropriations in the following departments (the legal level of budgetary control):

- (1) Building Operations (400) and Warehouse/Purchasing (11,939) departments of the General Fund are offset by other departments within the General Government.
- (2) The Public Safety function with Police department (\$2,010,270) and Fire department (\$100,018) of the General Fund. These over expenditures were funded by revenues collected during the fiscal year.
- (3) The Parks function with Parks and Recreation Administration (\$28,323), C.K. Ray Recreation Center (\$190,192), Parks Operations (\$158,891), and Westside Recreation Center (61,964) departments of the General Fund. These over expenditures were funded by revenues collected during the fiscal year.
- (4) Signs (\$8,849) and Building Inspection/Permits (54,791) departments of the General Fund are offset by other departments within the Public Works function.

P. Pensions

TMRS: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Conroe Fire Fighters' Relief and Retirement Fund: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Conroe Fire Fighters' Relief and Retirement Fund (CFFR&RF) and additions to/deductions from CFFR&RF's Fiduciary Net Position have been determined on the same basis as they are reported by CFFR&RF. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. Other Post Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the Fiduciary Net Position and related additions to/deductions from have been determined on the same basis as they are reported in the OPEB Trust Fund. For this purpose, plan contributions are recognized in the period that compensation is reported for the retiree, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

R. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders/contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances

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as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

II. Deposits and Investments

Primary Government:

Cash Deposit: Chapter 2257 of the Texas Government Code is known as the Public Funds Collateral Act. This act provides guidelines for the amount of collateral that is required to secure the deposit of public funds. Federal Depository Insurance Corporation (FDIC) is available for funds deposited at any financial institution up to a maximum of \$250,000 each for demand deposits, time and savings deposits, and deposits pursuant to indenture. The Public Funds Collateral Act requires that the deposit of public funds be collateralized in an amount not less than the total deposit, reduced by the amount of FDIC insurance available.

The custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not insured or collateralized. The City's deposits are not exposed to custodial credit risk since all deposits are covered by FDIC insurance or a letter of credit from the Federal Home Loan Bank. The City's deposits, in excess of the FDIC insurance, are covered by a letter of credit from the Federal Home Loan Bank in accordance with Section 2257.021.

Investments: The City's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. City policy limits credit risk by authorizing the following investments: 1) Obligations of the United States of America, its agencies and instrumentalities; 2) Certificates of Deposit issued by a bank or broker approved by the City Council and organized under Texas law, the laws of another state, or federal law, that has its main office or a branch office in Texas, or by a savings and loan association or a savings bank organized under Texas law, the laws of another state, or federal law, that has its main office or a branch office in Texas and that is guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or secured by obligations in a manner and amount provided by law for deposits of the City; 3) Fully collateralized direct repurchase agreements with a defined termination date secured by a combination of cash and obligations of the United States, its agencies or instrumentalities. These shall be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City. The following provisions shall apply to repurchase agreements: a) Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas. b) A Master Repurchase Agreement must be signed by the bank/dealer prior to investment in a repurchase agreement. c) The term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered. d) All securities purchased under such repurchase agreement shall be held by a custodial (safekeeping) agent as approved by the City. All repurchase agreement transactions will be on a delivery vs. payment basis. e) The seller of repurchase agreement securities shall be entitled to substitute securities upon authorization by the City. 4) No-Load Money Market Mutual funds that are: a) Registered and regulated by the Securities and Exchange Commission; b) Provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940; c) Complies with federal SEC Rule 2a-7; d) Continuously rated AAA by at least one nationally recognized rating service; and e) Mark its portfolio to market daily; 5) Local government investment pools, which: a) Meet the requirements of Chapter 2256.016 of the Public Funds Investment Act; b) Are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service; c) Seek to maintain a \$1.00 net asset value, and; d) Are authorized by resolution or ordinance by the City Council; 6) Obligations of the State of Texas or its agencies and instrumentalities; 7) Obligations of States, Agencies, Counties, Cities, and other political subdivisions of any State rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; 8) Commercial Paper that has a stated final maturity of 365 days or fewer from the date of its issuance and is rated A-1, P-1, or equivalent rating by at least two nationally recognized credit rating agencies; 9) Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; 10) Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or by the explicit full faith and credit

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of the United States. Investment of City funds in any instrument or security not authorized for investment is prohibited.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The City's measurements of investments are presented in the table below. The City's investment balances and weighted average maturity, and credit risk of such investments are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Percentage of Total Investments	Weighted Average Maturity (Years)	Credit Risk
Governmental Activities:					
Measured at Amortized Cost:					
TexPool	\$ 42,106,453	\$ -	16.25%	0.00	AAAm
TexSTAR	41,100,677	-	15.86%	0.00	AAAm
LOGIC	42,479,766	-	16.40%	0.00	AAAm
Measured at Net Asset Value (NAV):					
Texas CLASS	43,691,279	-	16.86%	0.00	AAAm
Texas CLASS Government	45,905,382	-	17.72%	0.00	AAAm
Measured at Fair Value:					
U.S. Government	40,755,335	40,755,335	15.73%	0.93	Aaa, AA+
Municipal Bonds	3,053,307	3,053,307	1.18%	0.75	Aaa, AAA
Total Governmental Activities	<u>\$ 259,092,199</u>	<u>\$ 43,808,642</u>	<u>100.00%</u>		
Governmental Portfolio Weighted Average Maturity				0.16	
Business-type Activities:					
Measured at Amortized Cost:					
TexPool	\$ 18,984,219	\$ -	15.79%	0.00	AAAm
TexSTAR	20,035,326	-	16.67%	0.00	AAAm
LOGIC	18,769,607	-	15.61%	0.00	AAAm
Measured at Net Asset Value (NAV):					
Texas CLASS	16,706,639	-	13.90%	0.00	AAAm
Texas CLASS Government	15,124,396	-	12.58%	0.00	AAAm
Measured at Fair Value:					
US Money Market Funds - Liquidity Solutions	8,611,105	8,611,105	7.16%		
U.S. Government	21,985,179	21,985,179	18.29%	1.39	Aaa, F1+
Total Business-type Activities	<u>\$ 120,216,471</u>	<u>\$ 30,596,284</u>	<u>100.00%</u>		
Business-type Portfolio Weighted Average Maturity				0.28	
Fiduciary Fund (as of 12/31/2022)					
Measured at Fair Value:					
Investments PARS/GASB45	\$ 843,598	\$ 843,598	5.91%	-	Not Rated
Mutual Funds - Fixed Income	5,418,375	5,418,375	37.95%	7.34	Not Rated
Mutual Funds - Equity	8,015,510	8,015,510	56.14%	N/A	Not Rated
Total Fiduciary Fund	<u>\$ 14,277,483</u>	<u>\$ 14,277,483</u>	<u>100.00%</u>		

Investment Pools: Investment pools are measured at amortized cost or net asset value, i.e. fair value. Such investments are not required to be reported by levels in the table above.

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Texpool, TexStar, and LOGIC are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of \$1.00 per share, has a weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. Texpool, TexStar, and LOGIC have a redemption notice period of one day and no maximum transaction amounts. The investment pools' authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

Texas CLASS investment pool is an external investment pool measured at their net asset value. Texas CLASS's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The City has no unfunded commitments related to the investment pool. Texas CLASS has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity.

U.S. Government Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Mutual Funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Municipal Bonds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Interest rate risk: Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The City monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the City will minimize the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates, by: structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate prior to maturity; investing operating funds in shorter-term securities, money market mutual funds, local government investment pools functioning as money market mutual funds, or certificates of deposit; and diversifying maturities and staggering purchase dates to minimize the impact of market movements over time.

Credit risk: For fiscal year 2023, the City invested in various investment types. The credit rating for those investments are noted in the preceding table. In compliance with the City's Investment Policy, as of September 30, 2023, the City minimized credit risk due to default of a security issuer or backer by: limiting investments to the safest types of investments; pre-qualifying the financial institutions and broker/dealers with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities were minimized.

Concentration of credit risk: With the exception of direct obligations of the United States, the City's Investment Policy does not allow for an investment in securities in any one issuer that is in excess of twenty-five percent of the City's total portfolio.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City is not exposed to custodial risk due to securities are held by the City's 3rd party safekeeping agent.

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III. Receivables

The City reports in various funds receivables for amounts to be received from taxes, customers, and interest. A breakdown of these receivables at September 30, 2023, is as follows:

Receivables:	General Fund	CIDC	Debt Service Fund	Nonmajor Governmental	Water and Sewer Fund	Conroe Local Government Corp. Hotel	Internal Service Funds
Property Taxes	\$ 1,014,130	\$ -	\$ 301,140	\$ -	\$ -	\$ -	\$ -
Gross Receipts Tax	1,241,138	-	-	-	-	-	-
Accounts	-	-	-	812,876	10,901,585	135,799	34,698
Interest	226,565	134,755	7,150	26,163	112,898	-	-
Leases	2,960,492	18,000	-	123,893	-	-	-
Other	545,711	190,826	-	87,240	14,092	-	180,909
Gross Receivables	5,988,036	343,581	308,290	1,050,172	11,028,575	135,799	215,607
Less: Allowance for Uncollectibles	(102,698)	-	(42,480)	-	(115,000)	-	-
Net Receivables	<u>\$ 5,885,338</u>	<u>\$343,581</u>	<u>\$ 265,810</u>	<u>\$ 1,050,172</u>	<u>\$ 10,913,575</u>	<u>\$ 135,799</u>	<u>\$ 215,607</u>

Due from other governments of \$13,755,192 consists of monies due from the State of Texas and Montgomery County for sales tax revenues.

IV. Interfund Balances and Transfers

A. Due To and From Other Funds

Interfund balances consist of short-term lending/borrowing arrangements that are the result of normal transactions between funds and will be liquidated in the subsequent fiscal year. Balances between governmental funds are eliminated in the government-wide financial statements. A summary of interfund receivables and payables at September 30, 2023, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 540,630
CIDC	General Fund	3,103,238
Total All Funds		<u>\$ 3,643,868</u>

B. Advances To and From

In August 2021, the CIDC advanced \$10,000,000 to the City's General Fund to cover the City's contribution to the Convention Center project. In July 2022, the CIDC advanced another \$6,000,000 to the City's General Fund to cover additional costs to the Hotel & Convention Center projects. The loans are non-interest bearing and have a maximum maturity of 30 years.

C. Transfers To and From Other Funds

Transfers are used to a) move revenues from the fund that the budget requires to collect them to the fund that the budget requires them to expend them, b) move receipts from bond refundings and residual balances from capital project funds to the Debt Service Fund to pay debt obligations, and c) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between funds during the year were as follows:

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Transfers From	Transfers To	Amount	Reason
General Fund	Water and Sewer	\$ 116,700	Administration costs
General Fund	Debt Service	236,656	Principal & interest requirements
General Fund	Nonmajor Governmental	3,436,081	Increase in TIRZ #3 property tax value
General Fund	Nonmajor Governmental	804,013	In lieu of rent
General Fund	Nonmajor Governmental	14,044	Principal & interest requirements
General Fund	Nonmajor Governmental	7,493	Project costs
General Fund	Nonmajor Governmental	5,133,624	CLGC Hotel Operating Costs
CIDC	General Fund	10,371	To fund technology & equipment purchases
CIDC	Water and Sewer	166,207	Principal & interest requirements
CIDC	Water and Sewer	2,183,924	Project costs
CIDC	Debt Service	2,544,424	Principal & interest requirements
CIDC	Nonmajor Governmental	674	Principal & interest requirements
CIDC	Cert. of Oblig. 2022B CIP	30,000	Project costs
Debt Service	Nonmajor Governmental	228,937	Principal & interest requirements
Water and Sewer	General Fund	180,456	To fund technology & equipment purchases
Water and Sewer	Nonmajor Governmental	340,968	In lieu of rent
CLGC CIP Fund	CLGC Hotel	119,202	Close out CIP Fund to Hotel
Nonmajor Governmental	CLGC Hotel	10,768,898	Close out CLGC Debt Service Fund to Hotel
Nonmajor Governmental	General Fund	125,978	Administration costs - CDBG
Nonmajor Governmental	General Fund	2,495	To fund vehicle & equipment purchases
Nonmajor Governmental	General Fund	8,297	To fund technology & equipment purchases
Nonmajor Governmental	General Fund	27,446	Municipal Court building security
Nonmajor Governmental	General Fund	32,750	Municipal Court truancy officer
Nonmajor Governmental	General Fund	131,060	Personnel costs - transit grants
Nonmajor Governmental	General Fund	17,619	Administration costs - transit grants
Nonmajor Governmental	Debt Service	346,103	Principal & interest requirements
Nonmajor Governmental	Debt Service	5,056,114	TIRZ #3 principal & interest requirements
Nonmajor Governmental	Nonmajor Governmental	24,166	Principal & interest requirements
Internal Service	General Fund	7,558	To fund vehicle & equipment purchases
		<u>\$ 32,102,258</u>	

V. Capital Assets

Capital asset activity for the year ended September 30, 2023, was as follows:

Governmental Activities:	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Land and Easements	\$ 28,267,050	\$ 455,535	\$ (113,826)	\$ -	\$ 28,608,759
Construction in Progress	88,750,134	67,842,212	(84,271,674)	(40,979,527)	31,341,145
Total Capital Assets Not Depreciated	117,017,184	68,297,747	(84,385,500)	(40,979,527)	59,949,904
Right-of-Use Assets*	508,064	4,225,034	(11,578)	-	4,721,520
Buildings and Improvements	130,677,291	911,751	(139,194)	30,234,756	161,684,604
Machinery and Equipment	43,810,476	6,266,219	(3,376,497)	2,361,383	49,061,581
Infrastructure	257,262,767	1,005,802	-	8,383,388	266,651,957
	432,258,598	12,408,806	(3,527,269)	40,979,527	482,119,662
Less Accumulated Depreciation/Amortization for:					
Right-of-Use Assets*	(76,064)	(581,302)	9,122	-	(648,244)
Buildings and Improvements	(50,728,139)	(4,857,370)	51,569	-	(55,533,940)
Machinery and Equipment	(28,200,340)	(3,866,659)	2,936,138	-	(29,130,861)
Infrastructure	(96,686,074)	(8,494,733)	-	-	(105,180,807)
	(175,690,617)	(17,800,064)	2,996,829	-	(190,493,852)
Total Capital Assets being Depreciated/Amortized, net	256,567,981	(5,391,258)	(530,440)	40,979,527	291,625,810
Governmental Activities Capital Assets, net	<u>\$373,585,165</u>	<u>\$ 62,906,489</u>	<u>\$ (84,915,940)</u>	<u>\$ -</u>	<u>\$351,575,714</u>

* The beginning balance was increased to add Right-of-Use Assets previously reported as a separate line item.

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Business-Type Activities:	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Land and Easements	\$ 3,937,692	\$ 48,290	\$ -	\$ -	\$ 3,985,982
Construction in Progress	45,030,296	38,399,422	-	(41,736,545)	41,693,173
Total Capital Assets Not Depreciated	48,967,988	38,447,712	-	(41,736,545)	45,679,155
Right-of-Use Assets*	32,214	71,322	(3,755)	-	99,781
Buildings and Improvements	8,924,882	67,661,585	-	-	76,586,467
Machinery and Equipment	12,681,610	8,470,634	(284,633)	-	20,867,611
Infrastructure	369,392,780	1,072,505	-	41,736,545	412,201,830
	391,031,486	77,276,046	(288,388)	41,736,545	509,755,689
Less Accumulated Depreciation/Amortization for:					
Right-of-Use Assets*	(6,637)	(15,131)	3,755	-	(18,013)
Buildings and Improvements	(906,605)	(728,156)	-	-	(1,634,761)
Machinery and Equipment	(6,284,041)	(1,166,562)	284,633	-	(7,165,970)
Infrastructure	(119,177,487)	(11,653,418)	-	-	(130,830,905)
	(126,374,770)	(13,563,267)	288,388	-	(139,649,649)
Total Capital Assets being Depreciated/Amortized, net	264,656,716	63,712,779	-	41,736,545	370,106,040
Business-Type Activities Capital Assets, net	\$ 313,624,704	\$ 102,160,491	\$ -	\$ -	\$ 415,785,195

* The beginning balance was increased to add Right-of-Use Assets previously reported as a separate line item.

Depreciation/Amortization expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 1,354,335
Finance	16,321
Public Safety	3,290,882
Community Development	28,205
Parks	2,970,305
Public Works	10,140,016
	<u>\$ 17,800,064</u>
Business -type Activities:	
Water and Sewer	\$ 12,876,365
Hotel	686,902
	<u>\$ 13,563,267</u>

VI. Long-Term Obligations

The City issues certificates of obligation bonds and revenue bonds to provide funds for the construction and renovation of facilities, parks, streets, signals, drainage, transportation, and water and sewer improvements. Bonds have been issued for both governmental and business-type activities. The Conroe Industrial Development Corporation (CIDC) has issued Sales Tax Revenue bonds to purchase land and construct streets, drainage, and water and sewer improvements in the Conroe Park North Industrial Park and Deison Technology Park. Principal and interest payments on the Sales Tax Revenue bonds are secured by 4B sales and use taxes. The Series 2016 Taxable Refunding, Series 2018 Sales Tax Revenue Bonds, and Series 2020 Sales Tax Revenue Bonds were issued through private placements. They all have pledged revenues to be placed in a reserve fund for each series to be used solely to the payment of the bonds.

Long-term obligations also include the City's accrued liability for compensated absences, severance payable, health claims, customer deposits, OPEB, net pension liabilities, and lease liabilities. Principal and interest

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payments on the City's bonded debt are secured by ad valorem property taxes levied on all taxable property within the City limits. The Direct Placement Certificates of Obligation (C.O.s) are secured by a pledge of ad valorem taxes levied on all taxable property within the City and from a subordinate lien pledge of \$1,000 of the surplus revenues of the City's waterworks and sewer system. Water and sewer revenue bonds are secured by water and sewer enterprise fund revenues. Payments are recorded in the Debt Service Fund and Water & Sewer Fund, respectively.

On December 13, 2022, the City issued \$47,040,000 in Certificates of Obligation, Series 2022B to fund the construction, improvement, expansion, rehabilitation and repair of City streets, alleys, bridges, sidewalks, traffic signals and traffic signal systems, acquisition, construction, improvement, and equipment of a new fire station, improvement, rehabilitation and repair of the drainage system and pay the costs of issuance. Series 2022B had a premium of \$2,179,929 and an annual interest rate of 4% to 5%. Interest accrues semiannually and the bonds mature in 2042.

On December 13, 2022, the City issued \$45,610,000 in Certificates of Obligation, Series 2022C to fund the repair and renovation of, the construction of improvements to and the equipment of the City's water and sewer system and to pay the costs of issuance. Series 2022C had a premium of \$4,062,112 and an annual interest rate of 4% to 5%. Interest accrues semiannually and the bonds mature in 2042. While secured by the City's ad valorem taxes, the City intends to pay debt service on this series from surplus net revenue of the City's water and sewer system to the extent such revenues are available in any year.

On September 30, 2024, the Conroe Local Government Corp. Hotel construction was considered primarily completed. The construction in progress and related debt had been reported as governmental activities during the construction and initial issuance of the bonds (August 2021). Upon completion of the hotel construction the assets were recorded in the Conroe Local Government Corp. Hotel enterprise fund and the related Hotel Revenue Bonds of \$77,090,000 were sold from the governmental activities to the Conroe Local Government Corp. Hotel and recorded with the business-type activities.

A. Long-Term Obligation Activity

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated Absences	Governmental	General & Fleet Services
Compensated Absences	Business-type	Water and Sewer
Health Claims Liability	Governmental	Self-Funded Insurance
Lease Liabilities	Governmental	General & CIDC
Lease Liabilities	Business-type	Water and Sewer
Customer Deposits	Business-type	Water and Sewer & CLGC Hotel
Net OPEB Liability	Governmental	General & Fleet Services
Net OPEB Liability	Business-type	Water and Sewer
Net Pension Liability/TMRS	Governmental	General & Fleet Services
Net Pension Liability/TMRS	Business-type	Water and Sewer
Net Pension Liability/Fire R/R	Governmental	General

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Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2023, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Refunding Bonds	\$ 46,700,000	\$ -	\$ (5,035,000)	\$ 41,665,000	\$ 5,030,000
Certificates of Obligation	190,745,000	47,040,000	(8,065,000)	229,720,000	6,925,000
Direct Placement C.O.s	2,940,000	-	(100,000)	2,840,000	355,000
Sales Tax Revenue Bonds	18,555,000	-	(605,000)	17,950,000	635,000
Direct Placement STRBs	43,285,000	-	(3,725,000)	39,560,000	3,820,000
Hotel Revenue Bonds	77,090,000	-	(77,090,000)	-	-
Unamortized Premiums	39,880,315	2,179,929	(10,556,098)	31,504,146	-
Total Bonds Payable	419,195,315	49,219,929	(105,176,098)	363,239,146	16,765,000
Arbitrage Rebate Liability	-	686,994	-	686,994	-
Health Claims Liability	704,849	11,253,555	(9,087,773)	2,870,631	2,870,631
Lease Liabilities	202,845	44,400	(70,546)	176,699	68,506
Subscription Based IT Arrangements	-	4,122,810	(538,858)	3,583,952	904,069
Net OPEB Liability	9,068,840	3,379,024	-	12,447,864	-
Net Pension Liability/TMRS	10,054,210	34,529,642	(12,484,294)	32,099,558	-
Net Pension Liability/Fire R/R	33,862,306	7,980,290	(9,217,656)	32,624,940	-
Severance Payable	1,877,135	342,918	(289,340)	1,930,713	-
Compensated Absences	12,890,303	1,298,588	(253,798)	13,935,093	266,007
Total Governmental Activities	<u>\$ 487,855,803</u>	<u>\$ 112,858,150</u>	<u>\$ (137,118,363)</u>	<u>\$ 463,595,590</u>	<u>\$ 20,874,213</u>

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type Activities:					
Revenue Bonds	\$ 28,345,000	\$ -	\$ (1,655,000)	\$ 26,690,000	\$ 1,740,000
Refunding Bonds	35,445,000	-	(3,015,000)	32,430,000	3,170,000
Certificates of Obligation	155,390,000	45,610,000	(5,435,000)	195,565,000	7,775,000
Hotel Revenue Bonds	-	77,090,000	-	77,090,000	-
Unamortized Premiums	28,857,632	12,268,513	(2,481,196)	38,644,949	-
Total Bonds Payable	248,037,632	134,968,513	(12,586,196)	370,419,949	12,685,000
Customer Deposits	1,709,797	1,372,820	(1,152,314)	1,930,303	1,340,585
Lease Liabilities	25,910	12,401	(8,188)	30,123	8,817
Subscription Based IT Arrangements	-	58,921	(19,474)	39,447	19,171
Net OPEB Liability	1,933,829	490,307	-	2,424,136	-
Net Pension Liability/TMRS	2,143,948	6,724,411	(2,617,190)	6,251,169	-
Compensated Absences	1,468,430	129,204	(74,592)	1,523,042	38,774
Total Business-type Activities	<u>\$ 255,319,546</u>	<u>\$ 143,756,577</u>	<u>\$ (16,457,954)</u>	<u>\$ 382,618,169</u>	<u>\$ 14,092,347</u>

A summary of the long-term bonded debt of the City at September 30, 2023 is presented below:

Refunding Bonds	Rate	Issue Date	Amount of Original Issue	Maturity Date	Outstanding
Refunding Bonds, Series 2015	2.00-5.00%	2015	33,370,000	2030	\$ 23,015,000
Refunding Bonds, Series 2018	2.00-5.00%	2018	24,185,000	2030	16,965,000
Refunding Bonds, Series 2019	5.00%	2019	9,075,000	2030	6,915,000
Refunding Bonds, Series 2020	5.00%	2020	20,765,000	2031	15,905,000
Refunding Bonds, Series 2021	4.00-5.00%	2021	12,170,000	2032	11,295,000
Total Refunding Bonds Payable					<u>\$ 74,095,000</u>

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Certificates of Obligation	Rate	Issue Date	Amount of Original Issue	Maturity Date	Outstanding
Series 2005 (Direct Placement)	4.33%	2005	\$ 3,865,000	2030	\$ 2,840,000
Series 2014	2.00-5.00%	2014	31,100,000	2034	22,620,000
Series 2015	2.00-4.00%	2015	8,795,000	2035	4,200,000
Series 2016	2.00-4.00%	2016	11,275,000	2036	6,440,000
Series 2017A	2.00-5.00%	2017	20,110,000	2037	15,555,000
Series 2017B	2.00-5.00%	2017	21,590,000	2038	17,600,000
Series 2018A	4.00-5.00%	2018	42,870,000	2038	38,855,000
Series 2018B	5.00%	2018	86,845,000	2039	79,820,000
Series 2019A	3.00-5.00%	2019	23,730,000	2039	21,125,000
Series 2019B	3.00-5.00%	2019	19,915,000	2040	18,030,000
Series 2020A	1.39%	2020	4,350,000	2035	3,545,000
Series 2020B	2.00-5.00%	2020	11,160,000	2040	10,160,000
Series 2020C	3.00-5.00%	2020	13,430,000	2041	12,550,000
Series 2021A	3.00-5.00%	2021	17,390,000	2041	17,390,000
Series 2021B	3.00-5.00%	2021	16,725,000	2041	16,225,000
Series 2021C	3.00-5.00%	2021	23,000,000	2041	21,955,000
Series 2022A	4.00-5.00%	2022	29,645,000	2042	28,730,000
Series 2022B	4.00-5.00%	2022	47,040,000	2042	44,875,000
Series 2022C	4.00-5.00%	2022	45,610,000	2043	45,610,000
Total Certificates of Obligations Payable					<u>\$ 428,125,000</u>
Sales Tax Revenue Bonds					
Series 2019, CIDC	4.00-5.00%	2019	\$ 20,195,000	2039	\$ 17,950,000
Direct Placements:					
Series 2016, Refunding CIDC, Taxable	2.90%	2016	13,815,000	2030	7,820,000
Series 2018, Refunding CIDC, Taxable	4.32%	2018	23,225,000	2033	18,900,000
Series 2020, Refunding CIDC, Taxable	1.31%	2020	16,645,000	2032	12,840,000
Total Sales Tax Revenue Bonds Payable					<u>\$ 57,510,000</u>
Hotel Revenue Bonds					
Series 2021A, First-Lien	2.50-4.00%	2021	28,715,000	2050	28,715,000
Series 2021B, Second-Lien	3.50-5.00%	2021	27,160,000	2050	27,160,000
Series 2021C, Third-Lien	4.00-5.00%	2021	21,215,000	2050	21,215,000
Total Hotel Revenue Bonds					<u>\$ 77,090,000</u>
Revenue Bonds					
Waterworks and Sewer System					
Bonds, Series 2013	2.00-4.25%	2013	6,790,000	2033	\$ 4,290,000
Bonds, Series 2014	2.00-5.00%	2014	17,130,000	2034	11,835,000
Bonds, Series 2015	2.00-5.00%	2015	14,400,000	2035	10,565,000
Total Revenue Bonds Payable					<u>\$ 26,690,000</u>

In prior years, the City defeased certain outstanding general obligation capital improvement bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the liability for the defeased bonds are not included in the City's financial statements. As of September 30, 2023, neither the City nor the CIDC had outstanding defeased obligations.

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Arbitrage Rebate:

In accordance with the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Rebate arbitrage is the excess of the amount earned on investments purchased with bond proceeds over the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. Rebatable arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary of the bond issue and upon final redemption of all outstanding bonds of the issue. The City has arbitrage liability as of September 30, 2023 in the amount of \$807,739 of which \$686,994 is recorded as a long-term obligation and \$120,745 is estimated to be due within one year and recorded as a liability at the fund level.

B. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2023, are as follows:

Fiscal Year	Governmental Activities				
	Bonded Debt		Direct Placements		Total
	Principal	Interest	Principal	Interest	
2024	\$ 12,590,000	\$ 12,167,372	\$ 4,175,000	1,326,617	\$ 30,258,989
2025	13,285,000	11,555,147	4,280,000	1,214,871	30,335,018
2026	13,955,000	10,930,530	4,400,000	1,099,580	30,385,110
2027	14,575,000	10,328,066	4,520,000	980,319	30,403,385
2028	15,245,000	9,695,534	4,640,000	857,124	30,437,658
2029	16,195,000	9,021,433	4,770,000	729,883	30,716,316
2030	17,030,000	8,305,828	4,930,000	566,627	30,832,455
2031	17,035,000	7,531,971	3,715,000	407,713	28,689,684
2032	17,905,000	6,710,738	3,845,000	274,014	28,734,752
2033	18,745,000	5,879,954	3,125,000	135,000	27,884,954
2034	19,600,000	5,021,551	-	-	24,621,551
2035	18,795,000	4,189,904	-	-	22,984,904
2036	18,730,000	3,393,738	-	-	22,123,738
2037	18,755,000	2,611,138	-	-	21,366,138
2038	17,235,000	1,874,138	-	-	19,109,138
2039	13,310,000	1,284,038	-	-	14,594,038
2040	10,015,000	832,769	-	-	10,847,769
2041	9,595,000	468,531	-	-	10,063,531
2042	6,740,000	143,406	-	-	6,883,406
	<u>\$ 289,335,000</u>	<u>\$ 111,945,786</u>	<u>\$ 42,400,000</u>	<u>\$ 7,591,748</u>	<u>\$ 451,272,534</u>

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Fiscal Year	Business-type Activities - Bonded Debt		
	Principal	Interest	Total
2024	\$ 12,685,000	\$ 14,856,013	\$ 27,541,013
2025	13,305,000	14,234,188	27,539,188
2026	15,055,000	13,573,950	28,628,950
2027	15,775,000	12,864,012	28,639,012
2028	16,555,000	12,118,400	28,673,400
2029	17,690,000	11,324,687	29,014,687
2030	18,635,000	10,480,491	29,115,491
2031	19,565,000	9,583,806	29,148,806
2032	17,665,000	8,713,547	26,378,547
2033	18,090,000	7,891,181	25,981,181
2034	17,840,000	7,058,769	24,898,769
2035	18,190,000	6,214,575	24,404,575
2036	16,385,000	5,409,700	21,794,700
2037	16,045,000	4,663,250	20,708,250
2038	16,690,000	3,929,700	20,619,700
2039	15,595,000	3,218,987	18,813,987
2040	9,125,000	2,685,625	11,810,625
2041	7,990,000	2,324,625	10,314,625
2042	7,390,000	1,984,825	9,374,825
2043	7,025,000	1,654,375	8,679,375
2044	3,695,000	1,410,500	5,105,500
2045	3,860,000	1,246,900	5,106,900
2046	4,020,000	1,076,375	5,096,375
2047	4,210,000	898,375	5,108,375
2048	4,380,000	712,700	5,092,700
2049	4,575,000	519,225	5,094,225
2050	4,765,000	317,550	5,082,550
2051	4,975,000	107,350	5,082,350
	<u>\$ 331,775,000</u>	<u>\$ 161,073,681</u>	<u>\$ 492,848,681</u>

C. Subsequent Issuance

On December 7, 2023, the City issued \$8,015,000 in Certificates of Obligation, Series 2023A to fund the construction, improvement, expansion, rehabilitation and repair of City streets, alleys, bridges, sidewalks, traffic signals and traffic signal systems, acquisition, construction, improvement, and equipment of a new fire station, improvement, rehabilitation and repair of the drainage system and pay the costs of issuance. Series 2023A had a premium of \$492,551 and an annual interest rate of 5%. Interest accrues semiannually and the bonds mature in 2043.

On December 7, 2023, the City issued \$19,025,000 in Limited Tax Refunding Bonds, Series 2023 to refund a portion of the City's outstanding Water and Sewer System Revenue Bonds, Series 2013, Certificates of Obligation, Series 2014, and to pay the cost of issuance. Series 2023 had a premium of \$1,630,216 and an annual interest rate of 5%. Interest accrues semiannually and the bonds mature in 2034. The refunding resulted in savings of \$1,582,178 due to a decrease in cash flow requirements and had an economic gain of \$1,330,410.

On February 6, 2024, the City issued \$32,155,000 in Certificates of Obligation, Series 2024A to fund the repair and renovation of, the construction of improvements to and the equipment of the City's water and sewer system and to pay the costs of issuance. Series 2024A had a premium of \$4,513,126 and an annual interest rate of 5%. Interest accrues semiannually and the bonds mature in 2043. While secured by the

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City's ad valorem taxes, the City intends to pay debt service on this series from surplus net revenue of the City's water and sewer system to the extent such revenues are available in any year.

On February 28, 2024, S&P Global Ratings lowered the rating on the Conroe Local Government Corporation Hotel Revenue Bonds, Series 2021A to BB- from BBB- and on the Series 2021B Bonds to CCC+ from BB-.

VII. Leases

The primary objective of GASB Statement No. 87, *Leases* is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset.

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. Right-to-use assets are included in Note V with Capital Assets and lease liabilities are included in Note VI with Long-Term Obligations. A lessee is also required to report amounts due within the next five years.

Governmental Activities – Lessee:

Lease Description	Lease Start Date	Estimated Useful Life	Value of Right-to-use Asset	Net Value at 10/1/2022	Additions	Accumulated Amortization	Net Value at 9/30/2023
Building Crichton Theatre	1/1/2022	360	\$ 250,000	\$ 231,250	\$ -	\$ (25,000)	\$ 206,250
Total Buildings			250,000	231,250	-	(25,000)	206,250
Pitney Bowes - Send Pro P	10/1/2021	40	21,940	16,950	-	(4,989)	11,961
Konica Copier - Engineering	10/1/2021	36	21,472	16,199	-	(5,272)	10,927
Canon Copier - Fire Dept	10/1/2021	44	14,081	11,065	-	(3,019)	8,046
Canon Copier - Parks Dept	10/1/2021	35	9,323	6,943	-	(2,381)	4,562
Canon Copier - Street Dept	10/1/2021	36	6,861	5,147	-	(1,714)	3,433
Canon Copier - PD Range	10/1/2021	41	9,324	7,231	-	(2,092)	5,139
Canon Copier - Senior Ctr	10/1/2021	26	8,664	5,935	-	(2,729)	3,206
Canon Copier - Transportation	10/1/2021	25	9,828	6,641	-	(3,188)	3,453
Canon Copier - Finance	10/1/2021	24	28,527	19,157	-	(9,370)	9,787
Canon Copier - HR	10/1/2021	48	18,360	14,688	-	(3,672)	11,016
CTWP Copier - Municipal Court	10/1/2021	29	20,466	14,557	-	(6,130)	8,427
Konica Copier - CDBG	10/1/2021	14	3,570	532	-	(532)	-
Canon Copier - Fire Station 5	1/26/2022	48	9,120	7,879	-	(1,824)	6,055
Documation Copier - Admin	8/1/2022	48	59,364	51,910	5,664	(10,932)	46,642
Canon Copier - Aquatic Ctr	12/1/2021	48	14,820	12,350	-	(2,964)	9,386
Canon Copier - Recreation Ctr	1/1/2023	48	27,411	3,566	27,411	(7,678)	23,299
Canon Copier - Westside Rec Ctr	10/1/2022	51	11,326	-	11,325	(2,265)	9,060
Total Machinery & Equipment			294,457	200,750	44,400	(70,751)	174,399
Total Right-to-use Assets - Leases			\$ 544,457	\$ 432,000	\$ 44,400	\$ (95,751)	\$ 380,649

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Lease Description	Lease Term (months)	Interest Rate	Monthly Payment Amount	Lease Liability 10/1/2022	Additions	Payments	Lease Liability 9/30/2023	Due within 1 Year
Pitney Bowes - Send Pro P	40	4.306%	\$ 471	\$ 17,056	\$ -	\$ (4,998)	\$ 12,058	\$ 5,652
Konica Copier - Engineering	36	3.516%	480	16,377	-	(5,268)	11,109	5,280
Canon Copier - Fire Dept	44	4.306%	277	11,296	-	(2,897)	8,399	3,324
Canon Copier - Parks Dept	35	3.516%	212	7,042	-	(2,334)	4,708	2,544
Canon Copier - Street Dept	36	3.516%	153	5,220	-	(1,679)	3,541	1,836
Canon Copier - PD Range	41	4.306%	193	7,351	-	(2,041)	5,310	2,316
Canon Copier - Senior Ctr	26	3.516%	228	5,928	-	(2,736)	3,192	2,736
Canon Copier - Transportation	25	3.516%	273	6,825	-	(3,276)	3,549	3,003
Canon Copier - Finance	24	3.516%	771	19,275	-	(9,252)	10,023	9,252
Canon Copier - HR	48	3.516%	306	14,688	-	(3,672)	11,016	3,672
CTWP Copier - Municipal Court	29	4.306%	487	14,619	-	(6,086)	8,533	5,844
Konica Copier - CDBG	14	4.306%	238	714	-	(714)	-	-
Canon Copier - Fire Station 5	48	3.516%	152	7,904	-	(1,824)	6,080	1,824
Documation Copier - Admin	48	4.306%	941	51,910	5,664	(10,786)	46,788	10,315
MBM Copier - Aquatic Ctr	21	4.306%	364	3,640	-	(3,640)	-	-
Canon - Recreation Ctr	48	3.516%	457	13,000	-	(3,120)	9,880	5,484
Canon Copier - Aquatic Ctr	48	3.516%	260	-	27,411	(4,112)	23,299	3,120
Canon - Westside Rec	51	3.516%	192	-	11,325	(2,111)	9,214	2,304
Total Lease Liability				<u>\$ 202,845</u>	<u>\$ 44,400</u>	<u>\$ (70,546)</u>	<u>\$ 176,699</u>	<u>\$ 68,506</u>

Governmental Lessee Activities - Lease Payments			
Fiscal Year	Principal	Interest	Total
2024	\$ 68,506	\$ 1,450	\$ 69,956
2025	53,527	652	54,179
2026	33,489	61	33,550
2027	19,807	-	19,807
2028	1,370	-	1,370
	<u>\$ 176,699</u>	<u>\$ 2,163</u>	<u>\$ 178,862</u>

Business-Type Activities – Lessee:

Lease Description	Lease Start Date	Estimated Useful Life	Value of Right-to-use Asset at	Net Value at 10/1/2022	Additions	Accumulated Amortization	Net Value at 9/30/2023
Canon Copier - Water Dept	10/1/2021	31	\$ 6,189	\$ 4,467	\$ -	\$ (1,722)	\$ 2,745
Canon Copier - SW WWTP	4/10/2023	55	12,401	1,175	12,401	(2,353)	11,223
Canon Copier - CC WWTP	6/1/2022	48	12,006	11,206	-	(2,401)	8,805
Canon Copier - Pump & Motor	1/2/2022	48	10,264	8,729	-	(2,054)	6,675
Total Machinery & Equipment			<u>\$ 40,860</u>	<u>\$ 25,577</u>	<u>\$ 12,401</u>	<u>\$ (8,530)</u>	<u>\$ 29,448</u>

Lease Description	Term (months)	Interest Rate	Monthly Payment Amount	Lease Liability 10/1/2022	Additions	Payments	Lease Liability 9/30/2023	Due within 1 Year
Canon Copier - Water Dept	31	3.516%	\$ 153	\$ 4,528	\$ -	\$ (1,704)	\$ 2,824	\$ 1,761
Canon Copier - SW WWTP	55	3.516%	210	1,114	12,401	(1,955)	11,560	2,520
Canon Copier - CC WWTP	48	3.516%	204	11,396	-	(2,442)	8,954	2,448
Canon Copier - Pump & Motor	48	3.516%	174	8,872	-	(2,087)	6,785	2,088
Total Lease Liability				<u>\$ 25,910</u>	<u>\$ 12,401</u>	<u>\$ (8,188)</u>	<u>\$ 30,123</u>	<u>\$ 8,817</u>

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Fiscal Year	Business-type Activities - Lease Payments		
	Principal	Interest	Total
2024	\$ 8,817	\$ 71	\$ 8,888
2025	8,111	12	8,123
2026	7,052	-	7,052
2027	4,672	-	4,672
2028	1,471	-	1,471
	<u>\$ 30,123</u>	<u>\$ 83</u>	<u>\$ 30,206</u>

A lessor is required to recognize a lease receivable and a deferred inflow of resources.

Governmental Activities – Lessor:

Lease Description	Lease Start Date	Lease Term (Months)	Useful Life of Right-to use Asset	Payment Frequency	Payment Amount	Extension Options
MC Veterans Commission Ground Lease	6/29/2022	180	0	Annual	\$ 50	
CIDC Skyway Towers Ground Lease	6/27/2022	46	0	Annual	1,000	
T-Mobile Rooftop Wireless Communications	10/1/2021	48	373	Annual	34,585	
AT&T Rooftop Tower - PW Service Center	10/1/2021	187	369	Monthly	6,112	
Verizon Rooftop Tower Facility	10/1/2021	17	373	Monthly	2,248	
Total Right-to-use Govt Buildings						
Centerpoint Tower - PW Service Center	10/1/2021	13	180	Monthly	5,664	4 / 60 mths
AT&T Magnolia Communication Tower	10/1/2021	240	240	Monthly	5,106	
Verizon Magnolia Communication Tower	10/1/2021	174	240	Monthly	3,478	

Lease Description	Balance at 10/1/2022	Additions	Reductions	Balance at 9/30/2023
MC Veterans Commission Ground Lease	\$ 1,500	\$ -	\$ (100)	\$ 1,400
CIDC Skyway Towers Ground Lease	3,000	18,400	(3,400)	18,000
Total Land	4,500	18,400	(3,500)	19,400
T-Mobile Rooftop Wireless Communications	99,772	3,468	(34,585)	68,655
AT&T Rooftop Tower - PW Service Center	1,053,836	-	(115,424)	938,412
Verizon Rooftop Tower Facility	11,923	138,456	(26,486)	123,893
Total Buildings	1,165,531	141,924	(176,495)	1,130,960
Centerpoint Tower - PW Service Center	13,410	71,061	(70,711)	13,760
AT&T Magnolia Communication Tower	1,199,116	133,703	(63,900)	1,268,919
Verizon Magnolia Communication Tower	712,977	-	(43,631)	669,346
Total Infrastructure	1,925,503	204,764	(178,242)	1,952,025
Total Governmental Lessor Activities	<u>\$ 3,095,534</u>	<u>\$ 365,088</u>	<u>\$ (358,237)</u>	<u>\$ 3,102,385</u>

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Fiscal Year	Governmental Lessor Activities - Lease Receivable		
	Principal	Interest	Total
2024	\$ 237,329	\$ 36,759	\$ 274,088
2025	233,532	33,385	266,917
2026	203,520	29,795	233,315
2027	208,444	27,271	235,715
2028	197,980	24,645	222,625
2029-2033	994,760	86,393	1,081,153
2034-2038	811,582	19,856	831,438
2039-2042	215,238	-	215,238
	<u>\$ 3,102,385</u>	<u>\$ 258,104</u>	<u>\$ 3,360,489</u>

VIII. Subscription-Based Information Technology Arrangements

For the year ended September 30, 2023, the financial statements include the adoption of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The primary objective this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right-to-use an underlying asset. Under this statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

Governmental Activities:

Subscription Asset	Start Date	Useful Life	Subscription Asset	Accumulated Amortization	Subscription Asset
Axon Software	6/1/2023	62	\$ 3,221,356	\$ (195,234)	\$ 3,026,122
Fleet Maintenance Information	10/1/2022	6	63,674	(49,190)	14,484
Comodo Endpoint Projection	10/1/2022	24	18,072	(6,047)	12,025
ArcGIS	10/1/2022	22	105,476	(37,410)	68,066
Microsoft Software VAR	11/1/2022	26	452,036	(138,122)	313,914
Enterprise Asset Management	5/30/2023	32	263,229	(29,491)	233,738
SHI - Darktrace	10/1/2022	9	49,435	(28,249)	21,186
Pluralsight Skills Business	10/1/2022	9	7,356	(4,264)	3,092
Total Governmental Activities			<u>\$ 4,180,634</u>	<u>\$ (488,007)</u>	<u>\$ 3,692,627</u>

Subscription Liability	Term (months)	Interest Rate	Payment Amount	Initial Subscription Liability	Payments	Liability 9/30/2023	Due within 1 Year
Axon Software	62	2.310%	\$ 182,000	\$ 3,221,355	\$ (172,615)	\$3,048,740	\$576,195
Fleet Maintenance Information	6	3.144%	5,904	5,850	(5,850)	-	-
Comodo Endpoint Protection	24	3.238%	9,474	18,072	(8,895)	9,177	9,177
ArcGIS	22	3.238%	55,000	105,476	(52,201)	53,275	53,275
Microsoft Software VAR	26	3.238%	155,505	452,036	(155,505)	296,531	155,505
Enterprise Asset Management	32	2.363%	87,001	263,230	(87,001)	176,229	109,917
SHI - Darktrace	9	3.207%	50,624	49,435	(49,435)	-	-
Pluralsight Skills Business	9	3.207%	7,527	7,356	(7,356)	-	-
Total Governmental Activities				<u>\$ 4,122,810</u>	<u>\$ (538,858)</u>	<u>\$3,583,952</u>	<u>\$904,069</u>

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Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2024	\$ 904,069	\$ 51,002	\$ 955,071
2025	830,154	63,351	893,505
2026	602,550	42,729	645,279
2027	616,469	28,810	645,279
2028	630,710	14,569	645,279
	<u>\$ 3,583,952</u>	<u>\$ 200,461</u>	<u>\$ 3,784,413</u>

Business-type Activities:

Subscription Asset	Start Date	Estimated Useful Life	Value of Subscription Asset	Accumulated Amortization	Net Value of Subscription Asset
Enterprise Asset Management	5/30/2023	32	\$ 58,921	\$ (6,601)	\$ 52,320
Total Business-type Activities			<u>\$ 58,921</u>	<u>\$ (6,601)</u>	<u>\$ 52,320</u>

Subscription Liability	Term (months)	Interest Rate	Payment Amount	Initial Subscription Liability	Payments	Liability 9/30/2023	Due within 1 Year
Enterprise Asset Management	32	2.363%	19,474	\$ 58,921	\$ (19,474)	\$ 39,447	\$ 19,171
Total Business-type Activities				<u>\$ 58,921</u>	<u>\$ (19,474)</u>	<u>\$ 39,447</u>	<u>\$ 19,171</u>

Fiscal Year	Business-type Activities		
	Principal	Interest	Total
2024	\$ 19,171	\$ 932	\$ 20,103
2025	20,276	479	20,755
	<u>\$ 39,447</u>	<u>\$ 1,411</u>	<u>\$ 40,858</u>

IX. Risk Management

A. Health Care Coverage

City employees are provided traditional health care insurance that covers hospitalization and major medical expenses within specified limits. The plan is self-funded by the City and administered by a third-party administrator. The City pays the administrator a monthly fixed fee for various claim administration services on a per enrolled employee basis.

The City pays all claims. The third-party administrator submits monthly check registers for all processed claims. The City issues payment to the plan administrator who in turn issues individual claim checks. The City carries stop-loss insurance against catastrophic losses. There were no significant reductions in insurance coverage from the prior year. Settlements have not exceeded coverages for each of the past three years. The estimate of the claims liability includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expense regardless of whether allocated to specific claims.

The premiums for these policies are billed monthly by the third-party administrator on a per enrolled employee basis. The claims liability reported in the fund at September 30, 2023, was estimated by third party administrators. It is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Costs relating to the plan are recorded in the Self-Funded Insurance Fund, which is an internal service fund.

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Changes in the health claims for the two fiscal years ended September 30, 2023 and 2022 are as follows:

	2023	2022
Health Claim Liability, Beginning of the Year	\$ 704,849	\$ 1,107,446
Current-year Claims and Changes in Estimates	11,253,555	8,260,109
Claim Payments	(9,087,773)	(8,662,706)
Health Claim Liability, End of the Year	<u>\$ 2,870,631</u>	<u>\$ 704,849</u>

B. Workers' Compensation and Property and Liability Insurance

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2023, the City purchased workers compensation and property and liability insurance at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its insurance coverages. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. There were no significant reductions in insurance coverages in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

X. Other Post-Employment Benefits

A. Plan Description

The City of Conroe Other Post-Employment Benefit Trust is a single employer trust established in 2009 to provide medical, vision, and dental insurance coverage for qualified retirees in accordance with its personnel policy through a defined benefit plan. The first irrevocable trust was established in 2009 and was held by ICMA-RC who was also the administrator of the plan. The City discontinued funding its annual contribution to this plan, and the balance of funds was fully liquidated. The City established a new irrevocable trust in 2012, and the trust is held by Public Agency Retirement Services (PARS), who is also the administrator of the plan. Assets held by the trust are valued at fair value. The trust is reported as a fiduciary fund in the City's financial statements and does not issue separate financial statements.

B. Benefits Provided

Under certain conditions, employees retiring from the City of Conroe are eligible for continuation of medical, dental, and vision insurance benefits. Effective October 1, 2009, continuation of these benefits is dependent upon the following:

1) Eligibility

- a) Years of service and age at retirement must equal 80 (Rule of 80).
 - Years of service will be cumulative.
- b) Must have been employed by the City immediately prior to retirement.
- c) Must have been enrolled in the insurance program(s) three (3) years prior to retirement.
 - Dependents must have been enrolled one (1) year prior to the employee's retirement.
- d) Must be receiving a pension either from Texas Municipal Retirement System (TMRS) or Conroe Fire Fighters' Relief and Retirement Fund (CFFR&RF).

2) Termination of Coverage

- a) If other insurance coverage is available, (i.e., another employer, Medicare, Medicaid, etc.), the retiree will not be covered under the City's insurance plan(s).

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- b) Retirees are entitled to a one-time, opt-in to re-enroll in the insurance plan(s).

3) Premiums

- a) A minimum of fifty (50) percent of the actuarially determined contribution (ADC) cost will be paid by the City in the OPEB trust.
- b) Payment of any remaining ADC will be determined on an annual basis by City Council.
- c) The retiree is responsible for payment of premiums for any dependent covered under the plan(s).

4) Miscellaneous

City Council members are not eligible for continuation of insurance benefits upon completion of their term(s) of service.

5) Exception

- a) Retirement under the eligibility provisions effective through December 31, 2011.
 - Any employee meeting retirement eligibility under the prior retiree insurance eligibility requirements may retire under those provisions through December 31, 2011.
 - Employees completing twenty-five (25) years of service by December 31, 2011, will be grandfathered under the policy in place at that time.
- b) Receipt of pension requirement for firefighters.
 - The requirement that an employee must be receiving a pension is waived for firefighters through December 31, 2011.
- c) Exchange of sick leave.
 - Through the two-year window, employees may use up to 720 hours of their sick balance in exchange for eligibility to reach 25 years. This exception expired December 31, 2011.

6) Death-in-Service Retirement Benefits

Surviving spouses of active employees are allowed COBRA coverage only.

7) Benefits for Spouses of Retired Employees

Retiree may purchase retiree health care coverage for eligible spouses and dependents. The City's subsidy does not apply to the dependent premiums. Surviving spouses and dependents of deceased retired members may continue retiree health coverage through COBRA. Spouse or other dependents will no longer be eligible to continue when the retiree reaches age 65. COBRA will be sent to dependents at that time.

8) Non-Medicare and Medicare-Eligible Provisions

- a) Employees retiring after December 31, 2011, cannot remain on the plan once they become eligible for Medicare. Participants who were retired as of December 31, 2011, may remain on the plan after becoming eligible for Medicare, but would be required to pay the full premiums. However, the City will pay the entire retiree premium for one post 65 retiree who is covered under special agreements.
- b) As of the valuation date, December 31, 2020, there were 9 grandfathered retirees who have their Medicare Part B premiums paid for by the City. No other current or future retirees will have their Part B premiums reimbursed by the City. The Part B premiums were \$148.50 per month in 2021.

9) Dental and Vision Coverage

Effective October 1, 2014, all retirees are required to pay the full dental and vision premiums. Those who have reached Medicare eligibility may continue their dental and vision coverage at their own expense. They may also cover eligible family members at their expense.

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10) Life Insurance Coverage

The City provides a \$7,500 life insurance benefit for retirees. The life insurance benefit extends past age 65. As of December 31, 2022, there were two retirees who accrued a life insurance benefit of \$12,500.

11) Monthly Unsubsidized Retiree Premiums Effective October 1, 2021:

Benefit	Retiree Only	Spouse
Medical - OAP	\$ 668	\$ 367
Medical - HDHP	583	144
Medical - Kelsey	550	104
Dental	36	22
Vision	4	13

The premiums shown above do not include the City subsidies for which retirees may be eligible.

As with all benefits, the benefits provided above are subject to change, amendment, addition or cancellation at any time by City Council, and this document does not provide a guarantee or promise of benefits in the future. As of June 25, 2012, it is the opinion of the City Administrator and City Attorney that those who actually retire, and are eligible for retirement benefits from TMRS, can be covered under the City's insurance plan at their expense if they do not meet the "rule of 80". In order to be covered, they must be already covered before they retire, and they must let the City know no later than their retirement date (last day as an employee) that they wish to continue the same coverage. They may drop individuals from coverage, but they may not add anyone who was not previously covered.

At the measurement date, there was total plan membership of 823, which consisted of 171 retirees and beneficiaries and 652 active members.

C. Contributions

For the year ended September 30, 2023, the City funded 100% of the normal cost and the pay-go amount totaling \$2,187,153 in an irrevocable trust, and reported it in a fiduciary fund in the financial statements. Withdrawals in the amount of \$612,943 were made from the irrevocable trust to reimburse the City for pre-65 and post-65 retirees' claims and administrative fees paid by the Self-Funded Insurance Fund. Administrative fees are those fees related to services that retirees utilize, including, stop-loss premiums and 3rd party administrator charges.

D. OPEB Liability

Actuarial Assumptions: Actuarial valuations involve the use of estimates and assumption about the probability of events far into the future, including, but not limited to, assumptions about length of employee service, mortality rates, and future costs of health care. The valuation will be updated every two years and actual results compared to past expectations. As a result of these comparisons, new estimates and assumptions will be made about future results of the plan. Valuations are made based on the benefits in place at the time of the valuation. Actuarial techniques include smoothing mechanisms which take a long-term approach in the valuation of assets and liabilities of the plan and are designed to reduce short-term volatility in the measurement of these assets and liabilities. The total OPEB liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

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Actuarial Cost Method	Entry Age Normal
Discount Rate*	6.25%
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas municipal Retirement System (TMRS) and the assumptions used in Conroe Fire Fighters' Relief & Retirement Fund actuarial valuation as of December 31, 2021 (CFFR&RF). For the OPEB valuation, the standard retirement rates for firefighters were adjusted to reflect the impact of the City's retiree medical plan design.
Mortality	TMRS: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements. CFFR&RF: For healthy retirees, the gender-distinct PubS-2010 Healthy Annuitant mortality tables are used. The rates are projected on a fully generational basis with the Scale MP-2021.
Participation Rates	For employees retiring at age 50 or older, it was assumed that 95% of those who are eligible for the rule of 80 and 15% of those who are not eligible for the rule of 80 would choose to receive coverage through the City. No employees retiring before the age of 50 were assumed to elect coverage through the City.
Healthcare Cost Trend Rates	Initial rates of 7.00% declining to ultimate rates of 4.25% after 15 years.
Notes:	The healthcare cost trend rates and the mortality improvement assumption for Firefighters were updated.

Fixed income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in the Fidelity "20-Year Municipal GO AA Index" as of December 31, 2022 are incorporated into the discount rate at 2.00%.

The goal of the Plan's investment program is to generate adequate long-term returns that, when combined with contributions, will result in sufficient assets to pay the present and future obligations of the Plan. The following objectives are intended to assist in achieving this goal:

- The Plan should earn, on a long-term average basis, a rate of return equal to or in excess of the target rate of return of 6.50%.
- The Plan should seek to earn a return in excess of its policy benchmark over the long-term.
- The Plan's assets will be managed on a total return basis which takes into consideration both investment income and capital appreciation. While the Plan Sponsor recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. To achieve these objectives, the Plan Sponsor allocates its assets (asset allocation) with a strategic, long-term perspective of the capital markets.

Asset Class	Target Allocation
Cash	0-20%
Fixed Income	30%-50%
Equity	50%-70%

Discount Rate and Healthcare Cost Trend Rate: The discount rate used to measure the Total OPEB Liability was 6.250%. The asset portfolio of the OPEB trust can support a 6.25% long term rate of return. The total OPEB liability is based on an actuarial valuation performed as of December 31, 2022, which is also the measurement date.

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	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2021	\$ 25,945,140	\$ 14,942,471	\$ 11,002,669
Changes for the Year:			
Service Cost	1,378,300	-	1,378,300
Interest	1,641,906	-	1,641,906
Differences Between Expected and Actual Experience	(774,111)	-	(774,111)
Changes of Assumptions	1,556,509	-	1,556,509
Contributions - Employer	-	2,387,107	(2,387,107)
Net Investment Income	-	(2,383,567)	2,383,567
Benefit Payments, Including Refunds of Employee Contributions	(727,601)	(727,601)	-
Administrative Expense	-	(70,267)	70,267
Other Changes	-	-	-
Net Changes	3,075,003	(794,328)	3,869,331
Balances at 12/31/2022	\$ 29,020,143	\$ 14,148,143	\$ 14,872,000

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate: The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 7.0% as well as what the City's net OPEB liability would be if it were calculated using a rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in (6.0% Decreasing to 3.25%)	Current Healthcare Cost Trend Rate (7.0% Decreasing to 4.25%)	1% Increase in (8.0% Decreasing to 5.25%)
City's Net OPEB Liability	\$ 11,622,827	\$ 14,872,000	\$ 18,741,499

Sensitivity of the net OPEB liability to changes in the discount rate: The following presents the net OPEB liability of the City, calculated using the discount rate of 6.25% as well as what the City's net OPEB liability would be if it were calculated using a rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease 5.25%	Current Single Discount Rate Assumption 6.25%	1% Increase 7.25%
City's Net OPEB Liability	\$ 17,857,616	\$ 14,872,000	\$ 12,205,444

E. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2023, the City recognized OPEB expense of \$1,966,956. Also, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 44,335	\$ 2,946,207
Change in actuarial assumption	2,078,616	996,836
Difference between expected and actual investment earnings	1,820,380	-
Contributions subsequent to the measurement date	1,692,752	-
Totals	<u>\$ 5,636,083</u>	<u>\$ 3,943,043</u>

\$1,692,752 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending September 30:	
2024	\$ (234,901)
2025	(64,873)
2026	90,719
2027	276,733
2028	(169,954)
Thereafter	102,564
Total	<u>\$ 288</u>

XI. Pension Plans

A. Plan Descriptions

Texas Municipal Retirement System (TMRS): The City participates as one of 901 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report ("ACFR") that can be obtained at www.tmr.com.

Except for civil service fire fighters, all eligible employees of the City are required to participate in TMRS.

Conroe Fire Fighters' Relief and Retirement Fund (CFFR&RF): The City participates in funding a contributory, defined benefit retirement plan for civil service fire fighters, Conroe Fire Fighters' Relief and Retirement Fund. The Fund was established in accordance with the provisions of H.B. 258 passed by the Texas State Legislature in 1937, with the purpose of providing pension benefits to volunteer, part-time and full-time fire fighters. The Fund is administered in accordance with State laws by the members of the Fund's Pension Board of Trustees. The fund is a governmental plan under section 414(d) of the Internal Revenue Code of 1986, as amended, and is established and maintained by the City for its employees as a single-

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employer defined benefit pension plan covering paid firefighters of the City for the purpose of providing retirement, death, disability, and withdrawal benefits. The fiscal year of the pension fund ends December 31. The most recently available financial statements of the pension fund are for the year ended December 31, 2021.

While contribution requirements are not actuarially determined, state law requires that a qualified actuary approve each plan adopted. The actuary of the plan has certified that the contribution commitment by the participants and the City provides an adequate financing arrangement.

B. Benefits Provided

TMRS: TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest are used to purchase an annuity. Members may choose to receive their retirement benefits in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2022	Plan Year 2021
Employee Deposit Rate	7%	7%
Retirement Eligibility	5 Yrs/Age 60, 20 Yrs/Any Age	5 Yrs/Age 60, 20 Yrs/Any Age
Matching Ratio (City to Employee)	2 to 1	2 to 1
Years Required for Vesting	5	5
Service Retirement Eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

CFFR&RF: The Fund provides service retirement, death, disability, and withdrawal benefits for paid fire fighters. These benefits fully vest after the firefighter attains age 50 with at least 20 years of credited service. Firefighters who qualify for a retirement benefit will receive a monthly retirement benefit as long as the firefighter remains alive in an amount equal to the sum of (1) 67.50% of the "Highest 60-month Average Salary" plus (2) an additional service benefit of \$69 per month for each year of service in excess of 20 years of service (for years of service earned after December 31, 2010, this benefit is \$110 per month). A firefighter with both paid and volunteer service is eligible for retirement, disability, or death benefits under the same conditions of a paid firefighter, as long as the service requirement is fulfilled with a combination of paid and volunteer service, where the volunteer service was earned prior to September 1, 2000, according to the Fund provisions. If a firefighter has completed at least 10 years of service prior to December 31, 2010, but has not attained the age of 50 years, the firefighter will receive a benefit ranging from 50% to 100% of the normal retirement benefit as described above. All other firefighters will be eligible upon the completion of 20 years of service.

Effective January 1, 2011, a paid firefighter can elect a FORWARD Deferred Retirement Option Plan (DROP) benefit calculation date no earlier than a date which is the first day of the month following the date of attainment of age 50 and completion of 20 years of service.

The amount of the FORWARD DROP benefit equals a service retirement annuity calculated as of the date the firefighter enters DROP plus a DROP lump sum. The DROP lump sum equals the accumulated annuity

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payments and firefighter contributions from the DROP entry date until the earlier of termination or seven years.

The Fund provides for an optional form of payment if elected by the retiring firefighter. The firefighter may elect a 100% joint and survivor service retirement benefit at a lower benefit amount for the eligible spouses at the time of retirement, according to the Benefit Reduction Factors table in the Fund.

The benefit provisions of this Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions.

Plan provisions for the Fund were as follows:

	Plan Year 2022	Plan Year 2021
Employee Deposit Rate	15.50%	15.50%
Matching Ratio (City to Employee)	16%	16%
Years Required for Vesting	20	20
Service Retirement Eligibility (expressed as age/years of service)	50/20	50/20
Annuity Increase (to retirees)	Not automatic; may provide ad hoc increases	Not automatic; may provide ad hoc increases

At the respective valuation and measurement dates, the following employees were covered by the benefit terms:

	TMRS	CFFR&RF
Inactive Employees or Beneficiaries Currently Receiving Benefits	213	39
Inactive Employees Entitled to But Not Yet Receiving Benefits	215	5
Active Employees	517	142
Totals	945	186

C. Contributions

TMRS: The contribution rate for an employee in a TMRS city is either 5%, 6%, or 7% of the employee's gross earnings, while a City's matching percentage is either 100%, 150%, or 200%. Both are adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by an actuary using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Conroe, Texas, were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.25% and 16.26% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$6,602,228, and were equal to the required contributions.

CFFR&RF: Contributions to the Fund are based on the TLFFRA requirements rather than an actuarially determined rate. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each paid firefighter. The funding policy of the Fund requires contributions from both the City and the firefighters. The City's contribution rate is currently 16.3% of member payroll with each active member contributing 15.5% of plan compensation. The City's contribution rate is set by and subject to change by ordinance; subject to the minimum rate with TLFFRA. The City's contributions to the Fund for the year ended September 30, 2023, were \$2,404,683, and were equal to the required contributions.

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While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the Fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the Fund's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the Fund's unfunded actuarial accrued liability (UAAL), and the number of years needed to amortize the Fund's UAAL is determined using a level percentage of payroll method.

D. Net Pension Liability

For the year ended September 30, 2023, the City recognized \$70,975,667 in net pension liability (TMRS of \$38,350,727 and CFFR&RF of \$32,624,940).

TMRS: The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CFFR&RF: The Total Pension Liability, Net Pension Liability, and the associated sensitivity information provided was based on the December 31, 2021 actuarial valuation. The Total Pension Liability was rolled-forward to the fiscal year ended September 30, 2023 (measurement date), using generally accepted actuarial principles. There have been no significant events or changes in benefit provisions that required an adjustment to the roll-forward liability.

Actuarial Assumptions:

TMRS: The Total Pension Liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary Increases	3.50% to 11.5 % including inflation
Investment Rate of Return	6.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on a mortality study performed in 2013, with the factors phasing into being based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. The current table of APRs is explicitly valued through 2032, and then it is assumed the APRs and the valuation mortality assumptions will be consistent over time. For members, a unisex blend of 70% of the male table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy.

The TMRS Board of Trustees recognizes that the most important determinant of long-term return and risk is the asset allocation decision. The Board's strategic target allocation is intended to reflect, and be

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consistent with, the return objective and risk tolerance expressed in the Investment Policy Statement. It is designed to meet or exceed the Board's objectives at a controlled level of risk and liquidity that is acceptable to the Board. In establishing its risk tolerance, the Board considers its ability to withstand short and intermediate-term volatility in investment performance and fluctuations in the financial condition of the fund. The strategic target allocation and acceptable ranges as determined by the Board to facilitate the achievement of long-term investment objectives within acceptable risk parameters are as follows:

Asset Allocation Table
Strategic Targets

<u>Asset Class</u>	<u>Minimum %</u>	<u>Target %</u>	<u>Maximum %</u>
Global Equities	25%	35%	45%
Core Fixed Income	5%	10%	15%
Non-Core Fixed Income	15%	20%	25%
Real Estate	5%	10%	15%
Real Return	5%	10%	15%
Absolute Return	5%	10%	15%
Private Equity	0%	5%	10%
Cash Equivalents	0%	0%	10%

CFFR&RF: The Total Pension Liability, Net Pension Liability, and the associated sensitivity information provided are derived from the results of the December 31, 2021, valuation. The Total Pension Liability was rolled-forward from the 2021 valuation date to the fiscal year ended September 30, 2023, using generally accepted actuarial principles. A full experience study is not available due to the size of the fund.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Open period, level percentage of pay
Asset Valuation Method	The fair value of assets plus 20% of the unrecognized gains and losses from each of the past four years. The resulting value is further limited to be no less than 90% and no greater than 110% of the fair value of assets.
Investment Rate of Return	7.25% per annum (net of expenses)
Salary Scale	3.50%-8.50%
General Inflation Rate	2.50% per annum
Interest on Employee Contributions	2.50% per annum
Contribution Rates	Rates in effect are assumed to remain constant for future years.
Mortality Rates	PubS-2010 Employee and Healthy Annuitant Mortality tables projected generationally with Scale MP-2021.
Termination Rates	0% to 6%
Changes in Assumptions	Because the projected Net Fiduciary Position is projected to be sufficient to pay all projected benefits, this discount rate is now equal to the investment return assumption. This resulted in an increase in the discount rate from 5.16% to 7.25%. In addition, the longevity projection scale was updated from MP-2019 to MP-2021. There were no other changes in actuarial assumptions since the prior year valuation.

Historical trend information is provided as required supplemental information. This information is intended to demonstrate progress the Fund has made in accumulating assets to pay benefits when due and the related actuarial assumptions used in determining the actuarially determined amounts.

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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 assumed at 2.5%) 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 allocations as of December 31, 2021, (see the discussion of the pension plan's investment policy for more details) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	6.5%
Fixed Income	3.5%
Real Estate	5.0%
Cash	0.0%

The following long-term strategic asset allocation, which serves as the primary asset allocation of the Fund, was adopted by the Board through its Investment Policy:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic and International Equity	60%
Fixed Income	25%
Alternative Investments	
Real Estate Investment Trusts	
and Return Commodity	10%
Cash and Cash Equivalents	5%
Total	<u>100%</u>

TMRS:

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

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	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2021	\$ 177,551,725	\$ 165,353,567	\$ 12,198,158
Changes for the Year:			
Service Cost	6,690,877	-	6,690,877
Interest	12,006,842	-	12,006,842
Differences Between Expected and Actual Experience	4,458,488	-	4,458,488
Contributions - Employer	-	6,336,056	(6,336,056)
Contributions - Employee	-	2,729,379	(2,729,379)
Net Investment Income	-	(12,081,987)	12,081,987
Benefit Payments, Including Refunds of Employee Contributions	(6,036,049)	(6,036,049)	-
Administrative Expense	-	(104,448)	104,448
Other Changes	-	124,638	(124,638)
Net Changes	17,120,158	(9,032,411)	26,152,569
Balances at 12/31/2022	\$ 194,671,883	\$ 156,321,156	\$ 38,350,727

CFFR&RF: The discount rate used to measure the Total Pension Liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the City contributions would equal 16.30% of payroll and that member contributions would equal 15.50% of payroll. Because the projected Net Fiduciary Position is projected to be sufficient to pay all projected benefits, the discount rate is now equal to the investment return assumption. The Net Pension Liability amounts shown below were measured as of the City's fiscal year end. The Total Pension Liability used to calculate the Net Pension Liability and certain sensitivity information was based on the December 31, 2021, actuarial valuation. The Total Pension Liability was rolled forward to the fiscal year end measurement dates using generally accepted actuarial principles.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 9/30/2022	\$ 68,371,377	\$ 34,509,071	\$ 33,862,306
Changes for the Year:			
Service Cost	2,893,153	-	2,893,153
Interest	5,087,137	-	5,087,137
Differences Between Expected and Actual Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	2,404,683	(2,404,683)
Contributions - Employee	-	228,066	(228,066)
Net Investment Income	-	4,656,104	(4,656,104)
Benefit Payments	(2,125,717)	(2,125,717)	-
Refunds	(68,527)	(68,527)	-
Administrative Expense	-	(131,197)	131,197
Net Changes	5,786,046	4,963,412	822,634
Balances at 9/30/2023	\$ 74,157,423	\$ 39,472,483	\$ 34,684,940

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

TMRS: The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75% as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 68,256,828	\$ 38,350,728	\$ 13,986,471

CFFR&RF: The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
CFFR&RF Net Pension Liability	\$ 42,414,538	\$ 32,624,940	\$ 24,448,596

Pension Plan Fiduciary Net Position:

TMRS: Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

CFFR&RF: Detailed information about the plan's Fiduciary Net Position is available in a separately issued Conroe Fire Fighters' Relief and Retirement Fund financial report. That report may be obtained by contacting Jordan Stepanski at P.O. Box 497, Conroe, TX 77305, or admin@conroefirepension.com.

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2023, the City recognized \$13,398,445 in pension expense (TMRS of \$8,881,789 and CFFR&RF of \$4,516,656). At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TMRS		CFFR&RF		Total Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 5,037,767	\$ 46,748	\$ 4,703,753	\$ 1,086,861	\$ 9,741,520	\$ 1,133,609
Change in actuarial assumption	77,211	-	13,509,632	21,945,434	13,586,843	21,945,434
Difference between projected and actual investment earnings	10,715,559	-	1,483,649	-	12,199,208	-
Contributions subsequent to the measurement date	4,864,682	-	-	-	4,864,682	-
Totals	<u>\$ 20,695,219</u>	<u>\$ 46,748</u>	<u>\$ 19,697,034</u>	<u>\$ 23,032,295</u>	<u>\$ 40,392,253</u>	<u>\$ 23,079,043</u>

\$4,864,682 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the TMRS net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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Fiscal Year Ending September 30:	TMRS	CFFR&RF	Total Pensions
2024	\$ 1,955,841	\$ 1,095,233	\$ 3,051,074
2025	3,919,314	918,382	4,837,696
2026	4,018,624	1,684,155	5,702,779
2027	5,582,816	209,839	5,792,655
2028	307,194	557,481	864,675
Thereafter	-	(7,800,351)	(7,800,351)
Total	<u>\$ 15,783,789</u>	<u>\$ (3,335,261)</u>	<u>\$ 12,448,528</u>

XII. Commitments and Contingencies

A. Contingencies

The City participates in a number of federal and state financial assistance programs. Although the City's grant programs have been audited in accordance with the provisions of the Single Audit Act through September 30, 2023, these programs are subject to financial and compliance audits by the granting agencies. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

The City of Conroe is a participant in the San Jacinto River Authority (SJRA) Groundwater Reduction Plan (GRP). The SJRA has constructed a surface water treatment facility and transmission system to provide treated surface water to the City. Based on the agreement between the City and the SJRA, the City pays the SJRA for groundwater pumped from the Jasper aquifer and for treated surface water from Lake Conroe.

During FY 15-16, the SJRA notified the City of their intent to increase rates effective September 1, 2016. The groundwater pumpage rate was increased by \$0.18 from \$2.32 to \$2.50 per 1,000 gallons, and the surface water rate was increased by \$0.18 from \$2.51 to \$2.69 per 1,000 gallons. On August 16, 2016, the City Council adopted a resolution refusing to pay the proposed increase in SJRA fees. The SJRA filed suit in Travis County for an expedited declaratory judgement confirming the validity of the GRP Contracts and the SJRA's legal authority to enforce the GRP Contract terms, including the fiscal year 2017 GRP Rates.

On September 1, 2017, the groundwater pumpage rate was increased by \$0.14 from \$2.50 to \$2.64 per 1,000 gallons, and the surface water rate was increased by \$0.14 from \$2.69 to \$2.83 per 1,000 gallons. On September 1, 2019, the groundwater pumpage rate was increased by \$0.09 from \$2.64 to \$2.73 per 1,000 gallons, and the surface water rate was increased by \$0.32 from \$2.83 to \$3.15 per 1,000 gallons. On September 1, 2021, the groundwater pumpage rate was increased by \$0.15 from \$2.73 to \$2.88 per 1,000 gallons, and the surface water rate was increased by \$0.15 from \$3.15 to \$3.30 per 1,000 gallons. On September 1, 2022, the groundwater pumpage rate was increased by \$0.11 from \$2.88 to \$2.99 per 1,000 gallons, and the surface water rate was increased by \$0.11 from \$3.30 to \$3.41 per 1,000 gallons.

This City continues to withhold the payment of this increase. The City's financial statements include a liability of \$19,807,596 for the portion of the increased SJRA rates that the City has refused to pay, as well as any applicable penalties and interest, while the litigation is pending.

The City is a defendant or plaintiff in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City Attorney, the resolution of these matters will not have a material, adverse effect on the financial condition of the City.

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

B. Construction Commitments

The City has active construction projects as of September 30, 2023. Total accumulated commitments for ongoing capital projects are composed of the following:

	Spent-to-Date	Remaining Commitment
Water and Sewer	\$ 120,730,040	\$ 17,663,758
Streets Projects	11,614,262	13,317,585
Facilities Projects	34,741,338	34,299,231
Drainage Projects	1,240,902	2,959,334
Totals	<u>\$ 168,326,542</u>	<u>\$ 68,239,908</u>

A majority of these commitments will be funded by bond proceeds.

C. Encumbrances

Encumbrances are reported in the financial statements as restricted, committed, or assigned for specific purposes in the governmental funds. As of September 30, 2023, significant encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in:	
	Restricted Fund Balance	Assigned Fund Balance
General Fund	\$ -	\$ 5,984,554
Nonmajor Governmental	63,965,794	-
Total Encumbrances	<u>\$ 63,965,794</u>	<u>\$ 5,984,554</u>

D. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination of employment, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are assets of the plan, and are required to be held in trust for the exclusive benefit of the participants and their beneficiaries. A fiduciary relationship does not exist between the City and the plan; therefore, in accordance with GASB Statement 32 "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the plan is not reported within the City's financial statements.

E. Key Money

On September 21, 2023, Hyatt contributed key money to Conroe Local Government Corp. Hotel in the amount of \$650,000 to fund the operations of the hotel. The key money is part of the cash and cash equivalents in the Conroe Local Government Corp. Hotel fund. On October 1, 2023, the key money contributed to the CLGC Hotel began amortizing and will be recognized as contribution income in equal monthly installments for a period of thirty years. Any key money that has not amortized as of the date of any termination of the hotel operating agreement with the Manager will be repaid by the CLGC Hotel to Hyatt. For the year ended September 30, 2023, \$0 was recognized as contribution income, and the balance of the key money was \$650,000. The future amortization requirements as of September 30, 2023 are as follows:

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

<u>Fiscal Year</u>	<u>Principal</u>
2024	\$ 21,667
2025	21,667
2026	21,667
2027	21,667
2028	21,667
2029-2033	108,333
2034-2038	108,333
2039-2043	108,333
2044-2048	108,333
2049-2053	108,333
	<u>\$ 650,000</u>

XIII. Closure and Postclosure Care Cost

State and Federal laws and regulations require that a landfill permit holder place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The City has transferred the financial obligation related to these costs to another party. Therefore, no liability has been recorded for these costs.

XIV. Tax Abatements

The City and the City's component unit, CIDC, enter into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. These programs abate or rebate property taxes and sales tax, and also include incentive payments and reductions in fees that are not tied to taxes. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code and Chapter 311 (Tax Increment Financing Act) and 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code. Recipients may be eligible to receive economic assistance based on the employment impact, economic impact or community impact of the project requesting assistance. Recipients receiving assistance generally commit to building or remodeling real property and related infrastructure, demolishing and redeveloping outdated properties, expanding operations, renewing facility leases, or bringing targeted businesses to the City. Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

The City has four categories of economic development agreements:

Property Tax Abatements – Tax abatements under Local Government Code 43.0751 authorized the City to enter into a Strategic Partnership Agreement for the creation of a Municipal Utility District (MUD) for full purpose annexation. These agreements authorize the City to pay the districts an amount equal to the ad valorem taxes generated from the City's tax levy. Property taxes abated under this program were \$37,546 in fiscal year 2023.

General Economic Development – The City enters into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. The agreements may rebate a flat amount or percentage of sales tax received by the City. The sales tax abated under the program were \$1,476,220 in fiscal year 2023.

Tax Abatements – Tax abatements under Chapter 312 of the Texas Tax Code allow the City to create tax abatement agreements with applicants that promise large scale investments. These investments create

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

new jobs and expand the City's tax base. The City agrees to grant the owner an abatement of the City ad valorem taxes on the certified appraised value. Property taxes abated under this program were \$870,966 in fiscal year 2023.

Tourism Promotion – The City entered into an agreement to dedicate Hotel Occupancy Tax revenue for the promotion of tourism and the convention and hotel industry. Hotel Occupancy Tax abated under this program is \$790,114 during fiscal year 2023.

The CIDC has one type of economic development agreement:

Tax Abatements – Tax abatements under Chapter 312 of the Texas Tax Code allow the Conroe Industrial Development Corporation to enter into development incentive agreements with businesses that relocate or expand their business in Conroe. These businesses create new jobs and add additional property value resulting from the business expansion. These organizations are reimbursed a portion of the property taxes they pay to Montgomery County and the City of Conroe. Taxes abated under this program were \$1,531,915 in fiscal year 2023.

XV. Fund Balances

The following funds had negative fund balance or net position at September 30, 2023:

Fleet Services had a deficit net position of \$382,908 at September 30, 2023. Exclusive of Fleet's portion the City's OPEB liability of \$312,312, net pension liability of \$805,365, related deferred outflows of \$552,957 and deferred inflows of \$83,784, this fund would recognize a positive net position of \$265,596.

Conroe Local Government Corp. Hotel had a deficit net position of \$600,417. The deficit will be covered with earnings.

XVI. Recent Accounting Pronouncements

GASB Statement 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62* ("GASB 100"), is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal year 2024 and the impact has not yet been determined.

GASB Statement 101, *Compensated Absences* ("GASB 101"), is better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal year 2025 and the impact has not yet been determined.

GASB Statement 102, *Certain Risk Disclosures* ("GASB 102"), is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal year 2025 and the impact has not yet been determined.

Required Supplementary Information



CITY OF CONROE, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 97,404,827	\$ 97,404,827	\$ 101,359,906	\$ 3,955,079
Licenses and Permits	7,149,970	7,149,970	7,992,156	842,186
Charges for Sales and Services	4,522,783	4,597,783	5,063,587	465,804
Lease Income	186,806	186,806	391,208	204,402
Fines and Forfeitures	1,350,433	1,350,433	1,170,185	(180,248)
Intergovernmental	2,699,054	3,784,859	4,409,424	624,565
Investment Income	128,747	128,747	3,259,000	3,130,253
Net Change in Fair Value of Investments	-	-	145,678	145,678
Penalties and Interest	177,763	177,763	220,805	43,042
Miscellaneous Revenue	195,408	199,758	1,450,225	1,250,467
TOTAL REVENUES	113,815,791	114,980,946	125,462,174	10,481,228
EXPENDITURES				
Current:				
General Government				
Administration	2,250,084	2,464,452	2,121,525	342,927
Downtown Development	565,864	579,854	195,490	384,364
Legal	957,474	981,573	675,793	305,780
Municipal Court	1,407,229	1,450,607	1,223,411	227,196
Building Operations	-	-	400	(400)
Warehouse/Purchasing	416,691	418,245	430,184	(11,939)
Information Technology	4,336,653	4,397,528	3,405,456	992,072
Transportation	1,750,392	1,912,149	1,644,032	268,117
Human Resources	1,134,001	1,172,559	1,167,196	5,363
Non-Departmental	13,465,880	11,035,841	7,522,554	3,513,287
Finance	2,864,063	2,827,490	2,596,677	230,813
Public Safety				
Police	26,778,145	28,429,953	30,440,223	(2,010,270)
Fire	24,216,619	24,982,960	25,082,978	(100,018)
Community Development	2,044,692	2,165,489	1,603,756	561,733
Parks				
Parks and Recreation Administration	1,009,933	1,019,241	1,048,064	(28,823)
C.K. Ray Recreation Center	1,345,918	1,263,134	1,453,326	(190,192)
Oscar Johnson, Jr. Community Center	1,715,260	1,791,859	1,512,455	279,404
Senior Center	120,028	202,821	198,526	4,295
Aquatic Center	1,621,886	2,069,272	2,060,272	9,000
Parks Operations	2,870,859	2,986,888	3,145,779	(158,891)
Westside Recreation Center	949,994	1,022,756	1,084,720	(61,964)
Public Works				
Drainage Maintenance	1,040,725	1,079,283	923,011	156,272
Streets	4,196,797	4,681,992	4,275,313	406,679
Signal Maintenance	1,615,599	1,727,378	1,112,141	615,237
Signs	783,906	822,464	831,313	(8,849)
Engineering	4,022,014	3,982,383	3,896,490	85,893
Building Inspection and Permits	1,870,373	2,072,185	2,126,976	(54,791)
Debt Service:				
Principal Retirement	-	-	609,404	(609,404)
Interest and Fiscal Charges	-	-	2,218	(2,218)
Capital Outlay	7,275,380	13,176,924	12,032,457	1,144,467
TOTAL EXPENDITURES	112,626,459	120,717,280	114,422,140	6,295,140
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,189,332	(5,736,334)	11,040,034	16,776,368
OTHER FINANCING SOURCES (USES)				
Lease Proceeds	-	-	44,400	44,400
Subscription Proceeds	-	-	4,122,810	4,122,810
Insurance Proceeds	54,957	54,957	109,814	54,857
Transfers In	3,922,926	4,129,854	544,030	(3,585,824)
Transfers Out	(7,810,005)	(13,819,425)	(9,748,611)	4,070,814
TOTAL OTHER FINANCING SOURCES (USES)	(3,832,122)	(9,634,614)	(4,927,557)	4,707,057
Net Change in Fund Balance	(2,642,790)	(15,370,948)	6,112,477	21,483,425
Fund Balance at Beginning of Year	61,105,484	61,105,484	61,105,484	-
FUND BALANCE AT END OF YEAR	\$ 58,462,694	\$ 45,734,536	\$ 67,217,961	\$ 21,483,425

CITY OF CONROE, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

OTHER POST EMPLOYMENT BENEFITS (OPEB)

LAST SIX MEASUREMENT YEARS**

	Year Ended December 31,					
	2017	2018	2019	2020	2021	2022
Total OPEB Liability						
Service cost	\$ 949,634	\$ 1,107,420	\$ 1,016,666	\$ 1,082,350	\$ 1,204,763	\$ 1,378,300
Interest	1,435,855	1,533,173	1,514,608	1,491,096	1,540,062	1,641,906
Differences between expected and actual experience	139,435	(2,289,197)	(212,815)	(1,100,815)	(569,786)	(774,111)
Change of assumptions	-	362,553	(1,848,088)	818,112	-	1,556,509
Benefit payments	(1,270,000)	(943,253)	(965,119)	(764,747)	(537,034)	(727,601)
Net Change in Total OPEB Liability	1,254,924	(229,304)	(494,748)	1,525,996	1,638,005	3,075,003
Total OPEB Liability - Beginning	22,250,267	23,505,191	23,275,887	22,781,139	24,307,135	25,945,140
Total OPEB Liability - Ending (a)	\$ 23,505,191	\$ 23,275,887	\$ 22,781,139	\$ 24,307,135	\$ 25,945,140	\$ 29,020,143
Plan Fiduciary Net Position						
Employer Contributions	\$ 2,276,869	\$ 1,580,691	\$ 2,308,059	\$ 2,055,320	\$ 2,192,475	\$ 2,387,107
Net Investment Income	548,922	(59,984)	1,322,828	1,435,205	1,437,293	(2,383,567)
Benefit payments	(1,270,000)	(943,253)	(965,119)	(764,747)	(537,034)	(727,601)
Administrative expense	(25,632)	(35,280)	(43,068)	(52,315)	(68,678)	(70,267)
Other	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	1,530,159	542,174	2,622,700	2,673,463	3,024,056	(794,328)
Plan Fiduciary Net Position - Beginning	4,549,919	6,080,078	6,622,252	9,244,952	11,918,415	14,942,471
Plan Fiduciary Net Position - Ending (b)	\$ 6,080,078	\$ 6,622,252	\$ 9,244,952	\$ 11,918,415	\$ 14,942,471	\$ 14,148,143
Net OPEB Liability - Ending (a) - (b)	17,425,113	16,653,635	13,536,187	12,388,720	11,002,669	14,872,000
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	25.87%	28.45%	40.58%	49.03%	57.59%	48.75%
Covered Payroll	\$ 35,151,413	\$ 36,017,313	\$ 36,017,313	\$ 44,371,461	\$ 49,560,879	\$ 50,452,317
Net OPEB Liability as a Percentage of Covered Payroll	49.57%	46.24%	37.58%	27.92%	22.20%	29.48%

*The amounts presented for the City's current fiscal year were determined as of the plan's fiscal year end December 31.

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying notes to required supplementary information.

CITY OF CONROE, TEXAS*REQUIRED SUPPLEMENTARY INFORMATION**SCHEDULE OF CONTRIBUTIONS**OTHER POST EMPLOYMENT BENEFITS (OPEB)**LAST SIX FISCAL YEARS**

Year Ended	Actuarially	Contributions in	Contribution	Covered	Contributions
September 30	Determined	relation to the	deficiency	payroll	as a % of
	Contribution	actuarially	(excess)		covered
		determined			payroll
		contribution			
2018	\$ 1,945,680	\$ 2,520,944	\$ (575,264)	\$ 35,214,358	7.16%
2019	2,238,411	1,325,311	913,100	37,055,332	3.58%
2020	2,271,987	2,278,327	(6,340)	42,275,293	5.39%
2021	2,240,654	2,040,186	200,468	46,522,267	4.39%
2022	2,274,264	2,151,483	122,781	51,740,989	4.16%
2023	2,187,153	2,478,710	(291,557)	55,673,998	4.45%

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CITY OF CONROE, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

LAST NINE MEASUREMENT YEARS**

	Year Ended December 31,				
	2014	2015	2016	2017	2018
Total Pension Liability					
Service cost	\$ 3,488,323	\$ 4,033,744	\$ 4,454,682	\$ 4,510,555	\$ 4,537,535
Interest	7,342,819	7,807,423	8,039,127	8,644,965	9,164,980
Differences between expected and actual experience	(577,351)	302,517	1,168,367	(156,668)	(852,779)
Change of assumptions	-	(307,855)	-	-	-
Benefit payments, including refunds of employee contributions	(3,718,726)	(4,059,893)	(4,905,554)	(4,523,920)	(6,092,925)
Net Change in Total Pension Liability	6,535,065	7,775,936	8,756,622	8,474,932	6,756,811
Total Pension Liability - Beginning	105,012,620	111,547,685	119,323,621	128,080,243	136,555,175
Total Pension Liability - Ending (a)	<u>\$111,547,685</u>	<u>\$119,323,621</u>	<u>\$128,080,243</u>	<u>\$136,555,175</u>	<u>\$143,311,986</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 3,975,261	\$ 4,102,398	\$ 4,247,873	\$ 4,381,013	\$ 4,488,501
Contributions - Employee	1,625,218	1,742,976	1,848,416	1,873,821	1,907,672
Net Investment Income	4,842,663	134,753	6,297,154	13,942,787	(3,481,377)
Benefit payments, including refunds of employee contributions	(3,718,726)	(4,059,893)	(4,905,554)	(4,523,920)	(6,092,925)
Administrative expense	(50,554)	(82,069)	(71,095)	(72,229)	(67,247)
Other	(4,156)	(4,054)	(3,830)	(3,660)	(3,513)
Net Change in Plan Fiduciary Net Position	6,669,706	1,834,111	7,412,964	15,597,812	(3,248,889)
Plan Fiduciary Net Position - Beginning	84,643,780	91,313,486	93,147,597	100,560,561	116,158,373
Plan Fiduciary Net Position - Ending (b)	<u>\$ 91,313,486</u>	<u>\$ 93,147,597</u>	<u>\$100,560,561</u>	<u>\$116,158,373</u>	<u>\$112,909,484</u>
Net Pension Liability - Ending (a) - (b)	<u>20,234,199</u>	<u>26,176,024</u>	<u>27,519,682</u>	<u>20,396,802</u>	<u>30,402,502</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.86%	78.06%	78.51%	85.06%	78.79%
Covered Payroll	\$ 23,217,402	\$ 24,899,652	\$ 26,405,939	\$ 26,768,870	\$ 27,252,464
Net Pension Liability as a Percentage of Covered Payroll	87.15%	105.13%	104.22%	76.20%	111.56%

*The amounts presented for the City's current fiscal year were determined as of the plan's fiscal year end December 31.

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying notes to the required supplementary information.

CITY OF CONROE, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

LAST NINE MEASUREMENT YEARS**

	Year Ended December 31,			
	2019	2020	2021	2022
Total Pension Liability				
Service cost	\$ 4,871,384	\$ 5,735,930	\$ 5,999,454	\$ 6,690,877
Interest	9,671,065	10,358,964	11,142,126	12,006,842
Differences between expected and actual experience	5,530	1,121,324	1,435,823	4,458,488
Change of assumptions	334,579	-	-	-
Benefit payments, including refunds of employee contributions	(4,945,278)	(5,302,206)	(6,188,956)	(6,036,049)
Net Change in Total Pension Liability	9,937,280	11,914,012	12,388,447	17,120,158
Total Pension Liability - Beginning	143,311,986	153,249,266	165,163,278	177,551,725
Total Pension Liability - Ending (a)	\$ 153,249,266	\$ 165,163,278	\$ 177,551,725	\$ 194,671,883
Plan Fiduciary Net Position				
Contributions - Employer	\$ 4,723,696	\$ 5,473,603	\$ 5,715,438	\$ 6,336,056
Contributions - Employee	2,044,346	2,359,078	2,454,481	2,729,379
Net Investment Income	17,466,602	10,033,038	18,865,869	(12,081,987)
Benefit payments, including refunds of employee contributions	(4,945,278)	(5,302,206)	(6,188,956)	(6,036,049)
Administrative expense	(98,632)	(64,882)	(87,217)	(104,448)
Other	(2,963)	(2,531)	597	124,638
Net Change in Plan Fiduciary Net Position	19,187,771	12,496,100	20,760,212	(9,032,411)
Plan Fiduciary Net Position - Beginning	112,909,484	132,097,255	144,593,355	165,353,567
Plan Fiduciary Net Position - Ending (b)	\$ 132,097,255	\$ 144,593,355	\$ 165,353,567	\$ 156,321,156
Net Pension Liability - Ending (a) - (b)	21,152,011	20,569,923	12,198,158	38,350,727
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.20%	87.55%	93.13%	80.30%
Covered Payroll	\$ 29,204,937	\$ 33,701,117	\$ 35,064,019	\$ 38,991,124
Net Pension Liability as a Percentage of Covered Payroll	72.43%	61.04%	34.79%	98.36%

See accompanying notes to the required supplementary information.

CITY OF CONROE, TEXAS**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF CONTRIBUTIONS****TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)****LAST NINE FISCAL YEARS***

Year Ended September 30	Actuarially Determined Contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a % of covered payroll
2015	\$ 4,057,674	\$ 4,057,674	\$ -	\$ 24,365,506	16.7%
2016	4,393,653	4,393,653	-	27,183,590	16.2%
2017	4,333,658	4,333,658	-	26,618,956	16.3%
2018	4,457,729	4,457,729	-	27,125,922	16.4%
2019	4,607,864	4,607,864	-	28,376,759	16.2%
2020	5,154,745	5,154,745	-	31,773,357	16.2%
2021	5,615,134	5,615,134	-	34,480,055	16.3%
2022	6,230,120	6,230,120	-	38,308,387	16.3%
2023	6,602,228	6,602,228	-	41,299,897	16.0%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying notes to the required supplementary information.

CITY OF CONROE, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

CONROE FIRE FIGHTERS' RELIEF AND RETIREMENT FUND

LAST NINE MEASUREMENT YEARS*

	Year Ended September 30,				
	2015	2016	2017	2018	2019
Total Pension Liability					
Service cost	\$ 1,310,699	\$ 1,591,635	\$ 1,714,987	\$ 1,729,454	\$ 1,764,718
Interest	2,703,863	2,803,599	3,080,627	3,309,384	3,737,971
Difference between expected and actual experience	-	1,819,271	-	901,136	(1,128,128)
Changes in assumptions	-	(966,892)	-	(262,049)	27,019,267
Benefit payments, including refunds of member contributions	(1,333,500)	(1,500,407)	(1,880,802)	(1,771,906)	(2,053,081)
Net Change in Total Pension Liability	2,681,062	3,747,206	2,914,812	3,906,019	29,340,747
Total Pension Liability - Beginning	34,244,607	36,925,669	40,672,875	43,587,687	47,493,706
Total Pension Liability - Ending (a)	<u>\$ 36,925,669</u>	<u>\$ 40,672,875</u>	<u>\$ 43,587,687</u>	<u>\$ 47,493,706</u>	<u>\$ 76,834,453</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 1,102,093	\$ 1,194,547	\$ 1,386,732	\$ 1,315,771	\$ 1,425,194
Contributions - member	972,779	1,054,387	1,049,846	1,161,385	1,257,969
Net Investment Income	(626,136)	2,052,206	1,891,994	1,770,185	718,686
Benefit payments, including refunds of member contributions	(1,333,500)	(1,500,407)	(1,880,802)	(1,771,906)	(2,053,081)
Administrative expense	(99,850)	(96,019)	(85,583)	(100,190)	(94,113)
Net Change in Plan Fiduciary Net Position	15,386	2,704,714	2,362,187	2,375,245	1,254,655
Plan Fiduciary Net Position - Beginning	19,188,448	19,203,834	21,908,548	24,270,735	26,645,980
Plan Fiduciary Net Position - Ending (b)	<u>\$ 19,203,834</u>	<u>\$ 21,908,548</u>	<u>\$ 24,270,735</u>	<u>\$ 26,645,980</u>	<u>\$ 27,900,635</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 17,721,835</u>	<u>\$ 18,764,327</u>	<u>\$ 19,316,952</u>	<u>\$ 20,847,726</u>	<u>\$ 48,933,818</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	52.01%	53.87%	55.68%	56.10%	36.31%
Covered Payroll	\$ 7,347,278	\$ 8,401,284	\$ 8,326,520	\$ 8,771,792	\$ 9,501,282
Net Pension Liability as a Percentage of Covered Payroll	241.20%	223.35%	231.99%	237.67%	515.02%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying notes to the required supplementary information.

CITY OF CONROE, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

CONROE FIRE FIGHTERS' RELIEF AND RETIREMENT FUND

LAST NINE MEASUREMENT YEARS*

	Year Ended September 30,			
	2020	2021	2022	2023
Total Pension Liability				
Service cost	\$ 3,718,384	\$ 3,717,938	\$ 4,303,239	\$ 2,893,153
Interest	3,667,552	3,997,497	4,148,936	5,087,137
Difference between expected and actual experience	(871,327)	-	4,253,549	-
Changes in assumptions	(7,152,741)	(1,830,559)	(18,788,682)	-
Benefit payments, including refunds of member contributions	(2,337,182)	(1,993,354)	(3,296,326)	(2,194,244)
Net Change in Total Pension Liability	(2,975,314)	3,891,522	(9,379,284)	5,786,046
Total Pension Liability - Beginning	76,834,453	73,859,139	77,750,661	68,371,377
Total Pension Liability - Ending (a)	\$ 73,859,139	\$ 77,750,661	\$ 68,371,377	\$ 74,157,423
Plan Fiduciary Net Position				
Contributions - employer	\$ 1,747,998	\$ 1,987,931	\$ 2,342,147	\$ 2,404,683
Contributions - member	1,542,898	1,754,680	2,223,971	2,288,066
Net Investment Income	1,240,367	6,140,840	(4,491,921)	4,656,104
Benefit payments, including refunds of member contributions	(2,337,182)	(1,993,354)	(3,296,326)	(2,194,244)
Administrative expense	(82,623)	(90,749)	(80,241)	(131,197)
Net Change in Plan Fiduciary Net Position	2,111,458	7,799,348	(3,302,370)	7,023,412
Plan Fiduciary Net Position - Beginning	27,900,635	30,012,093	37,811,441	34,509,071
Plan Fiduciary Net Position - Ending (b)	\$ 30,012,093	\$ 37,811,441	\$ 34,509,071	\$ 41,532,483
Net Pension Liability - Ending (a) - (b)	\$ 43,847,046	\$ 39,939,220	\$ 33,862,306	\$ 32,624,940
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	40.63%	48.63%	50.47%	56.01%
Covered Payroll	\$ 11,653,307	\$ 13,252,874	\$ 14,464,856	\$ 14,761,713
Net Pension Liability as a Percentage of Covered Payroll	376.26%	301.36%	234.10%	221.01%

See accompanying notes to the required supplementary information.

CITY OF CONROE, TEXAS*REQUIRED SUPPLEMENTARY INFORMATION**SCHEDULE OF CONTRIBUTIONS**CONROE FIRE FIGHTERS' RELIEF AND RETIREMENT FUND**LAST NINE FISCAL YEARS**

Year Ended September 30	Actuarially Determined Contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a % of covered payroll
2015	\$ 1,102,093	\$ 1,102,093	\$ -	\$ 7,347,278	15.0%
2016	1,260,195	1,260,195	-	8,401,284	15.0%
2017	1,248,980	1,248,980	-	8,326,520	15.0%
2018	1,315,771	1,315,771	-	8,771,792	15.0%
2019	1,425,193	1,425,193	-	9,501,282	15.0%
2020	1,747,998	1,747,998	-	11,653,307	15.0%
2021	1,987,931	1,987,931	-	13,252,874	15.0%
2022	2,303,632	2,303,632	-	14,464,856	15.9%
2023	2,404,684	2,404,684	-	14,761,713	16.3%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying notes to the required supplementary information.

CITY OF CONROE, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
OPEB AND PENSIONS
SEPTEMBER 30, 2023

A. OPEB

Valuation date:	December 31, 2022
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Individual Entry Age Normal
Single Discount Rate	6.25% as of December 31, 2022
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS) and the assumptions used in Conroe Fire Fighters' Relief & Retirement Fund actuarial valuation as of December 31, 2021 (CFFR&RF). For the OPEB valuation, the standard retirement rates for firefighters were adjusted to reflect the impact of the City's retiree medical plan design.
Mortality	<p>TMRS: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables published through 2019 to account for future mortality improvements.</p> <p>CFFR&RF: For healthy retirees, the gender-distinct PubS-2010 Healthy Annuitant mortality tables are used. The rates are projected on a fully generational basis with Scale MP-2021.</p>
Healthcare Cost Trend Rates	Initial rates of 7.00% declining to an ultimate rate of 4.25% after 15 years.
Participation Rates	For employees retiring at age 50 or older, it was assumed that 95% of those who are eligible for the rule of 80 and 15% of those who are not eligible for the rule of 80 would choose to receive coverage through the City. No employees retiring before the age of 50 were assumed to elect coverage through the City.

CITY OF CONROE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

OPEB AND PENSIONS

SEPTEMBER 30, 2023

Conroe Fire Fighters' Relief and Retirement Fund:

Valuation date: December 31, 2021.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal														
Amortization Method	Open period, level percentage of pay														
Asset Valuation Method	September 30, 2022 fair value of assets.														
Investment Rate of Return	7.25% per annum (net of investment expenses)														
Salary Scale	The salary increase is based on years of service according to the following:														
	<table><tr><th><u>Years of Service</u></th><th><u>Salary Increase</u></th></tr><tr><td>0-4</td><td>8.50%</td></tr><tr><td>5-9</td><td>7.50%</td></tr><tr><td>10-14</td><td>5.50%</td></tr><tr><td>15-19</td><td>4.50%</td></tr><tr><td>20-24</td><td>4.50%</td></tr><tr><td>25+</td><td>3.50%</td></tr></table>	<u>Years of Service</u>	<u>Salary Increase</u>	0-4	8.50%	5-9	7.50%	10-14	5.50%	15-19	4.50%	20-24	4.50%	25+	3.50%
<u>Years of Service</u>	<u>Salary Increase</u>														
0-4	8.50%														
5-9	7.50%														
10-14	5.50%														
15-19	4.50%														
20-24	4.50%														
25+	3.50%														
General Inflation Rate	2.50% per annum														
Interest on Employee Contributions	2.50% per annum														
Contribution Rates	Rates in effect are assumed to remain constant for future years														
Mortality Rates	PubS-2010 Employee and Healthy Annuitant Mortality tables projected generationally with Scale MP-2021. For post-retirement spouse mortality, Pub-S2010 Healthy Annuitant (opposite gender) mortality projected generationally with Scale MP-2021.														
Termination Rates	0% to 6%														
Changes in Assumptions	Because the projected Net Fiduciary Position is projected to be sufficient to pay all projected benefits, this discount rate is now equal to the investment return assumption. This resulted in an increase in the discount rate from 5.16% to 7.25%. In addition, the longevity projection scale was updated from MP-2019 to MP-2021. There were no other changes in actuarial assumptions since the prior year valuation.														

Combined Statements & Budgetary Comparison Schedules



CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 4,140,310	\$ 18,113	\$ 1,603,667	\$ 5,762,090
Investments	13,030,276	-	80,171,609	93,201,885
Receivables (Net of Allowances for Uncollectibles):				
Accounts	801,853	-	11,023	812,876
Interest	-	-	26,163	26,163
Leases	123,893	-	-	123,893
Other	87,240	-	-	87,240
Due from Other Governments	1,342,242	-	-	1,342,242
TOTAL ASSETS	\$ 19,525,814	\$ 18,113	\$ 81,812,462	\$101,356,389
LIABILITIES				
Accounts Payable	\$ 687,737	\$ -	\$ 6,064,305	\$ 6,752,042
Other Payables	101,744	-	120,745	222,489
Retainage Payable	-	-	717,752	717,752
Due to Other Funds	540,630	-	-	540,630
Due to Other Governments	270,281	-	-	270,281
Customer Deposits	600	-	-	600
Unearned Revenue	7,199,296	-	-	7,199,296
TOTAL LIABILITIES	8,800,288	-	6,902,802	15,703,090
DEFERRED INFLOWS OF RESOURCES				
Lease Related	123,893	-	-	123,893
TOTAL DEFERRED INFLOWS OF RESOURCES	123,893	-	-	123,893
FUND BALANCES				
Restricted for:				
Special Revenue Funds	9,806,492	-	-	9,806,492
Debt Service	-	18,113	-	18,113
Capital Project Funds	-	-	67,012,564	67,012,564
Committed for:				
TIRZ #3-Property Tax Receipts	-	-	7,897,096	7,897,096
Woodlands Township Reg. Participation	623,267	-	-	623,267
Firearms Training Facility	171,874	-	-	171,874
TOTAL FUND BALANCES	10,601,633	18,113	74,909,660	85,529,406
TOTAL LIABILITIES AND FUND BALANCES	\$ 19,525,814	\$ 18,113	\$ 81,812,462	\$101,356,389

CITY OF CONROE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 2,931,003	\$ -	\$ -	\$ 2,931,003
Lease Income	100,551	-	-	100,551
Fines and Forfeitures	123,587	-	-	123,587
Intergovernmental	7,517,674	-	2,429,640	9,947,314
Investment Income	554,577	-	4,400,428	4,955,005
Net Change in Fair Value of Investments	-	-	(2,849)	(2,849)
Penalties and Interest	1,344	-	-	1,344
Miscellaneous Revenue	1,842,743	-	770	1,843,513
TOTAL REVENUES	<u>13,071,479</u>	<u>-</u>	<u>6,827,989</u>	<u>19,899,468</u>
EXPENDITURES				
Current:				
General Government				
Municipal Court	26,099	-	-	26,099
Building Operations	3,344,708	-	70,489	3,415,197
Transportation	1,316,605	-	-	1,316,605
Culture-Recreation	2,243,096	-	-	2,243,096
Non-Departmental	28,764	-	-	28,764
Public Safety - Police	45,085	-	-	45,085
Community Development	670,929	-	-	670,929
Parks				
Parks Operations	-	-	36,669	36,669
Debt Service:				
Interest and Fiscal Charges	-	618,050	-	618,050
Capital Outlay	5,462,419	-	41,291,991	46,754,410
TOTAL EXPENDITURES	<u>13,137,705</u>	<u>618,050</u>	<u>41,399,149</u>	<u>55,154,904</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(66,226)</u>	<u>(618,050)</u>	<u>(34,571,160)</u>	<u>(35,255,436)</u>
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	88,841	-	-	88,841
Transfers In	6,290,627	255,799	3,443,574	9,990,000
Transfers Out	(715,914)	(10,768,898)	(5,056,114)	(16,540,926)
TOTAL OTHER FINANCING SOURCES (USES)	<u>5,663,554</u>	<u>(10,513,099)</u>	<u>(1,612,540)</u>	<u>(6,462,085)</u>
Net Change in Fund Balances	5,597,328	(11,131,149)	(36,183,700)	(41,717,521)
Fund Balances at Beginning of Year	5,004,305	11,149,262	111,093,360	127,246,927
FUND BALANCES AT END OF YEAR	<u>\$ 10,601,633</u>	<u>\$ 18,113</u>	<u>\$ 74,909,660</u>	<u>\$ 85,529,406</u>

Special Revenue Funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Hotel/Motel Occupancy Tax – This fund was established per Texas Tax Code Chapter 352, to account for revenues primarily generated from hotel/motel occupancy tax and expenditures that serve the purpose of attracting visitors and promoting tourism.

Community Development Block Grant Entitlement – This fund is used to account for the revenues and expenditures of the Community Development Block Grant programs that are awarded by the U.S. Department of Housing and Urban Development.

Facilities Management – This fund accounts for rentals and expenditures related to the maintenance of the City's buildings.

Woodlands Township Regional Participation – This fund manages the activity of the agreement between The Woodlands Township and the City.

Longmire Creek Estates PID - This fund accounts for the revenues and expenditures of the Longmire Creek Estates Public Improvement District.

Wedgewood Falls PID - This fund accounts for the revenues and expenditures of the Wedgewood Falls Public Improvement District.

Shadow Lakes PID - This fund accounts for the revenues and expenditures of the Shadow Lakes Public Improvement District.

Firearms Training Facility – This fund accounts for monies from an agreement with the FBI to offset maintenance and operational costs of the City's firearms training facility.

Municipal Court Technology Fund – This fund was authorized under Texas Code of Criminal Procedure, Article 102.0172, for the purposes of financing the purchase of or to maintain technological enhancements for a municipal court or municipal court of record.

Municipal Court Building Security Fund – This fund was authorized under Texas Code of Criminal Procedure, Article 102.017 to account for fees collected and expended for purposes of defraying the costs of courthouse security.

Local Truancy Prevention & Diversion – This fund was authorized under Texas Code of Criminal Procedure, Article 133.125 and provides for a fee to be assessed to defendants convicted of fine-only misdemeanor offenses in a justice court, county court, or county court at law. The funds may only be used for the salary and benefits of a juvenile case manager.

Municipal Court Efficiency Fee – This fund was authorized under Texas Local Government Code, Section 133.103 and provides for a fee to be assessed and used for the efficiency of judicial administration.

Municipal Court Truancy Prevention – This fund was authorized under House Bill 2398 (84th Legislature) to account for the fines and expenditures related to a court appointed guardian ad litem to protect the interests of a child in truancy offense proceedings.

Municipal Jury Fund – This fund was authorized under Texas Local Government Code, Section 134.154 and provides for a fee to be used to fund juror reimbursements and otherwise finance jury services.

Time Payment Reimbursement Fee – This fund was authorized per Article 102.030 of the Code of Criminal Procedure and provides for a fee to be used for the purpose of improving the collection of outstanding court costs, fines, reimbursement fees, restitution, or improving the efficiency of administration of justice.

Animal Shelter Reserve – This fund was authorized under Texas Government Code, Chapter 791 and provides a reserve of funds to replace equipment necessary for the City's animal shelter.

Conroe Local Government Corporation – This blended component unit was created for the purpose of aiding, assisting, and acting on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the City, including the design, construction, equipping, and operation of the Hyatt Regency Conroe Hotel.

Grants – These funds were established to account for the transportation grant programs (CLFRF – American Rescue Act, section 5307, section 5310, section 5339, CARES Act – COVID 19, HGAC transit commuter bus service, and state funded) and disaster recovery grants (CDBG – GLO) applicable to the City.

CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2023

	Hotel/Motel Occupancy Tax Fund	Community Development Block Grant Entitlement	Facilities Management	Woodlands Township Regional Participation
ASSETS				
Cash and Cash Equivalents	\$ 671,670	\$ -	\$ 34,803	\$ 253,283
Investments	1,615,196	-	-	369,984
Receivables (Net of Allowances for Uncollectibles):				
Accounts	281,405	-	2,816	-
Leases	-	-	123,893	-
Other	-	86,948	-	-
Due from Other Governments	1,342,242	-	-	-
TOTAL ASSETS	<u>\$ 3,910,513</u>	<u>\$ 86,948</u>	<u>\$ 161,512</u>	<u>\$ 623,267</u>
LIABILITIES				
Accounts Payable	\$ 60,254	\$ 10,350	\$ 29,633	\$ -
Other Payables	8,134	-	7,386	-
Due to Other Funds	-	76,598	-	-
Due to Other Governments	270,281	-	-	-
Customer Deposits	-	-	600	-
Unearned Revenue	-	-	-	-
TOTAL LIABILITIES	<u>338,669</u>	<u>86,948</u>	<u>37,619</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Lease Related	-	-	123,893	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>123,893</u>	<u>-</u>
FUND BALANCES				
Restricted for:				
Special Revenue Funds	3,571,844	-	-	-
Committed for:				
Woodlands Township Reg. Participation	-	-	-	623,267
Firearms Training Facility	-	-	-	-
TOTAL FUND BALANCES	<u>3,571,844</u>	<u>-</u>	<u>-</u>	<u>623,267</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,910,513</u>	<u>\$ 86,948</u>	<u>\$ 161,512</u>	<u>\$ 623,267</u>

Longmire Creek Estates PID	Wedgewood Falls PID	Shadow Lakes PID	Firearms Training Facility	Municipal Court Technology Fund	Municipal Court Building Security Fund
\$ 71,949	\$ 266,412	\$ 91,056	\$ 171,874	\$ 130,432	\$ 23,779
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	292	-	-	-	-
-	-	-	-	-	-
<u>\$ 71,949</u>	<u>\$ 266,704</u>	<u>\$ 91,056</u>	<u>\$ 171,874</u>	<u>\$ 130,432</u>	<u>\$ 23,779</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	292	-	-	-	-
<u>-</u>	<u>292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
71,949	266,412	91,056	-	130,432	23,779
-	-	-	-	-	-
-	-	-	171,874	-	-
<u>71,949</u>	<u>266,412</u>	<u>91,056</u>	<u>171,874</u>	<u>130,432</u>	<u>23,779</u>
<u>\$ 71,949</u>	<u>\$ 266,704</u>	<u>\$ 91,056</u>	<u>\$ 171,874</u>	<u>\$ 130,432</u>	<u>\$ 23,779</u>

Continued

CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2023

	Local Truancy Prevention & Diversion	Municipal Court Efficiency Fee	Municipal Court Truancy Prevention	Municipal Jury Fund
ASSETS				
Cash and Cash Equivalents	\$ 20,018	\$ 198,193	\$ 27,746	\$ 2,221
Investments	-	-	-	-
Receivables (Net of Allowances for Uncollectibles):				
Accounts	-	-	-	-
Leases	-	-	-	-
Other	-	-	-	-
Due from Other Governments	-	-	-	-
TOTAL ASSETS	<u>\$ 20,018</u>	<u>\$ 198,193</u>	<u>\$ 27,746</u>	<u>\$ 2,221</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 1,235	\$ -
Other Payables	-	-	-	-
Due to Other Funds	-	-	-	-
Due to Other Governments	-	-	-	-
Customer Deposits	-	-	-	-
Unearned Revenue	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>1,235</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Lease Related	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for:				
Special Revenue Funds	20,018	198,193	26,511	2,221
Committed for:				
Woodlands Township Reg. Participation	-	-	-	-
Firearms Training Facility	-	-	-	-
TOTAL FUND BALANCES	<u>20,018</u>	<u>198,193</u>	<u>26,511</u>	<u>2,221</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,018</u>	<u>\$ 198,193</u>	<u>\$ 27,746</u>	<u>\$ 2,221</u>

Time Payment Reimbursement Fee	Animal Shelter Reserve	Conroe Local Government Corporation	CARES Act Funding (COVID 19)	HGAC Transit Commuter Bus Service	FY17 Section 5307 Grant
\$ 60,318	\$ 606,152	\$ 1,509,869	\$ -	\$ -	\$ -
-	206,863	3,035,875	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 60,318</u>	<u>\$ 813,015</u>	<u>\$ 4,545,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 15,000	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
60,318	813,015	4,530,744	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>60,318</u>	<u>813,015</u>	<u>4,530,744</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 60,318</u>	<u>\$ 813,015</u>	<u>\$ 4,545,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2023

	FY18 Section 5307 Grant	FY19 Section 5307 Grant	FY20 Section 5307 Grant	CDBG-Disaster Recovery GLO Grant - Hurricane Harvey
ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Receivables (Net of Allowances for Uncollectibles):				
Accounts	34,606	19,246	3,547	1,400
Leases	-	-	-	-
Other	-	-	-	-
Due from Other Governments	-	-	-	-
TOTAL ASSETS	<u>\$ 34,606</u>	<u>\$ 19,246</u>	<u>\$ 3,547</u>	<u>\$ 1,400</u>
LIABILITIES				
Accounts Payable	\$ 29,574	\$ 15,406	\$ -	\$ -
Other Payables	-	-	-	-
Due to Other Funds	5,032	3,840	3,547	1,400
Due to Other Governments	-	-	-	-
Customer Deposits	-	-	-	-
Unearned Revenue	-	-	-	-
TOTAL LIABILITIES	<u>34,606</u>	<u>19,246</u>	<u>3,547</u>	<u>1,400</u>
DEFERRED INFLOWS OF RESOURCES				
Lease Related	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for:				
Special Revenue Funds	-	-	-	-
Committed for:				
Woodlands Township Reg. Participation	-	-	-	-
Firearms Training Facility	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 34,606</u>	<u>\$ 19,246</u>	<u>\$ 3,547</u>	<u>\$ 1,400</u>

CLFRF - American Rescue Act	CDBG_MIT Regional Method of Distribution Program	FY18 Section 5310 Grant	FY19-20 Section 5310 Grant	State Public Transportation Grant	Total
\$ 535	\$ -	\$ -	\$ -	\$ -	\$ 4,140,310
7,802,358	-	-	-	-	13,030,276
-	414,680	6,562	37,591	-	801,853
-	-	-	-	-	123,893
-	-	-	-	-	87,240
-	-	-	-	-	1,342,242
<u>\$ 7,802,893</u>	<u>\$ 414,680</u>	<u>\$ 6,562</u>	<u>\$ 37,591</u>	<u>\$ -</u>	<u>\$ 19,525,814</u>
\$ 517,665	\$ 8,620	\$ -	\$ -	\$ -	\$ 687,737
86,224	-	-	-	-	101,744
-	406,060	6,562	37,591	-	540,630
-	-	-	-	-	270,281
-	-	-	-	-	600
7,199,004	-	-	-	-	7,199,296
<u>7,802,893</u>	<u>414,680</u>	<u>6,562</u>	<u>37,591</u>	<u>-</u>	<u>8,800,288</u>
-	-	-	-	-	123,893
-	-	-	-	-	123,893
-	-	-	-	-	9,806,492
-	-	-	-	-	623,267
-	-	-	-	-	171,874
-	-	-	-	-	10,601,633
<u>\$ 7,802,893</u>	<u>\$ 414,680</u>	<u>\$ 6,562</u>	<u>\$ 37,591</u>	<u>\$ -</u>	<u>\$ 19,525,814</u>

Concluded

CITY OF CONROE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Hotel/Motel Occupancy Tax Fund	Community Development Block Grant Entitlement	Facilities Management	Woodlands Township Regional Participation
REVENUES				
Taxes	\$ 2,931,003	\$ -	\$ -	\$ -
Lease Income	-	-	100,551	-
Fines and Forfeitures	-	-	-	-
Intergovernmental	-	302,227	-	86,194
Investment Income	66,139	-	-	15,915
Penalties and Interest	-	-	-	-
Miscellaneous Revenue	1,342,242	-	-	-
TOTAL REVENUES	<u>4,339,384</u>	<u>302,227</u>	<u>100,551</u>	<u>102,109</u>
EXPENDITURES				
Current:				
General Government				
Municipal Court	-	-	-	-
Building Operations	-	-	1,188,597	-
Transportation	-	-	-	-
Culture-Recreation	2,243,096	-	-	-
Non-Departmental	-	-	-	-
Public Safety - Police	-	-	-	-
Community Development	-	176,249	-	-
Capital Outlay	9,849	-	12,192	-
TOTAL EXPENDITURES	<u>2,252,945</u>	<u>176,249</u>	<u>1,200,789</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,086,439</u>	<u>125,978</u>	<u>(1,100,238)</u>	<u>102,109</u>
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	-	-	-	-
Transfers In	12,022	-	1,144,981	-
Transfers Out	(32,463)	(125,978)	(2,495)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(20,441)</u>	<u>(125,978)</u>	<u>1,142,486</u>	<u>-</u>
Net Change in Fund Balances	2,065,998	-	42,248	102,109
Fund Balances at Beginning of Year	1,505,846	-	(42,248)	521,158
FUND BALANCES AT END OF YEAR	<u>\$ 3,571,844</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 623,267</u>

Longmire Creek Estates PID	Wedgewood Falls PID	Shadow Lakes PID	Firearms Training Facility	Municipal Court Technology Fund	Municipal Court Building Security Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	29,387	35,103
-	-	-	47,387	-	-
-	-	-	-	-	-
198	271	875	-	-	-
88,082	218,469	193,950	-	-	-
<u>88,280</u>	<u>218,740</u>	<u>194,825</u>	<u>47,387</u>	<u>29,387</u>	<u>35,103</u>
-	-	-	-	-	-
-	-	-	-	19,219	1,435
-	-	-	-	-	-
-	-	-	-	-	-
5,795	11,793	11,176	-	-	-
-	-	-	9,887	-	-
-	-	-	-	-	-
-	-	-	-	36,004	-
<u>5,795</u>	<u>11,793</u>	<u>11,176</u>	<u>9,887</u>	<u>55,223</u>	<u>1,435</u>
-	-	-	-	-	-
82,485	206,947	183,649	37,500	(25,836)	33,668
-	-	-	-	-	-
-	-	-	-	-	-
(58,780)	(118,766)	(168,557)	-	-	(27,446)
<u>(58,780)</u>	<u>(118,766)</u>	<u>(168,557)</u>	<u>-</u>	<u>-</u>	<u>(27,446)</u>
23,705	88,181	15,092	37,500	(25,836)	6,222
48,244	178,231	75,964	134,374	156,268	17,557
<u>\$ 71,949</u>	<u>\$ 266,412</u>	<u>\$ 91,056</u>	<u>\$ 171,874</u>	<u>\$ 130,432</u>	<u>\$ 23,779</u>

Continued

CITY OF CONROE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Local Truancy Prevention & Diversion	Municipal Court Efficiency Fee	Municipal Court Truancy Prevention	Municipal Jury Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Lease Income	-	-	-	-
Fines and Forfeitures	36,046	556	823	688
Intergovernmental	-	-	-	-
Investment Income	-	-	-	-
Penalties and Interest	-	-	-	-
Miscellaneous Revenue	-	-	-	-
TOTAL REVENUES	<u>36,046</u>	<u>556</u>	<u>823</u>	<u>688</u>
EXPENDITURES				
Current:				
General Government				
Municipal Court	-	-	5,445	-
Building Operations	-	-	-	-
Transportation	-	-	-	-
Culture-Recreation	-	-	-	-
Non-Departmental	-	-	-	-
Public Safety - Police	-	-	-	-
Community Development	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>5,445</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>36,046</u>	<u>556</u>	<u>(4,622)</u>	<u>688</u>
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	(32,750)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(32,750)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	3,296	556	(4,622)	688
Fund Balances at Beginning of Year	16,722	197,637	31,133	1,533
FUND BALANCES AT END OF YEAR	<u>\$ 20,018</u>	<u>\$ 198,193</u>	<u>\$ 26,511</u>	<u>\$ 2,221</u>

Time Payment Reimbursement Fee	Animal Shelter Reserve	Conroe Local Government Corporation	CARES Act Funding (COVID 19)	HGAC Transit Commuter Bus Service	FY17 Section 5307 Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
20,984	-	-	-	-	-
-	179,400	-	337,606	194,659	253,803
-	6,862	53,231	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>20,984</u>	<u>186,262</u>	<u>53,231</u>	<u>337,606</u>	<u>194,659</u>	<u>253,803</u>
-	-	-	-	-	-
-	-	2,156,111	-	-	-
-	-	-	337,606	194,659	235,232
-	-	-	-	-	-
-	35,198	-	-	-	-
-	-	-	-	-	-
-	49,442	-	-	-	-
<u>-</u>	<u>84,640</u>	<u>2,156,111</u>	<u>337,606</u>	<u>194,659</u>	<u>235,232</u>
-	-	-	-	-	-
<u>20,984</u>	<u>101,622</u>	<u>(2,102,880)</u>	<u>-</u>	<u>-</u>	<u>18,571</u>
-	88,841	-	-	-	-
-	-	5,133,624	-	-	-
-	-	-	-	-	(18,571)
<u>-</u>	<u>88,841</u>	<u>5,133,624</u>	<u>-</u>	<u>-</u>	<u>(18,571)</u>
-	-	-	-	-	-
20,984	190,463	3,030,744	-	-	-
39,334	622,552	1,500,000	-	-	-
<u>\$ 60,318</u>	<u>\$ 813,015</u>	<u>\$ 4,530,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

CITY OF CONROE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	FY18 Section 5307 Grant	FY19 Section 5307 Grant	FY20 Section 5307 Grant	CDBG-Disaster Recovery GLO Grant - Hurricane Harvey
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Lease Income	-	-	-	-
Fines and Forfeitures	-	-	-	-
Intergovernmental	96,829	112,012	112,958	-
Investment Income	-	-	-	-
Penalties and Interest	-	-	-	-
Miscellaneous Revenue	-	-	-	-
TOTAL REVENUES	<u>96,829</u>	<u>112,012</u>	<u>112,958</u>	<u>-</u>
EXPENDITURES				
Current:				
General Government				
Municipal Court	-	-	-	-
Building Operations	-	-	-	-
Transportation	62,327	89,694	57,289	-
Culture-Recreation	-	-	-	-
Non-Departmental	-	-	-	-
Public Safety - Police	-	-	-	-
Community Development	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>62,327</u>	<u>89,694</u>	<u>57,289</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>34,502</u>	<u>22,318</u>	<u>55,669</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	(34,502)	(22,318)	(55,669)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(34,502)</u>	<u>(22,318)</u>	<u>(55,669)</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-
Fund Balances at Beginning of Year	-	-	-	-
FUND BALANCES AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CLFRF - American Rescue Act	CDBG_MIT Regional Method of Distribution Program	FY18 Section 5310 Grant	FY19-20 Section 5310 Grant	State Public Transportation Grant	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,931,003
-	-	-	-	-	100,551
-	-	-	-	-	123,587
5,022,502	414,680	63,065	207,005	87,347	7,517,674
412,430	-	-	-	-	554,577
-	-	-	-	-	1,344
-	-	-	-	-	1,842,743
<u>5,434,932</u>	<u>414,680</u>	<u>63,065</u>	<u>207,005</u>	<u>87,347</u>	<u>13,071,479</u>
-	-	-	-	-	26,099
-	-	-	-	-	3,344,708
-	-	45,446	207,005	87,347	1,316,605
-	-	-	-	-	2,243,096
-	-	-	-	-	28,764
-	-	-	-	-	45,085
80,000	414,680	-	-	-	670,929
<u>5,354,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,462,419</u>
<u>5,434,932</u>	<u>414,680</u>	<u>45,446</u>	<u>207,005</u>	<u>87,347</u>	<u>13,137,705</u>
-	-	17,619	-	-	(66,226)
-	-	-	-	-	88,841
-	-	-	-	-	6,290,627
-	-	(17,619)	-	-	(715,914)
<u>-</u>	<u>-</u>	<u>(17,619)</u>	<u>-</u>	<u>-</u>	<u>5,663,554</u>
-	-	-	-	-	5,597,328
-	-	-	-	-	5,004,305
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,601,633</u>
<i>Concluded</i>					

CITY OF CONROE, TEXAS
HOTEL/MOTEL OCCUPANCY TAX FUND
SPECIAL REVENUE FUND
BUDGET COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,515,164	\$ 2,515,164	\$ 2,931,003	\$ 415,839
Investment Income	3,197	3,197	66,139	62,942
Miscellaneous Revenue	-	-	1,342,242	1,342,242
TOTAL REVENUES	<u>2,518,361</u>	<u>2,518,361</u>	<u>4,339,384</u>	<u>1,821,023</u>
EXPENDITURES				
General Government				
Culture-Recreation	2,565,620	2,555,620	2,243,096	312,524
Capital Outlay	-	10,000	9,849	151
TOTAL EXPENDITURES	<u>2,565,620</u>	<u>2,565,620</u>	<u>2,252,945</u>	<u>312,675</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(47,259)</u>	<u>(47,259)</u>	<u>2,086,439</u>	<u>2,133,698</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	12,022	12,022
Transfers Out	(224,097)	(224,097)	(32,463)	191,634
TOTAL OTHER FINANCING SOURCES (USES)	<u>(224,097)</u>	<u>(224,097)</u>	<u>(20,441)</u>	<u>203,656</u>
Net Change in Fund Balance	<u>(271,356)</u>	<u>(271,356)</u>	<u>2,065,998</u>	<u>2,337,354</u>
Fund Balance at Beginning of Year	<u>1,505,846</u>	<u>1,505,846</u>	<u>1,505,846</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ 1,234,490</u></u>	<u><u>\$ 1,234,490</u></u>	<u><u>\$ 3,571,844</u></u>	<u><u>\$ 2,337,354</u></u>

CITY OF CONROE, TEXAS**COMMUNITY DEVELOPMENT BLOCK GRANT ENTITLEMENT****SPECIAL REVENUE FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 1,180,168	\$ 1,180,168	\$ 302,227	\$ (877,941)
TOTAL REVENUES	<u>1,180,168</u>	<u>1,180,168</u>	<u>302,227</u>	<u>(877,941)</u>
EXPENDITURES				
Current:				
General Government				
Community Development	1,057,168	1,057,168	176,249	880,919
TOTAL EXPENDITURES	<u>1,057,168</u>	<u>1,057,168</u>	<u>176,249</u>	<u>880,919</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>123,000</u>	<u>123,000</u>	<u>125,978</u>	<u>2,978</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(123,000)	(123,000)	(125,978)	(2,978)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(123,000)</u>	<u>(123,000)</u>	<u>(125,978)</u>	<u>(2,978)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance at Beginning of Year	-	-	-	-
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF CONROE, TEXAS

FACILITIES MANAGEMENT

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Lease Income	\$ 186,806	\$ 186,806	\$ 100,551	\$ (86,255)
TOTAL REVENUES	<u>186,806</u>	<u>186,806</u>	<u>100,551</u>	<u>(86,255)</u>
EXPENDITURES				
Current:				
General Government				
Building Operations	1,033,765	1,209,561	1,188,597	20,964
Capital Outlay	-	12,192	12,192	-
TOTAL EXPENDITURES	<u>1,033,765</u>	<u>1,221,753</u>	<u>1,200,789</u>	<u>20,964</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(846,959)</u>	<u>(1,034,947)</u>	<u>(1,100,238)</u>	<u>(65,291)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	852,421	1,028,217	1,144,981	116,764
Transfers Out	(2,495)	(2,495)	(2,495)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>849,926</u>	<u>1,025,722</u>	<u>1,142,486</u>	<u>116,764</u>
Net Change in Fund Balance	2,967	(9,225)	42,248	51,473
Fund Balance at Beginning of Year	(42,248)	(42,248)	(42,248)	-
FUND BALANCE AT END OF YEAR	<u>\$ (39,281)</u>	<u>\$ (51,473)</u>	<u>\$ -</u>	<u>\$ 51,473</u>

Debt Service Funds are used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Funds are restricted to signify the amounts are exclusively for debt service expenditures.

Convention Center Debt Service Fund – This fund is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on the City's Certificates of Obligation, Series 2021A issued for the construction of the convention center.

Conroe Local Government Corporation Debt Service Fund – This fund is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on the hotel revenue bonds issued to construct the hotel for the City through the Conroe Local Government Corporation. This fund was closed and incorporated with the CLGC Hotel fund, which is an enterprise fund in fiscal year 2023.

CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
SEPTEMBER 30, 2023

	Convention Center Debt Service Fund	Conroe Local Government Corporation Debt Service	Total Nonmajor Debt Service Funds
ASSETS			
Cash and Cash Equivalents	\$ 18,113	\$ -	\$ 18,113
Investments	-	-	-
Restricted Investments	-	-	-
TOTAL ASSETS	<u>\$ 18,113</u>	<u>\$ -</u>	<u>\$ 18,113</u>
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted for:			
Debt Service	<u>18,113</u>	<u>-</u>	<u>18,113</u>
TOTAL FUND BALANCES	<u>18,113</u>	<u>-</u>	<u>18,113</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 18,113</u>	<u>\$ -</u>	<u>\$ 18,113</u>

CITY OF CONROE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR DEBT SERVICE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Convention Center Debt Service Fund	Conroe Local Government Corporation Debt Service	Total Nonmajor Debt Service Funds
REVENUES			
Investment Income	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Debt Service:			
Interest and Fiscal Charges	618,050	-	618,050
TOTAL EXPENDITURES	<u>618,050</u>	<u>-</u>	<u>618,050</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(618,050)</u>	<u>-</u>	<u>(618,050)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	255,799	-	255,799
Transfers Out	-	(10,768,898)	(10,768,898)
TOTAL OTHER FINANCING SOURCES (USES)	<u>255,799</u>	<u>(10,768,898)</u>	<u>(10,513,099)</u>
Net Change in Fund Balances	<u>(362,251)</u>	<u>(10,768,898)</u>	<u>(11,131,149)</u>
Fund Balances at Beginning of Year	380,364	10,768,898	11,149,262
FUND BALANCES AT END OF YEAR	<u>\$ 18,113</u>	<u>\$ -</u>	<u>\$ 18,113</u>

CITY OF CONROE, TEXAS

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 16,081,678	\$ 16,081,678	\$ 15,520,710	\$ (560,968)
Investment Income	99,785	99,785	514,822	415,037
Net Change in Fair Value of Investments	-	-	(3,304)	(3,304)
Penalties and Interest	96,759	96,759	98,055	1,296
TOTAL REVENUES	<u>16,278,222</u>	<u>16,278,222</u>	<u>16,130,283</u>	<u>(147,939)</u>
EXPENDITURES				
Debt Service:				
Principal Retirement	12,610,000	13,200,000	13,200,000	-
Interest and Fiscal Charges	11,907,118	11,907,118	10,873,077	1,034,041
Bond Issuance Costs	-	453,124	453,123	1
TOTAL EXPENDITURES	<u>24,517,118</u>	<u>25,560,242</u>	<u>24,526,200</u>	<u>1,034,042</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,238,896)</u>	<u>(9,282,020)</u>	<u>(8,395,917)</u>	<u>886,103</u>
OTHER FINANCING SOURCES (USES)				
Premium on Bonds Issued	-	453,124	453,123	(1)
Transfers In	8,183,297	8,183,297	8,183,297	-
Transfers Out	-	(228,938)	(228,937)	1
TOTAL OTHER FINANCING SOURCES (USES)	<u>8,183,297</u>	<u>8,407,483</u>	<u>8,407,483</u>	<u>-</u>
Net Change in Fund Balance	(55,599)	(874,537)	11,566	886,103
Fund Balance at Beginning of Year	11,051,778	11,051,778	11,051,778	-
FUND BALANCE AT END OF YEAR	<u>\$ 10,996,179</u>	<u>\$ 10,177,241</u>	<u>\$ 11,063,344</u>	<u>\$ 886,103</u>

Capital Projects Funds are used to account for bond sale proceeds and other revenues which are used for the construction and acquisition of major capital projects of the City.

Transportation Grants CIP Fund – This fund is used to account for capital projects related to design, construction and improvement of transportation infrastructure funded primarily with grant proceeds.

CIDC Sales Tax Revenue Bonds, Series 2019 CIP Fund – This fund is used to account for the construction and acquisition of roads, streets and bridges and water, sewer and drainage improvements and related improvements to serve the Conroe Park North Industrial Park within the City of Conroe.

Certificates of Obligation, Series 2018A CIP Fund – This fund is used to account for financial resources related to design, planning, acquisition, construction, equipping, expansion, repair, renovation, and/or rehabilitation of capital projects of the City.

Certificates of Obligation, Series 2019A CIP Fund – This fund for the design, construction, improvement, and rehabilitation of City-wide streets and roadways, railroad crossing upgrades, sidewalks and pedestrian access facilities, park and recreation improvements, City-wide traffic signal repairs and upgrades, Conroe Police Department Training and Classroom Building and gun range, City-wide flood protection and drainage improvements, and a new community center building.

Convention Center CIP Fund – This fund is used to account for the design and construction of a Convention Center.

Certificates of Obligation, Series 2020B CIP Fund – This fund is used for the design, planning, acquisition, construction, equipping, expansion, repair, renovation, and/or rehabilitation of certain public works.

Certificates of Obligation, Series 2021B CIP Fund – This fund is used for the design, planning, acquisition, construction, equipping, expansion, repair, renovation, and/or rehabilitation of certain public works.

Certificates of Obligation, Series 2022A CIP Fund – This fund is used for the design, construction and equipment of a new 80,000 sq. ft. community center and related infrastructure to be located on land owned by the City at 710 Foster Drive on approximately 25 acres in Conroe, Texas.

Certificates of Obligation, Series 2022B CIP Fund (major fund) – This fund is used for the design, planning, acquisition, construction, equipping, expansion, repair, renovation, and/or rehabilitation of City streets, signal systems, facilities, parks, and drainage.

Hotel & Convention Center CIDC Loan – This fund is used to account for the CIDC Loan for design and construction of a Hotel & Convention Center.

Tax Increment Reinvestment Zone 3 – This fund was established in 2001 to generate money for street improvements in the zone to serve an expected surge in housing starts. All property tax revenues that are generated by increased values in the zone that are above the base value when the TIRZ was created will be deposited to this fund. The funds will be used to support the debt service payments on certificates of obligation issued for improvements in the TIRZ.

CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2023

	Transportation Grants CIP Fund	CIDC Sales Tax Revenue Bonds, Series 2019 CIP Fund	Certificates of Obligation, Series 2018A CIP Fund	Certificates of Obligation, Series 2019A CIP Fund
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 233	\$ 7,070	\$ 197,895
Investments	-	3,421,596	9,198,430	7,868,425
Receivables (net of allowances for uncollectibles):				
Accounts	-	-	-	-
Interest	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 3,421,829</u>	<u>\$ 9,205,500</u>	<u>\$ 8,066,320</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 399,256	\$ 688,172	\$ 441,471
Other Payables	-	120,745	-	-
Retainage Payable	-	-	220,717	-
TOTAL LIABILITIES	<u>-</u>	<u>520,001</u>	<u>908,889</u>	<u>441,471</u>
FUND BALANCES				
Restricted for:				
Capital Project Funds	-	2,901,828	8,296,611	7,624,849
Committed for:				
TIRZ #3-Property Tax Receipts	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>2,901,828</u>	<u>8,296,611</u>	<u>7,624,849</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 3,421,829</u>	<u>\$ 9,205,500</u>	<u>\$ 8,066,320</u>

Convention Center CIP Fund	Certificates of Obligation, Series 2020B CIP Fund	Certificates of Obligation, Series 2021B CIP Fund	Certificates of Obligation, Series 2022A CIP Fund	Hotel & Convention Center CIDC Loan	Tax Incr Reinv. Zone 3	Total Nonmajor Capital Projects Funds
\$ 310,431 1,160,484	\$ 109 6,788,863	\$ 362,796 10,004,347	\$ 320 33,054,488	\$ 724,760 804,096	\$ 53 7,870,880	\$ 1,603,667 80,171,609
-	-	11,023	-	-	-	11,023
-	-	-	-	-	26,163	26,163
<u>\$ 1,470,915</u>	<u>\$ 6,788,972</u>	<u>\$ 10,378,166</u>	<u>\$ 33,054,808</u>	<u>\$ 1,528,856</u>	<u>\$ 7,897,096</u>	<u>\$ 81,812,462</u>
\$ 415,877 - 128,551 544,428	\$ 251,472 - - 251,472	\$ 778,754 - 67,526 846,280	\$ 2,118,922 - 300,958 2,419,880	\$ 970,381 - - 970,381	\$ - - - -	\$ 6,064,305 120,745 717,752 6,902,802
926,487	6,537,500	9,531,886	30,634,928	558,475	-	67,012,564
-	-	-	-	-	7,897,096	7,897,096
<u>926,487</u>	<u>6,537,500</u>	<u>9,531,886</u>	<u>30,634,928</u>	<u>558,475</u>	<u>7,897,096</u>	<u>74,909,660</u>
<u>\$ 1,470,915</u>	<u>\$ 6,788,972</u>	<u>\$ 10,378,166</u>	<u>\$ 33,054,808</u>	<u>\$ 1,528,856</u>	<u>\$ 7,897,096</u>	<u>\$ 81,812,462</u>

CITY OF CONROE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Transportation Grants CIP Fund	CIDC Sales Tax Revenue Bonds, Series 2019 CIP Fund	Certificates of Obligation, Series 2018A CIP Fund	Certificates of Obligation, Series 2019A CIP Fund
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Investment Income	-	103,519	483,884	390,997
Net Change in Fair Value of Investments	-	-	-	-
Miscellaneous Revenue	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>103,519</u>	<u>483,884</u>	<u>390,997</u>
EXPENDITURES				
Current:				
General Government				
Building Operations	-	-	-	-
Parks Operations	-	-	-	-
Capital Outlay	326,575	3,191,037	3,806,056	1,877,307
TOTAL EXPENDITURES	<u>326,575</u>	<u>3,191,037</u>	<u>3,806,056</u>	<u>1,877,307</u>
Over (Under) Expenditures	<u>(326,575)</u>	<u>(3,087,518)</u>	<u>(3,322,172)</u>	<u>(1,486,310)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(326,575)</u>	<u>(3,087,518)</u>	<u>(3,322,172)</u>	<u>(1,486,310)</u>
Fund Balances at Beginning of Year	326,575	5,989,346	11,618,783	9,111,159
FUND BALANCES AT END OF YEAR	<u>\$ -</u>	<u>\$ 2,901,828</u>	<u>\$ 8,296,611</u>	<u>\$ 7,624,849</u>

Convention Center CIP Fund	Certificates of Obligation, Series 2020B CIP Fund	Certificates of Obligation, Series 2021B CIP Fund	Certificates of Obligation, Series 2022A CIP Fund	Hotel & Convention Center CIDC Loan	Tax Incr Reinv. Zone 3	Total Nonmajor Capital Projects Funds
\$ -	\$ -	\$ 11,023	\$ -	\$ -	\$ 2,418,617	\$ 2,429,640
257,366	338,889	698,017	1,624,120	225,214	278,422	4,400,428
-	-	-	-	-	(2,849)	(2,849)
770	-	-	-	-	-	770
<u>258,136</u>	<u>338,889</u>	<u>709,040</u>	<u>1,624,120</u>	<u>225,214</u>	<u>2,694,190</u>	<u>6,827,989</u>
-	-	70,489	-	-	-	70,489
-	-	-	36,669	-	-	36,669
<u>9,679,054</u>	<u>3,079,498</u>	<u>8,456,702</u>	<u>5,184,339</u>	<u>5,691,423</u>	<u>-</u>	<u>41,291,991</u>
<u>9,679,054</u>	<u>3,079,498</u>	<u>8,527,191</u>	<u>5,221,008</u>	<u>5,691,423</u>	<u>-</u>	<u>41,399,149</u>
<u>(9,420,918)</u>	<u>(2,740,609)</u>	<u>(7,818,151)</u>	<u>(3,596,888)</u>	<u>(5,466,209)</u>	<u>2,694,190</u>	<u>(34,571,160)</u>
-	-	-	7,493	-	3,436,081	3,443,574
-	-	-	-	-	(5,056,114)	(5,056,114)
-	-	-	<u>7,493</u>	-	<u>(1,620,033)</u>	<u>(1,612,540)</u>
(9,420,918)	(2,740,609)	(7,818,151)	(3,589,395)	(5,466,209)	1,074,157	(36,183,700)
<u>10,347,405</u>	<u>9,278,109</u>	<u>17,350,037</u>	<u>34,224,323</u>	<u>6,024,684</u>	<u>6,822,939</u>	<u>111,093,360</u>
<u>\$ 926,487</u>	<u>\$ 6,537,500</u>	<u>\$ 9,531,886</u>	<u>\$ 30,634,928</u>	<u>\$ 558,475</u>	<u>\$ 7,897,096</u>	<u>\$ 74,909,660</u>



Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

Fleet Services – This fund is used to account for the operations and maintenance of the City's vehicles and is financed through user charges.

Self-Funded Insurance – This fund is used to account for the group health insurance activities, including other health related benefits.

CITY OF CONROE, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2023

	Fleet Services	Self-Funded Insurance	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 151,029	\$ 419,273	\$ 570,302
Investments	-	5,287,381	5,287,381
Receivable (Net of Allowances for Uncollectibles):			
Accounts	34,698	-	34,698
Other	-	180,909	180,909
Inventories	173,761	-	173,761
Total Current Assets	359,488	5,887,563	6,247,051
Noncurrent Assets:			
Capital Assets (Net of Accumulated Depreciation)	275,038	-	275,038
Total Noncurrent Assets	275,038	-	275,038
TOTAL ASSETS	634,526	5,887,563	6,522,089
DEFERRED OUTFLOWS OF RESOURCES			
OPEB Contributions After Measurement Date	35,548	-	35,548
OPEB Other	82,810	-	82,810
Pension Contributions After Measurement Date	102,158	-	102,158
Pension Other	332,441	-	332,441
TOTAL DEFERRED OUTFLOWS OF RESOURCES	552,957	-	552,957
LIABILITIES			
Current Liabilities:			
Accounts Payable	152,504	166,160	318,664
Other Payables	43,271	4,266	47,537
Health Claims Liability	-	2,870,631	2,870,631
Compensated Absences	4,240	-	4,240
Total Current Liabilities	200,015	3,041,057	3,241,072
Noncurrent Liabilities, net of current portion			
Compensated Absences	168,915	-	168,915
Net OPEB Liability	312,312	-	312,312
Net Pension Liability	805,365	-	805,365
Total Noncurrent Liabilities	1,286,592	-	1,286,592
TOTAL LIABILITIES	1,486,607	3,041,057	4,527,664
DEFERRED INFLOWS OF RESOURCES			
OPEB Other	82,803	-	82,803
Pension Other	981	-	981
TOTAL DEFERRED INFLOWS OF RESOURCES	83,784	-	83,784
NET POSITION			
Net Investment in Capital Assets	275,038	-	275,038
Unrestricted	(657,946)	2,846,506	2,188,560
TOTAL NET POSITION	\$ (382,908)	\$ 2,846,506	\$ 2,463,598

CITY OF CONROE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - INTERNAL SERVICE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Fleet Services	Self-Funded Insurance	Total Internal Service Funds
OPERATING REVENUES			
Charges for Sales and Services	\$ 2,529,836	\$ 17,321,494	\$ 19,851,330
TOTAL OPERATING REVENUES	<u>2,529,836</u>	<u>17,321,494</u>	<u>19,851,330</u>
OPERATING EXPENSES			
Fleet Services	2,663,308	-	2,663,308
General Government	-	17,680,251	17,680,251
Depreciation	56,976	-	56,976
TOTAL OPERATING EXPENSES	<u>2,720,284</u>	<u>17,680,251</u>	<u>20,400,535</u>
Operating Income (Loss)	<u>(190,448)</u>	<u>(358,757)</u>	<u>(549,205)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Income	-	173,632	173,632
Miscellaneous Revenue	12,351	-	12,351
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>12,351</u>	<u>173,632</u>	<u>185,983</u>
Income (Loss) Before Transfers	<u>(178,097)</u>	<u>(185,125)</u>	<u>(363,222)</u>
Transfer Out	(7,558)	-	(7,558)
NET TRANSFERS	<u>(7,558)</u>	<u>-</u>	<u>(7,558)</u>
Change in Net Position	(185,655)	(185,125)	(370,780)
Net Position at Beginning of Year	(197,253)	3,031,631	2,834,378
NET POSITION AT END OF YEAR	<u>\$ (382,908)</u>	<u>\$ 2,846,506</u>	<u>\$ 2,463,598</u>

CITY OF CONROE, TEXAS

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Fleet Services Fund	Self-Funded Insurance	Total Internal Service Funds
Cash Flows from Operating Activities			
Receipts from Customers	\$ 2,537,238	\$ 17,291,074	\$ 19,828,312
Payments to Employees	(1,135,600)	-	(1,135,600)
Payments to Vendors	(1,515,293)	(15,348,881)	(16,864,174)
Net Cash Provided by (Used for) Operating Activities	<u>(113,655)</u>	<u>1,942,193</u>	<u>1,828,538</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers To Other Funds	(7,558)	-	(7,558)
Net Cash Used for Non-Capital Financing Activities	<u>(7,558)</u>	<u>-</u>	<u>(7,558)</u>
Cash Flows from Investing Activities:			
Purchase of Investments	-	(1,941,561)	(1,941,561)
Interest and Dividends on Investments	-	173,632	173,632
Net Cash Used for Investing Activities	<u>-</u>	<u>(1,767,929)</u>	<u>(1,767,929)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(121,213)	174,264	53,051
Cash and Cash Equivalents at Beginning of Year	272,242	245,009	517,251
Cash and Cash Equivalents at End of Year	<u>\$ 151,029</u>	<u>\$ 419,273</u>	<u>\$ 570,302</u>
Reconciliation of Operating Income (Loss) to Net Cash			
Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ (190,448)	\$ (358,757)	\$ (549,205)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation Expense	56,976	-	56,976
Changes in Assets and Liabilities:			
Decrease (Increase) in Receivables	7,402	(30,420)	(23,018)
Decrease (Increase) in Inventories	(8,907)	-	(8,907)
Increase (Decrease) in Payables	(4,878)	2,331,370	2,326,492
Increase (Decrease) in Compensated Absences	24,006	-	24,006
Increase (Decrease) in OPEB Liability (includes deferred amounts)	(27,175)	-	(27,175)
Increase (Decrease) in Net Pension Liability (includes deferred amounts)	29,369	-	29,369
Net Cash Provided by (Used for) Operating Activities	<u>\$ (113,655)</u>	<u>\$ 1,942,193</u>	<u>\$ 1,828,538</u>

Statistical Section



STATISTICAL SECTION

This part of the City of Conroe, Texas annual comprehensive 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 City's overall financial health.

Contents	Tables
Financial Trends	1-6
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	7-14
<i>These schedules present information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.</i>	
Debt Capacity	15-19
<i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	20-21
<i>These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.</i>	
Operating Information	22-26
<i>These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

CITY OF CONROE, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year		
	2014	2015	2016
Governmental Activities:			
Net Investment in Capital Assets	\$ 54,366,984	\$ 53,413,374	\$ 97,563,851
Restricted for:			
Severance Pay 2% Sinking Fund	-	-	-
Seized Assets	-	-	-
Red Light Cameras	-	-	-
State Cable Franchise 1% PEG Fee	-	-	-
Special Revenue Funds	-	-	-
Debt Service	10,623,507	12,178,899	11,401,030
Other Purposes	-	3,290,940	4,032,707
Unrestricted	46,836,093	(11,517,169)	(17,337,700)
Total Governmental Activities Net Position	<u>\$ 111,826,584</u>	<u>\$ 57,366,044</u>	<u>\$ 95,659,888</u>
Business-type Activities:			
Net Investment in Capital Assets	\$ 38,527,503	\$ 43,883,640	\$ 66,592,348
Restricted for:			
Pre-Opening	-	-	-
Debt Service	4,169,587	5,455,067	5,455,067
Unrestricted	15,274,317	12,468,751	3,414,929
Total Business-type Activities Net Position	<u>\$ 57,971,407</u>	<u>\$ 61,807,458</u>	<u>\$ 75,462,344</u>
Primary Government:			
Net Investment in Capital Assets	\$ 92,894,487	\$ 97,297,014	\$ 164,156,199
Restricted for:			
Severance Pay 2% Sinking Fund	-	-	-
Seized Assets	-	-	-
Red Light Cameras	-	-	-
State Cable Franchise 1% PEG Fee	-	-	-
Special Revenue Funds	-	-	-
Pre-Opening	-	-	-
Debt Service	14,793,094	17,633,966	16,856,097
Other Purposes	-	3,290,940	4,032,707
Unrestricted	62,110,410	951,582	(13,922,771)
Total Primary Government Net Position	<u>\$ 169,797,991</u>	<u>\$ 119,173,502</u>	<u>\$ 171,122,232</u>

Effective 2015, GASB 68 was implemented. Also, CIDC was determined to be a discrete component unit and is not included.

Effective 2018, GASB 75 was implemented for OPEB.

Effective 2021, component units were re-evaluated and CIDC was determined to be a blended component unit.

TABLE 1

Fiscal Year						
2017	2018	2019	2020	2021	2022	2023
\$ 96,191,181	\$ 103,697,091	\$ 105,543,177	\$ 128,071,934	\$ 65,468,012	\$ 78,667,164	\$ 104,835,120
-	24,599	25,886	28,455	36,423	37,543	38,221
-	1,025,255	1,647,201	2,163,747	1,666,889	1,670,775	1,824,051
-	353,663	303,683	303,683	254,183	254,183	254,183
-	449,544	560,187	609,785	540,799	526,949	642,181
-	3,557,935	3,981,048	4,153,844	26,667,923	35,742,843	38,465,303
11,386,141	10,589,482	10,837,081	11,052,026	29,119,843	27,045,851	16,115,815
-	-	-	-	-	-	-
(12,182,607)	(23,425,202)	(17,866,973)	(22,949,464)	23,917,787	32,633,420	42,774,510
<u>\$ 95,394,715</u>	<u>\$ 96,272,367</u>	<u>\$ 105,031,290</u>	<u>\$ 123,434,010</u>	<u>\$ 147,671,859</u>	<u>\$ 176,578,728</u>	<u>\$ 204,949,384</u>
\$ 60,403,915	\$ 62,490,423	\$ 66,615,544	\$ 74,805,045	\$ 83,415,048	\$ 94,235,705	\$ 99,038,426
-	-	-	-	-	-	234,958
5,779,189	5,000,982	5,119,774	4,506,405	4,509,470	2,890,297	8,625,638
13,757,251	16,037,500	12,945,174	17,618,295	23,258,333	28,954,603	39,510,476
<u>\$ 79,940,355</u>	<u>\$ 83,528,905</u>	<u>\$ 84,680,492</u>	<u>\$ 96,929,745</u>	<u>\$ 111,182,851</u>	<u>\$ 126,080,605</u>	<u>\$ 147,409,498</u>
\$ 156,595,096	\$ 166,187,514	\$ 172,158,721	\$ 202,876,979	\$ 148,883,060	\$ 172,902,869	\$ 203,873,546
-	24,599	25,886	28,455	36,423	37,543	38,221
-	1,025,255	1,647,201	2,163,747	1,666,889	1,670,775	1,824,051
-	353,663	303,683	303,683	254,183	254,183	254,183
-	449,544	560,187	609,785	540,799	526,949	642,181
-	3,557,935	3,981,048	4,153,844	26,667,923	35,742,843	38,465,303
-	-	-	-	-	-	234,958
17,165,330	15,590,464	15,956,855	15,558,431	33,629,313	29,936,148	24,741,453
-	-	-	-	-	-	-
1,574,644	(7,387,702)	(4,921,799)	(5,331,169)	47,176,120	61,588,023	82,284,986
<u>\$ 175,335,070</u>	<u>\$ 179,801,272</u>	<u>\$ 189,711,782</u>	<u>\$ 220,363,755</u>	<u>\$ 258,854,710</u>	<u>\$ 302,659,333</u>	<u>\$ 352,358,882</u>

TABLE 2

CITY OF CONROE, TEXAS
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expenses										
Governmental Activities:										
General Government	\$ 11,396,885	\$ 15,956,134	\$ 18,032,626	\$ 16,691,463	\$ 16,320,758	\$ 19,049,426	\$ 19,180,987	\$ 22,700,578	\$ 24,844,582	\$ 27,363,108
Finance	1,555,692	1,654,077	2,092,724	2,154,266	2,123,585	2,081,717	2,619,660	2,519,717	2,996,591	2,621,254
Public Safety	31,524,935	36,628,246	38,529,641	41,127,109	39,533,724	43,724,780	48,497,670	49,836,592	53,015,381	63,761,222
Community Development	-	-	-	2,035,327	2,143,044	2,879,575	245,320	1,801,642	2,279,584	2,540,614
Industrial Development	-	-	-	-	-	-	-	7,506,186	3,634,637	2,888,409
Parks	6,989,269	7,227,345	8,248,715	8,353,387	8,374,548	8,973,409	7,940,701	10,178,552	12,737,681	13,745,163
Public Works	9,658,450	10,252,452	14,263,646	13,578,466	11,674,468	19,615,191	21,907,217	25,109,329	26,009,536	31,281,720
Debt Service:										
Interest and Fiscal Charges	5,749,864	5,079,185	4,603,547	4,953,104	4,938,891	6,694,721	6,793,511	12,044,629	12,416,183	12,183,635
Total Governmental Activities Expenses	66,875,095	76,797,439	85,770,899	88,893,122	85,109,018	103,018,819	107,185,066	131,697,225	137,934,175	156,385,125
Business-Type Activities:										
Water and Sewer	25,440,644	29,304,349	30,902,787	32,915,139	41,500,428	44,861,241	44,203,584	47,540,213	53,893,689	63,959,993
Fleet Services	1,237,286	1,596,959	1,690,402	-	-	-	-	-	-	-
Hotel	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Expenses	26,677,930	30,901,308	32,593,189	32,915,139	41,500,428	44,861,241	44,203,584	47,540,213	53,893,689	63,959,993
Total Primary Government Expenses	\$ 93,553,025	\$ 107,698,747	\$ 118,364,088	\$ 121,808,261	\$ 126,609,446	\$ 147,880,060	\$ 151,388,650	\$ 179,237,438	\$ 191,827,864	\$ 312,578,499
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 2,500,520	\$ 3,588,771	\$ 2,774,101	\$ 3,637,237	\$ 3,863,812	\$ 4,747,666	\$ 5,416,422	\$ 7,653,604	\$ 8,671,741	\$ 8,593,125
Public Safety	3,835,258	2,746,233	2,030,468	1,781,480	1,614,644	1,586,992	1,217,694	1,422,232	1,530,765	1,361,695
Industrial Development	-	-	-	-	-	-	-	-	1,000	4,000
Parks	1,246,186	1,279,923	1,214,957	1,161,772	1,263,210	1,332,262	847,727	2,109,500	2,625,455	3,120,443
Public Works	696,136	1,256,432	875,737	1,117,197	1,231,274	1,167,360	1,204,131	1,407,449	2,114,387	1,766,011
Operating Grants & Contributions:										
General Government	2,240,844	1,860,483	2,452,942	2,486,525	2,439,828	3,555,202	3,227,171	3,124,034	3,677,795	3,916,824
Public Safety	594,235	595,556	826,864	1,053,099	1,025,017	1,592,588	1,800,850	1,807,371	2,654,137	2,014,481
Community Development	-	-	-	611,708	487,903	525,906	1,737,678	636,675	1,569,120	5,739,409
Public Works	426,960	2,601,443	894,808	-	22,875	45,750	22,875	22,875	22,875	22,875
Capital Grants & Contributions										
General Government	-	-	-	12,377	650,827	-	2,676,197	23,624	93,877	-
Parks	-	-	-	-	-	3,205,577	5,656,352	-	-	-
Public Works	-	-	155,748	-	618,705	5,774,460	6,096,543	893,679	-	11,023
Community Development	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Program Revenues	11,540,139	13,928,841	11,225,625	11,861,395	13,218,095	23,533,763	29,903,640	19,101,043	26,858,681	26,549,886
Business-Type Activities:										
Charges for Services:										
Water and Sewer	26,350,214	30,034,855	33,379,807	35,025,871	39,098,028	40,859,420	48,037,994	51,838,264	60,552,418	67,572,412
Service Center	1,359,544	1,852,780	1,952,342	-	-	-	-	-	-	-
Hotel	-	-	-	-	-	-	-	-	-	1,190,747
Operating Grants & Contributions:										
Water and Sewer	-	-	-	697,566	700,568	989,529	1,258,066	1,430,787	2,325,404	2,847,489
Capital Grants & Contributions	-	-	130,785	2,005,738	28,800	80,000	4,005,506	5,437,687	5,031,784	8,647,111
Water and Sewer	-	-	-	-	-	-	-	-	-	79,183,359
Hotel	-	-	-	-	-	-	-	-	-	159,441,118
Total Business-Type Activities Program Revenues	27,709,758	31,887,635	35,462,934	37,729,175	39,827,396	41,928,949	53,301,566	58,706,738	67,909,606	159,441,118
Total Primary Government Program Revenues	\$ 39,249,897	\$ 45,816,476	\$ 46,688,559	\$ 49,590,570	\$ 53,045,491	\$ 65,462,712	\$ 83,205,206	\$ 77,807,781	\$ 94,768,287	\$ 185,991,004

	Fiscal Year									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net (Expense) Revenues										
Governmental Activities	\$ (55,334,956)	\$ (62,868,598)	\$ (74,545,274)	\$ (77,031,727)	\$ (71,890,923)	\$ (79,485,056)	\$ (77,281,426)	\$ (112,596,182)	\$ (111,075,494)	\$ (129,835,239)
Business-type Activities	1,031,828	986,327	2,869,745	4,814,036	(1,673,032)	(2,932,292)	9,097,982	11,166,525	14,015,917	3,247,744
Total Net Expense	<u>\$ (54,303,128)</u>	<u>\$ (61,882,271)</u>	<u>\$ (71,675,529)</u>	<u>\$ (72,217,691)</u>	<u>\$ (73,563,955)</u>	<u>\$ (82,417,348)</u>	<u>\$ (68,183,444)</u>	<u>\$ (101,429,657)</u>	<u>\$ (97,059,577)</u>	<u>\$ (126,587,495)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	\$ 18,258,675	\$ 20,045,759	\$ 26,473,354	\$ 30,262,334	\$ 31,657,147	\$ 34,613,130	\$ 39,862,977	\$ 41,901,102	\$ 46,038,718	\$ 53,635,044
In Lieu of Taxes	682,113	592,302	682,266	776,838	803,625	883,162	903,574	1,374,709	1,546,141	1,634,701
Gross Receipts Tax	5,498,112	5,794,059	6,205,833	6,323,185	7,068,208	7,068,208	7,084,662	7,302,034	8,122,686	8,678,059
Sales and Other Taxes	40,261,541	32,013,059	31,280,147	32,151,158	36,720,480	36,091,913	38,350,177	57,584,888	67,230,103	70,643,863
Hotel Occupancy Taxes	1,103,093	1,237,267	1,220,471	1,163,561	1,365,057	1,339,915	1,659,596	2,239,048	2,685,151	2,931,003
Mixed Beverage Taxes	219,547	272,002	298,859	288,852	331,830	317,139	267,394	392,212	514,487	525,926
Miscellaneous	413,617	1,807,243	3,446,410	2,870,562	3,640,230	3,923,011	4,724,025	2,042,499	11,073,999	18,562,888
Donations	110,556	167,455	47,035	51,750	94,740	83,063	96,161	87,534	215,374	202,776
Grants and Contributions Not Restricted to Specific Programs	1,050,519	1,145,225	1,019,223	1,611,619	1,571,800	1,777,610	1,805,039	1,887,201	2,147,610	2,652,126
Unrestricted Investment Earnings	135,095	132,911	291,145	517,778	903,985	2,293,186	1,292,814	402,698	1,977,626	11,372,495
Net Change in Fair Value of Investments	(126,115)	18,778	6,761	(119,860)	(121,586)	169,282	108,275	(269,160)	(952,204)	200,521
Transfers	(104,155)	(1,002,698)	(380,889)	240,845	(567,690)	(315,640)	(299,134)	(2,905,001)	(617,328)	(12,833,507)
Total Governmental Activities	<u>67,502,598</u>	<u>62,223,362</u>	<u>70,590,615</u>	<u>76,138,622</u>	<u>83,186,082</u>	<u>88,243,979</u>	<u>95,855,560</u>	<u>112,039,564</u>	<u>139,982,363</u>	<u>158,205,895</u>
Business-type Activities:										
Miscellaneous	305,613	563,412	306,949	338,943	6,723,274	782,856	1,479,705	108,999	90,958	75,910
Donations	-	-	-	-	-	158,625	-	-	-	-
Grants and Contributions Not Restricted to Specific Programs	1,030,521	6,612,682	5,004,392	-	-	-	-	-	-	-
Unrestricted Investment Earnings	36,200	28,576	109,148	200,594	617,904	2,746,863	1,357,333	149,010	631,122	5,073,371
Net Change in Fair Value of Investments	(37,068)	(695)	(1,967)	(6,785)	(30,651)	79,895	15,099	(76,429)	(457,571)	98,361
Transfers	104,155	1,002,698	380,889	(240,845)	567,690	315,640	299,134	2,905,001	617,328	12,833,507
Total Business-type Activities	<u>1,439,421</u>	<u>8,206,673</u>	<u>5,799,411</u>	<u>291,907</u>	<u>7,878,217</u>	<u>4,083,879</u>	<u>3,151,271</u>	<u>3,086,581</u>	<u>881,837</u>	<u>18,081,149</u>
Total Primary Government	<u>\$ 68,942,019</u>	<u>\$ 70,430,035</u>	<u>\$ 76,390,026</u>	<u>\$ 76,430,529</u>	<u>\$ 91,064,299</u>	<u>\$ 92,327,858</u>	<u>\$ 99,006,831</u>	<u>\$ 115,126,145</u>	<u>\$ 140,864,200</u>	<u>\$ 176,287,044</u>
Change in Net Position										
Governmental Activities	\$ 12,167,642	\$ (645,236)	\$ (3,954,659)	\$ (893,105)	\$ 11,295,159	\$ 8,758,923	\$ 18,574,134	\$ (556,618)	\$ 28,906,869	\$ 28,370,656
Business-type Activities	2,471,249	9,193,000	8,669,156	5,105,943	6,205,185	1,151,587	12,249,253	14,253,106	14,897,754	21,328,893
Total Primary Government	<u>\$ 14,638,891</u>	<u>\$ 8,547,764</u>	<u>\$ 4,714,497</u>	<u>\$ 4,212,838</u>	<u>\$ 17,500,344</u>	<u>\$ 9,910,510</u>	<u>\$ 30,823,387</u>	<u>\$ 13,696,488</u>	<u>\$ 43,804,623</u>	<u>\$ 49,699,549</u>

Effective 2015, CIDC was determined to be a discrete component unit and is not included.

Effective 2017, Fleet Services are recognized as Governmental Activities.

Effective 2021, component units were re-evaluated and CIDC was determined to be a blended component unit.

CITY OF CONROE, TEXAS
PROGRAM REVENUES BY FUNCTIONS/PROGRAMS
LAST TEN FISCAL YEARS

	Fiscal Year		
	2014	2015	2016
Functions/Programs			
Governmental Activities:			
Charges for Services			
General Government	\$ 2,500,520	\$ 3,588,771	\$ 2,774,101
Public Safety	3,835,258	2,746,233	2,030,468
Industrial Development	-	-	-
Parks	1,246,186	1,279,923	1,214,957
Public Works	696,136	1,256,432	875,737
Operating Grants & Contributions			
General Government	2,240,844	1,860,483	2,452,942
Public Safety	594,235	595,556	826,864
Community Development	-	-	-
Public Works	426,960	2,601,443	894,808
Capital Grants & Contributions			
General Government	-	-	-
Community Development	-	-	-
Parks	-	-	-
Public Works	-	-	155,748
Total Governmental Activities	<u>11,540,139</u>	<u>13,928,841</u>	<u>11,225,625</u>
Business-type Activities:			
Charges for Services			
Water and Sewer	26,350,214	30,034,855	33,379,807
Fleet Services	1,359,544	1,852,780	1,952,342
Hotel	-	-	-
Operating Grants & Contributions			
Water and Sewer	-	-	-
Capital Grants & Contributions			
Water and Sewer	-	-	130,785
Hotel	-	-	-
Total Business-type Activities	<u>27,709,758</u>	<u>31,887,635</u>	<u>35,462,934</u>
Total Primary Government	<u>\$ 39,249,897</u>	<u>\$ 45,816,476</u>	<u>\$ 46,688,559</u>

Effective 2015, CIDC was determined to be a discrete component unit and is not included.

Effective 2017, Fleet Services are recognized as Governmental Activities.

Effective 2021, component units were re-evaluated and CIDC was determined to be a blended component unit.

TABLE 3

Fiscal Year						
2017	2018	2019	2020	2021	2022	2023
\$ 3,637,237	\$ 3,863,812	\$ 4,747,666	\$ 5,416,422	\$ 7,653,604	\$ 8,671,741	\$ 8,593,125
1,781,480	1,614,644	1,586,992	1,217,694	1,422,232	1,530,765	1,361,695
-	-	-	-	-	1,000	4,000
1,161,772	1,263,210	1,332,262	847,727	2,109,500	2,625,455	3,120,443
1,117,197	1,231,274	1,167,360	1,204,131	1,407,449	2,114,387	1,766,011
2,486,525	2,439,828	3,555,202	3,227,171	3,124,034	3,677,795	3,916,824
1,053,099	1,025,017	1,592,588	1,800,850	1,807,371	2,654,137	2,014,481
611,708	487,903	525,906	1,737,678	636,675	1,569,120	5,739,409
-	22,875	45,750	22,875	22,875	22,875	22,875
12,377	650,827	-	2,676,197	23,624	93,877	-
-	-	-	-	-	3,897,529	-
-	-	3,205,577	5,656,352	-	-	11,023
-	618,705	5,774,460	6,096,543	893,679	-	-
11,861,395	13,218,095	23,533,763	29,903,640	19,101,043	26,858,681	26,549,886
35,025,871	39,098,028	40,859,420	48,037,994	51,838,264	60,552,418	67,572,412
-	-	-	-	-	-	-
-	-	-	-	-	-	1,190,747
697,566	700,568	989,529	1,258,066	1,430,787	2,325,404	2,847,489
2,005,738	28,800	80,000	4,005,506	5,437,687	5,031,784	8,647,111
-	-	-	-	-	-	79,183,359
37,729,175	39,827,396	41,928,949	53,301,566	58,706,738	67,909,606	159,441,118
\$ 49,590,570	\$ 53,045,491	\$ 65,462,712	\$ 83,205,206	\$ 77,807,781	\$ 94,768,287	\$ 185,991,004

CITY OF CONROE, TEXAS
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year		
	2014	2015	2016
General Fund			
Nonspendable:			
Prepaid Items	\$ 110,590	\$ 107,430	\$ 104,270
Inventories	42,208	19,681	31,622
Restricted for:			
Court Efficiency Fund	152,115	161,308	158,386
Court Security Fund	30,333	-	-
Juvenile Case Manager	72,160	57,906	60,548
Truancy Prevention Fund	2,433	3,392	6,844
Severance Pay 2% Sinking Fund	20,266	19,927	19,376
Seized Assets	311,048	413,679	612,575
Red Light Cameras	519,200	526,237	526,237
State Franchise 1% PEG Fee	79,778	142,926	285,076
Commercial Vehicle Enforcement Program	16,032	-	-
Assigned to:			
Tree Mitigation	31,353	45,838	75,507
Tree Enforcement	-	-	-
Equipment Replacement	4,977,087	4,418,234	4,031,972
Technology Replacement	-	-	-
General Fund-Balance Appropriations	4,352,573	575,163	629,322
Self-Funded Insurance	1,600,000	1,600,000	1,872,000
Unassigned	20,500,016	20,477,898	20,237,960
Total General Fund	<u>\$ 32,817,192</u>	<u>\$ 28,569,619</u>	<u>\$ 28,651,695</u>
All Other Governmental Funds			
Nonspendable:			
Advances to Other Funds	\$ -	\$ -	\$ -
Restricted for:			
Severance Pay 2% Sinking Fund	-	-	-
4B Sales Tax	4,471,517	-	-
Special Revenue Funds	2,313,400	1,965,565	2,363,665
Debt Service	14,537,182	12,084,748	11,356,765
Capital Project Funds	40,358,188	29,207,699	12,409,574
Committed for:			
CIDC-Land Sales	12,300,254	-	-
TIRZ #2-Property Tax Receipts	10	11	25
TIRZ #3-Property Tax Receipts	3,867,574	878,632	447,238
Conroe MMD#1 Agreement	-	-	-
Conroe Tower-Lease Income	344,253	350,164	319,548
Owen Theatre-Ticket Sales	30,121	43,738	42,539
Woodlands Township Reg. Participation	63,510	98,322	146,421
Firearms Training Facility	-	-	-
Unassigned	-	-	-
Total All Other Governmental Funds	<u>\$ 78,286,009</u>	<u>\$ 44,628,879</u>	<u>\$ 27,085,775</u>

Effective 2015, CIDC was determined to be a discrete component unit and is not included.

Effective 2021, component units were re-evaluated and CIDC was determined to be a blended component unit.

TABLE 4

Fiscal Year						
2017	2018	2019	2020	2021	2022	2023
\$ 117,691 39,984	\$ 123,967 38,540	\$ 121,801 60,627	\$ 134,066 33,606	\$ 144,987 50,453	\$ 152,965 311,189	\$ 149,548 450,960
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
24,980	24,599	25,886	28,455	34,468	35,123	35,801
904,793	1,025,255	1,647,201	2,163,747	1,666,889	1,670,775	1,824,051
353,663	353,663	303,683	303,683	254,183	254,183	254,183
313,914	449,544	560,187	609,785	540,799	526,949	642,181
-	-	-	-	-	-	-
296,658	376,807	323,514	499,454	554,233	755,192	836,752
-	-	-	-	-	-	171,266
3,107,409	6,347,680	8,177,733	5,154,889	4,477,175	6,283,419	6,631,993
-	-	-	-	152,861	662,742	1,511,574
1,017,905	1,711,579	4,192,505	5,113,380	1,041,220	2,690,075	-
-	-	-	-	-	-	-
23,458,420	26,795,709	26,160,875	29,974,625	41,526,617	47,762,872	54,709,652
<u>\$ 29,635,417</u>	<u>\$ 37,247,343</u>	<u>\$ 41,574,012</u>	<u>\$ 44,015,690</u>	<u>\$ 50,443,885</u>	<u>\$ 61,105,484</u>	<u>\$ 67,217,961</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,000,000
-	-	-	-	1,955	2,420	2,420
-	-	-	-	-	-	-
2,994,088	3,557,935	3,981,048	4,153,844	26,667,923	35,742,843	38,465,303
11,569,373	10,802,885	11,292,098	11,616,533	30,070,702	28,101,796	16,982,213
15,019,976	6,015,379	40,029,484	38,591,737	135,536,769	122,323,935	114,439,812
-	-	-	-	-	-	-
142	-	-	-	-	-	-
1,817,868	2,931,903	3,672,037	4,405,637	5,244,816	6,822,939	7,897,096
-	119,792	567,766	1,078,348	1,832,714	-	-
213,004	26,460	-	-	-	-	-
49,055	-	-	-	-	-	-
194,268	249,487	304,995	367,258	436,558	521,158	623,267
-	-	-	60,374	97,374	134,374	171,874
-	(5,603,466)	(129,972)	(4,027,087)	-	(42,248)	-
<u>\$ 31,857,774</u>	<u>\$ 18,100,375</u>	<u>\$ 59,717,456</u>	<u>\$ 56,246,644</u>	<u>\$ 199,888,811</u>	<u>\$ 193,607,217</u>	<u>\$ 194,581,985</u>

CITY OF CONROE, TEXAS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year		
	2014	2015	2016
Revenues			
Taxes	\$ 65,879,766	\$ 59,891,274	\$ 65,987,138
Licenses and Permits	2,260,525	3,336,634	2,498,341
Charges for Sales and Services	1,966,939	2,573,767	2,149,135
Lease Income	357,568	365,578	370,173
Fines and Forfeitures	3,693,068	2,595,380	1,877,614
Intergovernmental	4,312,558	6,202,707	5,349,585
Investment Income	130,335	130,154	289,731
Gain (Loss) on Investments	(121,797)	18,538	7,578
Penalties and Interest	106,932	129,761	208,097
Sale of Assets	4,777,829	-	-
Land Sales	-	-	-
Miscellaneous	627,045	2,116,637	3,820,410
Total Revenues	<u>83,990,768</u>	<u>77,360,430</u>	<u>82,557,802</u>
Expenditures			
General Government	13,396,364	14,835,320	17,279,501
Finance	1,421,763	1,540,445	1,880,428
Public Safety	26,836,475	31,447,082	31,980,626
Community Development	-	-	-
Industrial Development	-	-	-
Parks	4,905,220	5,039,267	5,351,321
Public Works	7,369,859	8,032,281	10,220,162
Debt Service:			
Principal Retirement	7,194,144	5,300,320	8,766,586
Interest and Fiscal Charges	5,530,863	4,662,641	4,691,019
Bond Issuance Costs	345,651	520,406	162,484
Capital Outlay	14,557,532	27,735,071	31,299,653
Total Expenditures	<u>81,557,871</u>	<u>99,112,833</u>	<u>111,631,780</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,432,897	(21,752,403)	(29,073,978)
Other Financing Sources (Uses)			
Issuance of Bonds and COs	31,100,000	8,795,000	11,275,000
Refunding Bonds Issued	-	33,370,000	-
Premiums and (Discounts)	3,637,580	2,843,082	718,839
Payment to Refunded Bond Escrow Agent	-	(36,111,136)	-
Lease Proceeds	-	-	-
Subscription Proceeds	-	-	-
Insurance Proceeds	-	-	-
Transfers In	8,258,452	17,073,716	3,970,565
Transfers Out	(8,362,607)	(18,498,029)	(4,351,454)
Total Other Financing Sources (Uses)	<u>34,633,425</u>	<u>7,472,633</u>	<u>11,612,950</u>
Net Change in Fund Balances	<u>\$ 37,066,322</u>	<u>\$ (14,279,770)</u>	<u>\$ (17,461,028)</u>
Debt Service as a Percentage of Noncapital Expenditures	19.0%	14.0%	16.8%

Effective 2015, CIDC was determined to be a discrete component unit and is not included.

Effective 2021, component units were re-evaluated and CIDC was determined to be a blended component unit.

TABLE 5

Fiscal Year						
2017	2018	2019	2020	2021	2022	2023
\$ 70,396,808	\$ 77,316,094	\$ 80,241,614	\$ 88,014,455	\$ 110,471,023	\$ 125,642,658	\$ 137,472,585
3,236,949	3,194,609	4,131,413	4,829,641	7,085,734	8,138,758	7,992,156
2,328,436	2,537,383	2,592,866	2,163,320	3,596,267	4,864,080	5,063,587
396,898	657,513	591,585	566,459	548,562	462,376	495,759
1,735,403	1,583,435	1,518,416	1,126,554	1,362,222	1,478,134	1,293,772
5,775,328	6,816,955	15,959,093	23,114,592	8,424,019	14,062,943	14,356,738
514,299	892,769	2,292,075	1,258,700	400,835	1,953,930	11,885,857
(119,860)	(121,586)	169,282	108,275	(269,160)	(952,204)	200,521
453,641	200,293	228,837	201,642	233,935	244,543	320,204
-	-	-	-	-	-	-
-	-	-	-	1,047,404	13,020,180	8,925,230
3,245,271	3,668,120	1,959,195	1,243,980	977,564	1,205,814	3,293,738
87,963,173	96,745,585	109,684,376	122,627,618	133,878,405	170,121,212	191,300,147
15,176,318	15,774,476	17,776,698	18,383,740	21,941,034	24,836,694	25,416,573
1,979,328	2,045,039	2,067,817	2,457,933	2,430,767	3,091,854	2,596,677
32,763,616	35,827,508	37,694,272	41,458,123	44,240,315	48,808,086	55,568,286
2,426,261	2,244,684	2,513,556	1,719,417	1,754,323	2,423,006	2,274,685
-	-	-	-	7,383,400	3,598,240	2,862,849
5,204,310	5,908,595	6,700,873	5,835,494	7,778,147	9,626,911	10,539,811
8,823,990	9,408,362	9,176,138	11,659,974	11,781,783	12,422,892	13,165,244
9,029,940	8,507,387	7,849,930	8,728,574	13,528,410	14,233,221	18,139,404
4,796,391	5,114,397	6,764,207	7,713,664	10,542,104	13,737,668	13,612,100
270,944	85,350	445,337	336,818	4,073,708	556,872	453,123
20,545,856	18,366,313	21,908,009	53,166,496	39,132,599	86,025,617	80,343,995
101,016,954	103,282,111	112,896,837	151,460,233	164,586,590	219,361,061	224,972,747
(13,053,781)	(6,536,526)	(3,212,461)	(28,832,615)	(30,708,185)	(49,239,849)	(33,672,600)
20,110,000	-	42,870,000	23,730,000	109,990,000	46,370,000	47,040,000
-	6,845,000	-	5,225,000	29,915,000	-	-
1,855,211	944,976	5,428,236	4,725,783	16,498,368	7,268,707	2,179,929
-	(7,875,068)	-	(6,030,000)	(32,470,068)	-	-
-	-	-	-	-	508,064	44,400
-	-	-	-	-	-	4,122,810
-	363,722	1,166,057	615,310	311,681	82,853	198,655
7,088,953	7,058,730	8,208,431	9,299,393	30,247,253	20,102,963	18,747,327
(10,244,662)	(6,946,307)	(8,516,513)	(9,590,591)	(33,152,254)	(20,712,733)	(31,573,276)
18,809,502	391,053	49,156,211	27,974,895	121,339,980	53,619,854	40,759,845
\$ 5,755,721	\$ (6,145,473)	\$ 45,943,750	\$ (857,720)	\$ 90,631,795	\$ 4,380,005	\$ 7,087,245
17.2%	16.0%	16.1%	16.7%	19.2%	21.0%	22.0%

CITY OF CONROE, TEXAS
SPENDING AND GROWTH ANALYSIS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2014	2015	2016	2017
Expenditures				
General Government	\$ 13,396,364	\$ 14,835,320	\$ 17,279,501	\$ 15,176,318
Finance	1,421,763	1,540,445	1,880,428	1,979,328
Public Safety	26,836,475	31,447,082	31,980,626	32,763,616
Community Development	-	-	-	2,426,261
Industrial Development	-	-	-	-
Parks	4,905,220	5,039,267	5,351,321	5,204,310
Public Works	7,369,859	8,032,281	10,220,162	8,823,990
Debt Service - principal	7,194,144	5,300,320	8,766,586	9,029,940
Debt Service - interest	5,530,863	4,662,641	4,691,019	4,796,391
Debt Service - bond issuance costs	345,651	520,406	162,484	270,944
Capital Outlay	14,557,532	27,735,071	31,299,653	20,545,856
Total	<u>\$ 81,557,871</u>	<u>\$ 99,112,833</u>	<u>\$ 111,631,780</u>	<u>\$ 101,016,954</u>

Distribution of Spending				
General Government	16.4%	15.0%	15.5%	15.0%
Finance	1.7%	1.6%	1.7%	2.0%
Public Safety	32.9%	31.7%	28.6%	32.4%
Community Development	0.0%	0.0%	0.0%	2.4%
Industrial Development	0.0%	0.0%	0.0%	0.0%
Parks	6.0%	5.1%	4.8%	5.2%
Public Works	9.0%	8.1%	9.2%	8.7%
Debt Service - principal	8.8%	5.3%	7.9%	8.9%
Debt Service - interest	6.8%	4.7%	4.2%	4.7%
Debt Service - bond issuance costs	0.4%	0.5%	0.1%	0.3%
Capital Outlay	17.8%	28.0%	28.0%	20.3%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Per Capita Expenditures Adjusted for CPI				
Population	71,592	71,879	71,879	82,275
Per Capita	\$ 1,139	\$ 1,379	\$ 1,553	\$ 1,228
CPI Index (National)	238	238	241	245
Per Capita Spending Adjusted to 2014 Dollars	\$ 1,139	\$ 1,379	\$ 1,534	\$ 1,192

The Compounded Average Growth Rate is a useful measure of growth that takes compounding into account over the time period.
Per Capita Spending Adjusted to 2014 Dollars is a measure of spending that is adjusted for purchasing power taking inflation into account.

TABLE 6

Fiscal Year						% CHG	Compounded Average Growth Rate
2018	2019	2020	2021	2022	2023		
\$ 15,774,476	\$ 17,776,698	\$ 18,383,740	\$ 21,941,034	\$ 24,836,694	\$ 25,416,573	89.7%	7.38%
2,045,039	2,067,817	2,457,933	2,430,767	3,091,854	2,596,677	82.6%	6.92%
35,827,508	37,694,272	41,458,123	44,240,315	48,808,086	55,568,286	107.1%	8.42%
2,244,684	2,513,556	1,719,417	1,754,323	2,423,006	2,274,685	-6.1%	-1.07%
-	-	-	7,383,400	3,598,240	2,862,849	-20.4%	-37.73%
5,908,595	6,700,873	5,835,494	7,778,147	9,626,911	10,539,811	114.9%	8.87%
9,408,362	9,176,138	11,659,974	11,781,783	12,422,892	13,165,244	78.6%	6.66%
8,507,387	7,849,930	8,728,574	13,528,410	14,233,221	18,139,404	152.1%	10.82%
5,114,397	6,764,207	7,713,664	10,542,104	13,737,668	13,612,100	146.1%	10.52%
85,350	445,337	336,818	4,073,708	556,872	453,123	31.1%	5.88%
18,366,313	21,908,009	53,166,496	39,132,599	86,025,617	80,343,995	451.9%	20.90%
<u>\$ 103,282,111</u>	<u>\$ 112,896,837</u>	<u>\$ 151,460,233</u>	<u>\$ 164,586,590</u>	<u>\$ 219,361,061</u>	<u>\$ 224,972,747</u>	<u>175.8%</u>	<u>11.93%</u>
15.3%	15.7%	12.1%	13.3%	11.3%	11.3%		
2.0%	1.8%	1.6%	1.5%	1.4%	1.2%		
34.7%	33.4%	27.4%	26.9%	22.3%	24.7%		
2.2%	2.2%	1.1%	1.1%	1.1%	1.0%		
0.0%	0.0%	0.0%	4.5%	1.6%	1.3%		
5.7%	5.9%	3.9%	4.7%	4.4%	4.7%		
9.1%	8.1%	7.7%	7.2%	5.7%	5.9%		
8.2%	7.0%	5.8%	8.2%	6.5%	8.1%		
5.0%	6.0%	5.1%	6.4%	6.3%	6.1%		
0.1%	0.4%	0.2%	2.5%	0.3%	0.2%		
17.8%	19.4%	35.1%	23.8%	39.2%	35.7%		
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>		
84,378	87,654	91,079	96,295	96,706	103,035		Compounded Growth Rate 4.13%
\$ 1,224	\$ 1,288	\$ 1,663	\$ 1,709	\$ 2,268	\$ 2,183		7.50%
250	255	258	274	295	305		2.79%
\$ 1,166	\$ 1,202	\$ 1,534	\$ 1,484	\$ 1,829	\$ 1,704		4.58%

CITY OF CONROE, TEXAS
TAX REVENUES BY SOURCE - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

TABLE 7

Fiscal Year	Property	Sales & Use ⁽¹⁾	Hotel/Motel Occupancy	Franchise	Other	Total
2014	\$ 17,950,171	\$ 40,261,541	\$ 1,103,093	\$ 5,498,112	\$ 1,066,849	\$ 65,879,766
2015	19,787,780	32,013,059	1,237,267	5,794,059	1,059,109	59,891,274
2016	26,299,562	31,280,147	1,220,471	6,128,653	1,058,305	65,987,138
2017	29,693,214	32,151,158	1,163,561	6,323,185	1,065,690	70,396,808
2018	31,308,638	36,720,480	1,365,057	6,786,464	1,135,455	77,316,094
2019	34,541,277	36,091,913	1,339,915	7,068,208	1,200,301	80,241,614
2020	39,749,052	38,350,177	1,659,596	7,082,937	1,172,693	88,014,455
2021	41,970,544	57,584,688	2,239,048	7,302,034	1,374,709	110,471,023
2022	45,544,090	67,230,103	2,685,151	8,122,686	2,060,628	125,642,658
2023	53,059,034	70,643,683	2,931,003	8,674,824	2,163,863	137,472,407
Change 2014-2023	196%	75%	166%	58%	103%	109%

(1) Effective 2015, CIDC was determined to be a discrete component unit and is not included.

(1) Effective 2021, component units were re-evaluated and CIDC was determined to be a blended component unit.

CITY OF CONROE, TEXAS**TABLE 8****ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Fiscal Year	Residential Property	Commercial Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2014	\$ 2,673,472,876	\$ 1,434,769,376	\$ 1,444,595,982	\$ 1,230,012,103	\$ 4,322,826,131	\$ 0.4200
2015	2,969,005,808	1,544,076,046	1,577,299,368	1,260,587,672	4,829,793,550	0.4200
2016	4,207,510,421	1,933,038,857	1,762,388,483	1,593,198,016	6,309,739,745	0.4200
2017	4,730,146,184	2,143,178,688	1,765,772,483	1,512,848,618	7,126,248,737	0.4175
2018	5,169,879,327	2,265,444,873	1,785,773,366	1,664,971,163	7,556,126,403	0.4175
2019	5,617,851,273	2,641,337,119	1,889,881,854	1,796,740,568	8,352,329,678	0.4175
2020	6,150,959,883	2,742,328,818	2,228,042,199	1,977,082,554	9,144,248,346	0.4375
2021	6,298,066,934	2,865,757,549	2,264,181,826	1,784,977,172	9,643,029,137	0.4375
2022	7,183,738,024	3,257,583,744	2,253,308,479	2,022,332,471	10,672,297,776	0.4375
2023	9,887,368,385	4,891,001,785	2,541,491,746	4,255,445,680	13,064,416,236	0.4272

Source: Montgomery Central Appraisal District

Note: Taxable property in the City is appraised at its market value each year by the Montgomery Central Appraisal District (MCAD).

Tax rates are per \$100 of assessed value.

CITY OF CONROE, TEXAS**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

Fiscal Year	City Direct Rates			Overlapping Rates						
	Operations & Maintenance	General Obligation Debt Service	Total Direct Rate	Montgomery County	Mont. Co. Hospital District	Lone Star College	Conroe ISD	Montgomery ISD	Willis ISD	Conroe MMD#1
2014	\$ 0.2500	\$ 0.1700	\$ 0.4200	\$ 0.4767	\$ 0.0725	\$ 0.1081	\$ 1.2800	\$ 1.3400	\$ 1.3900	\$ -
2015	0.2500	0.1700	0.4200	0.4767	0.0710	0.1079	1.2800	1.3400	1.3900	-
2016	0.2750	0.1450	0.4200	0.4667	0.0665	0.1078	1.2800	1.3400	1.3900	-
2017	0.2925	0.1250	0.4175	0.4667	0.0665	0.1078	1.2800	1.3700	1.3900	-
2018	0.2925	0.1250	0.4175	0.4667	0.0664	0.1078	1.2800	1.3700	1.3900	-
2019	0.2925	0.1250	0.4175	0.4667	0.0599	0.1078	1.2800	1.3700	1.3900	0.9000
2020	0.3125	0.1250	0.4375	0.4475	0.5890	0.1078	1.2300	1.3075	1.2700	0.9000
2021	0.3125	0.1250	0.4375	0.4312	0.0588	0.1078	1.2125	1.2798	1.2171	0.9000
2022	0.3125	0.1250	0.4375	0.4083	0.0567	0.1078	1.1760	1.2600	1.1720	0.9000
2023	0.3022	0.1250	0.4272	0.3742	0.0502	0.1078	1.1146	1.2289	1.1546	0.6000

Source: Montgomery County Tax Assessor/Collector

TABLE 9

Overlapping Rates										Mont. Co. Utility District #3	Mont. Co. Utility District #4
Mont. Co. MUD #90	Mont. Co. MUD #92	Mont. Co. MUD #107	Conroe MUD #1	Mont. Co. MUD #132	Mont. Co. MUD #126	Mont. Co. MUD #128A	Mont. Co. MUD #138	Mont. Co. MUD #142			
\$ 0.6000	\$ 0.6000	\$ 0.7000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0.6000	0.6000	0.7000	-	-	-	-	-	-	-	-	-
0.6000	0.6000	0.7000	0.6000	0.7000	0.9000	-	0.8800	-	0.0900	0.0800	
0.6000	0.6000	0.7000	0.6000	0.7000	0.9000	-	0.8800	1.0000	0.0900	0.0775	
0.6000	0.6000	0.6900	0.6000	0.7000	0.9000	1.1000	0.8800	1.0000	0.0900	0.0775	
0.6000	0.6000	0.6800	0.6000	0.7000	0.9000	1.1000	0.8800	1.0000	0.0900	0.0775	
0.6000	0.6000	0.6500	0.6000	0.7000	0.9000	1.1000	0.8800	1.0000	0.0899	0.0875	
0.6000	0.6000	0.6200	0.6000	0.7000	0.9000	1.1000	0.8800	1.0000	0.0900	0.1000	
0.6000	0.6000	0.5900	0.6000	0.7000	0.9000	1.3500	0.8800	1.0000	0.0900	0.1000	
0.5800	0.6000	0.5300	0.6000	0.7000	0.9000	1.1100	0.8800	1.0000	0.0860	0.1200	

CITY OF CONROE, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

TABLE 10

Taxpayer	2023			2014		
	2022 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2013 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
McKesson Corporation	\$ 207,184,428	1	1.59%	\$ 55,536,390	2	1.39%
Ball Metal Container Corporation	147,330,120	2	1.13%			
BMEF Jones Forest LLC	114,500,000	3	0.88%			
The Geo Group	104,737,100	4	0.80%			
Entergy Texas Inc.	101,343,640	5	0.78%	31,452,140	9	0.79%
CHCA Conroe LP	98,383,270	6	0.75%			
I-45/Loop 336 Associates LLC	90,343,460	7	0.69%			
Massandra KV Regency LLC	88,500,000	8	0.68%			
Lakeside Resort JV LLC	78,775,670	9	0.60%			
Wal-Mart Real Estate Bus. Trust	69,862,553	10	0.53%	47,784,306	3	1.19%
Conroe Hospital Corporation				73,829,980	1	1.84%
National Oilwell Varco/TX Oil Tools				37,612,420	4	0.94%
Reme Inc				36,932,010	5	0.92%
Conroe Marketplace S C LP				36,462,540	6	0.91%
National Oilwell Varco DHT LP				33,765,450	7	0.84%
Maverick Tube Texas Works				33,599,280	8	0.84%
Western Rim Investors 2010-1 LP				31,142,400	10	0.78%
	<u>\$ 1,100,960,241</u>		<u>8.43%</u>	<u>\$ 418,116,916</u>		<u>10.44%</u>

Source: Montgomery Central Appraisal District

CITY OF CONROE, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

TABLE 11

Fiscal Year Ended Sept 30	Original Tax Levy for Fiscal Year	Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2014	\$ 18,076,015	\$ 18,136,531	\$ 17,950,171	98.97%	\$ 165,007	\$ 18,115,178	99.88%
2015	20,245,827	19,981,925	19,787,780	99.03%	176,057	19,963,837	99.91%
2016	26,641,542	26,530,207	26,191,555	98.72%	300,559	26,492,114	99.86%
2017	29,778,208	29,384,676	29,014,410	98.74%	278,733	29,293,143	99.69%
2018	31,649,428	31,507,578	31,108,498	98.73%	321,592	31,430,090	99.75%
2019	34,964,999	34,626,010	34,359,051	99.23%	203,480	34,562,531	99.82%
2020	39,523,037	39,850,575	39,522,375	99.18%	237,173	39,759,548	99.77%
2021	40,127,631	41,692,877	41,294,020	99.04%	250,586	41,544,606	99.64%
2022	45,279,940	45,820,562	45,396,678	99.07%	237,016	45,633,694	99.59%
2023	52,932,142	53,511,510	52,988,556	99.02%	-	52,988,556	99.02%

Source: Montgomery County Tax Assessor-Collector

Note: Total Tax Collections to date does not include penalty charges and interest.

CITY OF CONROE, TEXAS
TAXABLE SALES BY CATEGORY
LAST TEN CALENDAR YEARS
(IN THOUSANDS OF DOLLARS)

	Calendar Year		
	2013	2014	2015
Agriculture			
Forestry & Fishing	\$ 55	\$ 39	\$ 21
Mining	32,553	53,172	56,577
Construction	31,336	38,737	44,597
Manufacturing	141,766	144,822	107,946
Transportation, Warehousing			
Communication & Utilities	562	1,227	2,112
Wholesale Trade	113,592	139,891	159,804
Retail Trade	952,609	1,033,821	1,046,251
Information	35,432	42,848	50,631
Finance,			
Insurance & Real Estate	37,252	42,252	55,274
Services	237,869	307,646	307,164
Other	-	1	-
Total	<u>\$ 1,583,026</u>	<u>\$ 1,804,456</u>	<u>\$ 1,830,377</u>
City and CIDC Direct Sales Tax Rate	2.00%	2.00%	2.00%

Source: Texas Comptroller of Public Accounts

TABLE 12

Calendar Year						
2016	2017	2018	2019	2020	2021	2022
\$ 10	\$ 12	\$ 2	\$ 5	\$ 7	\$ 7	\$ 245
23,090	29,434	49,496	43,305	19,954	32,226	51,204
38,883	60,709	52,222	58,670	57,708	62,768	79,001
92,886	127,656	204,012	146,528	132,464	189,227	123,023
2,627	2,789	3,030	2,971	1,536	1,651	1,355
166,854	196,965	202,984	196,360	193,181	232,414	251,382
1,035,813	1,017,702	1,037,728	1,028,511	1,081,992	1,304,900	1,401,269
53,663	46,319	52,855	54,580	39,024	47,876	34,507
55,070	70,288	87,177	80,429	60,047	68,608	97,489
326,144	352,789	387,623	408,910	393,049	481,504	545,745
31	140	239	-	-	-	-
<u>\$ 1,795,071</u>	<u>\$ 1,904,803</u>	<u>\$ 2,077,368</u>	<u>\$ 2,020,269</u>	<u>\$ 1,978,962</u>	<u>\$ 2,421,181</u>	<u>\$ 2,585,220</u>
2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

CITY OF CONROE, TEXAS**DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS****TABLE 13**

Fiscal Year	General Fund		CIDC Fund Blended	Total Sales Tax Rate
	Primary Government		Component Unit	
	Sales Tax Rate For General Revenue	Sales Tax Rate For Property Tax Relief	Sales Tax Rate For Economic Development (4B)	
2014	1.00%	0.50%	0.50%	2.00%
2015	1.00%	0.50%	0.50%	2.00%
2016	1.00%	0.50%	0.50%	2.00%
2017	1.00%	0.50%	0.50%	2.00%
2018	1.00%	0.50%	0.50%	2.00%
2019	1.00%	0.50%	0.50%	2.00%
2020	1.00%	0.50%	0.50%	2.00%
2021	1.00%	0.50%	0.50%	2.00%
2022	1.00%	0.50%	0.50%	2.00%
2023	1.00%	0.50%	0.50%	2.00%

Source: City Finance and Administration Department

CITY OF CONROE, TEXAS
SALES TAX REVENUE PAYERS BY INDUSTRY
FISCAL YEARS 2012 AND 2022
(DOLLARS ARE IN MILLIONS)

TABLE 14

<u>Tax Remitter</u>	Fiscal Year 2012				Fiscal Year 2022			
	Number of Filers	% of Total	Tax Liability	% of Total	Number of Filers	% of Total	Tax Liability	% of Total
Agriculture, Forestry & Fishing	54	0.52%	\$ -	0.00%	60	0.37%	\$ -	0.00%
Mining	93	0.89%	0.53	1.98%	127	0.78%	0.94	1.83%
Construction	935	8.98%	0.64	2.38%	1,545	9.44%	1.51	2.93%
Manufacturing	900	8.64%	2.13	7.91%	1,304	7.97%	2.90	5.63%
Transportation, Communication & Utilities	81	0.78%	0.02	0.06%	139	0.85%	-	0.00%
Wholesale Trade	592	5.69%	1.74	6.45%	944	5.77%	4.99	9.69%
Retail Trade	3,599	34.57%	16.45	61.01%	6,044	36.95%	27.69	53.79%
Information	121	1.16%	0.61	2.27%	237	1.45%	0.91	1.77%
Finance, Insurance & Real Estate	398	3.82%	0.57	2.12%	624	3.81%	1.87	3.63%
Services	3,613	34.70%	4.27	15.82%	5,297	32.38%	10.67	20.73%
Other	26	0.25%	-	0.00%	38	0.23%	-	0.00%
Total	10,412	100.00%	\$ 26.96	100.00%	16,359	100.00%	\$ 51.48	100.00%

Source: Texas Comptroller of Public Accounts

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue.

CITY OF CONROE, TEXAS

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities				
	Refunding Bonds, CO Bonds & Sales Tax Revenue Bonds ⁽¹⁾	Leases	Subscription-Based IT Arrangements	Notes	Total Long-Term Debt
2014	\$ 129,757,386	\$ 458,149	\$ -	\$ 971,000	\$ 131,186,535
2015	135,705,804	400,827	-	868,002	136,974,633
2016	138,640,600	341,241	-	761,002	139,742,843
2017	151,254,904	279,301	-	648,002	152,182,207
2018	142,295,795	214,914	-	530,002	143,040,711
2019	182,018,991	147,984	-	407,002	182,573,977
2020	199,799,695	78,410	-	278,002	200,156,107
2021	304,674,825	-	-	143,002	304,817,827
2022	342,105,315	202,845	-	-	342,308,160
2023	363,239,145	176,699	3,583,952	-	366,999,796

(1) Presented net of original issuance discounts and premiums.

(2) See Table 20 for personal income and population data.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Effective 2015, CIDC was determined to be a discrete component unit and is not included.

Effective 2021, component units were re-evaluated and CIDC was determined to be a blended component unit.

Effective 2022, the City implemented GASB 87 on leases, this implementation did not require a restatement of prior years.

Effective 2023, the City implemented GASB 96 on softwares, this implementation did not require a restatement of prior years.

TABLE 15

Business-type Activities						
Refunding Bonds, CO Bond & Revenue Bonds ⁽¹⁾	Leases	Subscription-Based IT Arrangements	Total Long-Term Debt	Total Primary Government	Percentage of Personal Income ⁽²⁾	Per Capita ⁽²⁾
\$ 92,995,074	\$ 3,407,795	\$ -	\$ 96,402,869	\$ 227,589,404	14.16%	\$ 3,179
105,404,059	2,974,908	-	108,378,967	245,353,600	15.20%	3,413
101,531,935	2,524,923	-	104,056,858	243,799,701	13.66%	3,392
121,026,014	2,057,162	-	123,083,176	275,265,383	12.51%	3,346
116,578,976	1,570,925	-	118,149,901	261,190,612	10.20%	3,095
209,258,071	1,065,482	-	210,323,553	392,897,530	13.83%	4,482
224,867,596	540,074	-	225,407,670	425,563,777	14.87%	4,672
231,330,619	-	-	231,330,619	536,148,446	16.63%	5,568
248,037,632	25,910	-	248,063,542	590,371,702	18.23%	6,105
370,419,949	30,123	39,447	370,489,519	737,489,315	20.54%	7,158

CITY OF CONROE, TEXAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

TABLE 16

Fiscal Year	General Bonded Debt Outstanding			Less: Amounts Restricted for Debt Service ⁽¹⁾	Net Total	Percentage of Taxable Assessed Value of Property	Per Capita
	Refunding Bonds	Certificates of Obligation	Total				
2014	\$ 12,661,361	\$ 117,096,025	\$ 129,757,386	\$ 10,623,507	\$ 119,133,879	2.76%	\$ 1,664
2015	45,626,859	90,078,945	135,705,804	12,178,899	123,526,905	2.56%	1,719
2016	43,116,188	95,524,412	138,640,600	11,401,030	127,239,570	2.02%	1,770
2017	40,455,518	110,799,386	151,254,904	11,386,141	139,868,763	1.96%	1,700
2018	47,002,984	95,292,811	142,295,795	10,589,482	131,706,313	1.74%	1,561
2019	44,115,693	137,903,298	182,018,991	10,837,081	171,181,910	2.05%	1,953
2020	47,297,442	152,502,253	199,799,695	11,052,026	188,747,669	2.06%	2,072
2021	57,481,341	169,261,258	226,742,599	10,417,007	216,325,592	2.24%	2,246
2022	52,026,724	216,837,817	268,864,541	10,376,197	258,488,344	2.42%	2,673
2023	54,157,108	298,051,031	352,208,139	10,215,058	341,993,081	2.62%	3,319

Note: (1) This is the amount restricted for debt service payments on general obligation and certificate of obligation bonds.

(2) These amounts exclude certificates of obligation and refunding bonds which are secured by the City's ad valorem taxes, but reported as business-type activities. The City intends to pay debt service from surplus net revenues of the City's water and sewer system to the extent such revenues are available in any year.

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

See Table 8 for property value data.

See Table 20 for population data.

CITY OF CONROE, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2023

(DOLLARS IN THOUSANDS)

TABLE 17

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt Repaid with Property Taxes			
Montgomery County	\$ 441,665	15.12%	\$ 66,780
Conroe Independent School District	1,550,285	19.96%	309,437
Willis Independent School District	366,280	27.86%	102,046
Lone Star College	617,371	4.45%	27,473
Montgomery Independent School District	523,210	14.18%	74,191
MUD #90	5,705	100.00%	5,705
MUD #92	12,995	100.00%	12,995
MUD #107	19,780	100.00%	19,780
MUD #126	26,730	100.00%	26,730
MUD #128A	47,245	100.00%	47,245
MUD #132	22,230	100.00%	22,230
MUD #138	35,150	100.00%	35,150
MUD #142	8,575	100.00%	8,575
MUD #148	5,370	100.00%	5,370
MUD #178	5,630	100.00%	5,630
Conroe MUD #1	22,730	99.91%	22,710
Conroe MMD #1	89,790	100.00%	89,790
UD #3	10,155	100.00%	10,155
UD #4	15,400	100.00%	15,400
Subtotal, Overlapping Debt			907,392
City Direct Debt (Net of original issuance discounts and premiums)	\$ 367,000		367,000
Total Direct and Overlapping Debt (Estimated \$12,369 Per Capita) (a)			<u>\$ 1,274,392</u>

Sources: Assessed value data used to estimate applicable percentages provided by Tax Assessor - Collector and Appraisal District. Debt outstanding data provided by each governmental unit.

(a) See Table 20 for population of 103,035.

Note: For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value. The City Direct Debt excludes the sales tax revenue bonds and hotel revenue bonds and related premiums.

CITY OF CONROE, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal Year		
	2014	2015	2016
Assessed Value	\$ 4,322,826,131	\$ 4,829,793,550	\$ 6,309,739,745
Debt Limit <5% of assessed value>	<u>\$ 216,141,307</u>	<u>\$ 241,489,678</u>	<u>\$ 315,486,987</u>
Debt Applicable to Limit:			
Total Bonded Debt	\$ 124,930,000	\$ 128,305,000	\$ 130,980,000
Less: Assets in Debt Service Funds available for payment of principal	<u>(14,537,182)</u>	<u>(12,084,748)</u>	<u>(11,356,765)</u>
Total Net Debt Applicable to Limit	<u>110,392,818</u>	<u>116,220,252</u>	<u>119,623,235</u>
Net Legal Debt Margin	<u>\$ 105,748,489</u>	<u>\$ 125,269,426</u>	<u>\$ 195,863,752</u>
Total Net Debt Applicable to the Debt Limit As a Percentage of Debt Limit	51.07%	48.13%	37.92%
Total Net Debt Margin as a Percentage of Debt Limit	48.93%	51.87%	62.08%
Total Bonded Debt as a Percentage of Assessed Value	2.89%	2.66%	2.08%

Computation of Legal Debt Margin:

As a home rule city, the City of Conroe is not limited by the law in the amount of debt it may issue. The City's Charter (Section 9.18) states: The City Council shall have the power under the provisions of the state law to levy, assess and collect an annual tax upon real and personal property within the City to the maximum provided by the Constitution and the general laws of the State of Texas. The City Council shall also have the power to levy occupation taxes on such occupations as consistent with the general laws of the State of Texas.

Article XI, Section 5 of the State of Texas Constitution states in part:

...but no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such city.

The tax rate at October 1, 2022 is \$0.4272 per \$100.00 with valuation at 100% of assessed value.

TABLE 18

Fiscal Year						
2017	2018	2019	2020	2021	2022	2023
\$ 7,126,248,737	\$ 7,556,126,403	\$ 8,352,329,678	\$ 9,144,248,346	\$ 9,643,029,137	\$ 10,672,297,776	\$ 13,064,416,236
<u>\$ 356,312,437</u>	<u>\$ 377,806,320</u>	<u>\$ 417,616,484</u>	<u>\$ 457,212,417</u>	<u>\$ 482,151,457</u>	<u>\$ 533,614,889</u>	<u>\$ 653,220,812</u>
\$ 163,825,000	\$ 171,885,000	\$ 292,200,000	\$ 327,340,000	\$ 365,025,000	\$ 385,035,000	\$ 502,220,000
(11,569,373)	(10,802,885)	(11,292,098)	(11,052,026)	(10,417,007)	(10,376,197)	(10,215,058)
152,255,627	161,082,115	280,907,902	316,287,974	354,607,993	374,658,803	492,004,942
<u>\$ 204,056,810</u>	<u>\$ 216,724,205</u>	<u>\$ 136,708,582</u>	<u>\$ 140,924,443</u>	<u>\$ 127,543,464</u>	<u>\$ 158,956,086</u>	<u>\$ 161,215,870</u>
42.73%	42.64%	67.26%	69.18%	73.55%	70.21%	75.32%
57.27%	57.36%	32.74%	30.82%	26.45%	29.79%	24.68%
2.30%	2.27%	3.50%	3.58%	3.79%	3.61%	3.84%

CITY OF CONROE, TEXAS
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

TABLE 19

Water and Sewer Bonded Debt						
Fiscal Year	Utility Service Charge	Less: Adjusted Operating Expenses ⁽¹⁾	Net Available Revenue	Debt Service (2)		Coverage
				Principal	Interest	
2014	\$ 26,395,316	\$ 14,947,138	\$ 11,448,178	\$ 2,945,000	\$ 3,463,381	1.79
2015	30,034,855	18,108,103	11,926,752	3,640,000	3,890,755	1.58
2016	33,379,807	17,104,279	16,275,528	4,240,000	3,816,578	2.02
2017	35,025,871	19,640,520	15,385,351	4,375,000	4,213,988	1.79
2018	39,098,028	27,418,288	11,679,740	5,150,000	4,201,415	1.25
2019	40,859,420	23,498,660	17,360,760	6,545,000	8,375,211	1.16
2020	48,037,994	20,824,560	27,213,434	7,580,000	9,028,375	1.64
2021	51,837,664	22,372,408	29,465,256	8,430,000	9,230,538	1.67
2022	60,552,268	28,646,785	31,905,483	11,225,000	10,406,575	1.47
2023	67,570,762	33,031,701	34,539,061	12,685,000	11,582,613	1.42

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Operating Expenses for Water and Sewer Revenue Bonds are adjusted and shown net of Payment-in-lieu-of-taxes (PILOT), debt service payments, and the following interfund activity: transfers to the General Fund & Facilities Management fund for administrative overhead and transfers to the Revenue Debt Service Reserve Fund.

(2) Principal & Interest payments include certificates of obligation and refunding bonds, which are secured by the City's ad valorem property taxes. However, the City intends to pay debt service from surplus net revenues of the City's water and sewer system to the extent such revenues are available in any year.

CITY OF CONROE, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

TABLE 20

Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2014	71,592	\$ 1,607,670	\$ 22,456	33.0	13,345	3.9%
2015	71,879	1,614,115	22,456	31.5	12,447	3.8%
2016	71,879	1,785,043	24,834	31.0	15,124	4.2%
2017	82,275	2,200,363	26,744	34.0	15,847	4.2%
2018	84,378	2,560,704	30,348	33.8	17,335	3.6%
2019	87,654	2,841,743	32,420	33.7	17,239	3.3%
2020	91,079	2,862,704	31,431	33.0	17,733	8.8%
2021	96,295	3,223,860	33,479	33.6	17,774	5.4%
2022	96,706	3,237,814	33,481	33.7	19,173	4.1%
2023	103,035	3,590,049	34,843	32.9	19,495	3.6%

Sources: Various school websites, the Conroe Greater Economic Development Council, the GIS Section of the City of Conroe and WorldPopulationReview.com.



CITY OF CONROE, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

TABLE 21

Employer	2023			2014		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Conroe Independent School District	5,776	1	12.09%	6,130	1	20.56%
Montgomery County	3,170	2	6.64%	1,998	2	6.71%
HCA Houston Healthcare Conroe	990	3	2.07%	1,300	3	4.17%
City of Conroe (including Part-Time)	946	4	1.98%	505	5	1.52%
Steris (formally Medivators, Inc.)	700	5	1.47%			
National Oilwell Varco (all Conroe locations)	690	6	1.44%	647	4	2.08%
Tri-County Behavioral Healthcare	422	7	0.88%			
Wal-Mart Supercenter	387	8	0.81%	408	7	1.31%
Consolidated Communications	332	9	0.70%	433	6	1.39%
McKesson	287	10	0.60%			
National Oilwell Varco - Fluid Control				375	8	1.20%
Tenaris				360	9	1.16%
Containment Solutions Inc				250	10	0.81%
	<u>13,700</u>		<u>28.68%</u>	<u>12,406</u>		<u>40.91%</u>

Source:

Greater Conroe Economic Development Council (GCEDC)

<http://www.gcedc.org/research/>

CITY OF CONROE, TEXAS

FULL TIME EQUIVALENT EMPLOYEES BY FUNCTIONS/PROGRAMS LAST TEN FISCAL YEARS

	2014 ⁽¹⁾	2015 ⁽²⁾	2016 ⁽³⁾	2017 ⁽⁴⁾	2018	2019 ⁽⁵⁾	2020 ⁽⁶⁾	2021	2022 ⁽⁷⁾	2023 ⁽⁸⁾
Functions/Programs										
General Government										
Administration	3	3	3	3	3	3	4	5	5	4
Mayor & Council	2	2	2	2	2	3	3	3	4	4
Transportation	1	1	1	1	1	2	3	3	3	18
Downtown Development	-	-	-	-	-	-	-	-	-	2
Legal	3	3	3	3	3	4	4	4	5	5
Municipal Court	10	10	10	10	10	10	10	10	10	9
Warehouse Purchasing	5	5	4	4	4	4	4	4	4	4
Information Technology	11	11	11	11	11	12	12	12	12	15
Human Resources	6	6	6	6	6	7	7	7	8	8
Finance	10	10	12	12	12	12	13	13	14	14
Public Safety										
Police Administration	9	9	9	9	9	9	9	9	9	9
Police Support	12	12	13	14	14	14	14	15	15	16
Police Patrol	99	100	102	102	102	102	108	108	115	126
Police Investigative Services	32	33	34	34	34	36	37	37	37	41
Police Animal Services	5	2	2	2	2	2	2	2	2	2
Red Light Program	1	-	-	-	-	-	-	-	-	-
Traffic Services	2	2	-	-	-	-	-	-	-	-
Commercial Vehicle Enforcement	-	1	1	1	1	1	1	1	1	1
Fire	87	117	117	129	129	135	138	141	148	159
Community Development										
CDBG Administration	2	2	1	1	1	1	1	1	1	1
Community Development	15	19	19	19	19	23	8	8	9	11
Parks										
Parks & Rec. Administration	2	2	2	4	4	4	4	4	6	4
CK Ray Recreation Center	6	6	6	5	5	5	5	5	5	4
Oscar Johnson, Jr. CC	4	4	4	4	4	4	4	4	4	5
Senior Center	-	-	-	-	-	-	-	-	-	1
Aquatic Center	7	7	7	7	7	7	7	7	7	5
Parks Operations	11	11	11	10	10	12	12	12	13	15
Westside Recreation Center	-	-	-	-	-	-	-	-	-	4
Public Works										
Drainage Maintenance	7	7	8	8	8	8	8	8	8	8
Streets	28	27	36	36	36	31	31	31	31	31
Signal Maintenance	3	3	4	4	4	4	4	4	4	4
Sign Maintenance	-	-	-	-	-	8	8	8	8	8
Engineering	21	22	22	22	23	23	25	25	26	27
Building Inspections and Permits	-	-	-	-	-	-	15	15	15	18
Conroe Tower	1	1	1	1	1	1	2	2	2	2
Hotel/Motel Occupancy Tax	4	4	4	4	4	4	4	4	4	4
Component Unit										
Conroe Industrial Development	4	4	4	4	4	4	5	5	5	5

TABLE 22

	2014 ⁽¹⁾	2015 ⁽²⁾	2016 ⁽³⁾	2017 ⁽⁴⁾	2018	2019 ⁽⁵⁾	2020 ⁽⁶⁾	2021	2022 ⁽⁷⁾	2023 ⁽⁸⁾
Water & Sewer										
Utility Billing	9	9	10	10	10	11	11	12	12	12
Public Works	6	6	7	7	7	7	7	7	7	9
Water Conservation	1	1	-	-	-	-	-	-	-	-
Water	15	11	12	12	12	16	16	16	16	17
Conroe Central Wastewater Plant	-	-	-	-	-	-	-	-	10	10
Southwest Wastewater Plant	10	10	11	11	11	14	17	22	14	14
Sewer	20	12	18	18	18	18	19	19	19	19
Pump & Motor Maint.	6	6	9	9	9	9	9	9	9	9
Project Construction	17	29	-	-	-	-	-	-	-	-
Fleet Services	8	8	8	8	8	10	10	10	11	11
Total	<u>505</u>	<u>538</u>	<u>534</u>	<u>547</u>	<u>548</u>	<u>580</u>	<u>601</u>	<u>612</u>	<u>638</u>	<u>695</u>

Source: City Finance Department.

Notes:

- (1) In FY 2014, The Arts & Communications position was moved to the Recreation Center; the Self Funded Insurance position was moved to Human Resources; One position previously in CIDC was moved to the newly created Transit fund; the Communications Officers in Police Support were moved to Police Patrol; the positions in Professional Services were moved to Police Administration, Police Patrol, and Criminal Investigations; and the secretary position previously in Waste Water Treatment Plant was moved to Public Works.
- (2) In FY 2015, the citizens voted to eliminate Red Light Cameras thereby moving the position to Police Patrol Department; the Animal Shelter was out-sourced to a private company reducing the number of positions needed; the Commercial Vehicle Enforcement division was added; the annexation of April Sound included the need for another Fire Station which increased the number of Fire personnel by 30; and four positions from Water and eight positions from Sewer were moved to Project Construction.
- (3) In FY 2016, the Project Construction division was closed and all remaining positions were transferred to the General Fund and Water & Sewer Fund.
- (4) In FY 2017, the Parks Superintendent position was transferred from Parks Operations to Parks & Rec Administration and the Recreation Manager position was transferred from Recreation Center to Parks & Rec Administration.
- (5) In FY 2019, Sign Maintenance was created, some of the employees were previously assigned to Streets.
- (6) In FY 2020, Building Inspections and Permits was formed with employees previously in Community Development.
- (7) In FY 2022, Conroe Central Wastewater Treatment Plant was built.
- (8) In FY 2023, Transportation hired personnel for the local routes rather than using a third-party vendor.

CITY OF CONROE, TEXAS
OPERATING INDICATORS BY FUNCTIONS/PROGRAMS
LAST TEN FISCAL YEARS

Functions/Programs	Fiscal Year		
	2014	2015	2016
General Government			
Building Permits Issued	1,443	1,486	1,089
Building Inspections Conducted	17,871	20,924	20,365
Police			
Physical Arrests	4,502	4,289	4,237
Parking Violations	3,724	2,560	1,672
Traffic Violations	16,142	14,449	12,919
Fire			
Emergency Responses	7,083	8,427	9,018
Fires Extinguished	222	204	244
Inspections	1,778	1,333	2,537
Refuse Collection			
Refuse Collected (tons per day) (a)	41.00	73.20	65.58
Recyclables Collected (tons per day) (a)	10.00	17.20	16.53
Other Public Works			
Street Resurfacing (miles)	9.00	11.00	3.00
Potholes Repaired	415	2,193	1,360
Parks and Recreation			
Athletic Field Permits Issued	290	292	272
Community Center Admissions	353,024	422,884	452,564
Water			
New Connections	923	613	2,418
Water Main Breaks	692	1,072	622
Average Daily Consumption (millions of gallons)	9.189	9.249	9.770
Peak Monthly Consumption (millions of gallons)	377.559	281.344	415.278
Wastewater			
Average Daily Sewage Treatment (millions of gallons)	7.200	7.800	7.700
Transit			
Total Route Miles - OJJCC	12,240	9,912	11,018
Total Route Miles - Conroe Connection (b)	-	54,108	83,258
Passenger - OJJCC	14,232	18,420	19,984
Passenger - Conroe Connection (b)	-	22,811	34,487

Source: Various City Departments

Notes:

(a) Refuse Collection information is provided by a private waste company.

(b) Conroe Connection began service in FY2015.

TABLE 23

Fiscal Year						
2017	2018	2019	2020	2021	2022	2023
1,453	1,667	1,803	2,101	2,975	2,839	2,541
25,995	33,783	37,836	40,796	63,855	77,024	65,064
4,805	4,815	4,649	5,691	4,455	4,675	4,643
798	802	1,798	1,004	869	979	889
20,302	23,148	25,419	6,246	28,635	23,517	14,476
8,784	10,261	10,208	10,280	9,526	10,399	11,051
274	312	240	346	33	303	464
2,540	3,034	1,678	2,285	1,695	2,504	2,512
68.25	70.45	50.87	57.23	58.17	58.73	62.93
16.86	19.35	14.83	14.77	16.6	15.2	18.87
9.00	6.00	5.00	1.00	7.00	9.00	9.00
2,011	2,500	1,850	1,600	720	581	652
247	194	216	183	287	360	264
461,683	452,174	476,207	316,865	462,594	665,597	744,698
790	892	992	1,125	1,910	1,819	1,496
495	885	781	855	1,279	1,220	871
9.990	14.000	10.202	11.860	11.000	14.000	15.000
381.427	413.795	433.717	494.001	475.000	650.475	752.939
7.900	8.200	9.020	8.890	9.100	9.000	9.270
12,145	13,425	20,100	15,075	14,112	20,831	17,822
85,373	92,668	131,357	179,057	173,510	198,348	236,127
16,329	16,825	17,747	10,352	12,998	17,439	15,073
27,650	33,633	48,430	38,705	27,512	42,021	80,663

CITY OF CONROE, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTIONS/PROGRAMS

LAST TEN FISCAL YEARS

Functions/Programs	Fiscal Year			
	2014	2015	2016	2017
Police				
Stations	1	1	2	1
Zone Offices	1	1	1	1
Patrol Units	56	56	56	59
Fire Stations	5	6	6	6
Refuse Collection				
Collection trucks	9	10	10	12
Other Public Works				
Streets (miles)	270.0	315.0	350.0	346.0
Streetlights	3,550	3,550	3,550	3,321
Traffic Signals	102	110	125	105
Parks and Recreation				
Acreage	407.0	407.0	407.0	407.0
Playgrounds	19	19	20	20
Baseball/Softball Diamonds	27	27	27	27
Soccer/Football Fields	18	18	18	18
Community Centers	4	4	4	4
Water				
Water Mains (miles)	403.0	409.5	417.2	444.0
Fire Hydrants	3,335	3,410	3,032	3,084
Storage Capacity (millions of gallons)	11,490	11,490	11,589	12,849
Wastewater				
Sanitary Sewers (miles)	398.0	404.0	427.1	432.0
Storm Sewers (miles) (a)	42.953	49.000	50.530	50.530
Treatment capacity (millions of gallons)	10,000	10,000	10,000	12,000
Transit				
Buses	4	8	4	4
Vans	-	-	2	2

Source: Various City Departments

Notes:

(a) Data shown as miles of storm sewers are estimates only. Data is currently being compiled for retroactive infrastructure reporting.

TABLE 24

Fiscal Year					
2018	2019	2020	2021	2022	2023
1	1	1	1	1	1
1	1	1	1	1	1
68	73	73	74	74	105
7	7	7	7	7	7
12	13	13	10	16	16
346.0	420.0	420.0	420.0	420.0	475.0
4,300	3,994	4,421	4,353	4,782	4,872
120	120	120	121	123	124
407.0	492.0	570.0	690.0	671.0	689.0
20	20	20	20	21	20
27	21	21	21	21	20
18	19	19	19	19	22
4	5	5	6	6	6
461.0	479.0	508.0	529.0	572.0	515.0
3,085	3,115	3,089	4,726	5,162	5,557
13,250	12,349	12,349	12,349	14,359	14,359
421.0	419.0	431.0	450.0	474.0	485.0
108,000	139,000	162,000	207,000	211,000	251,000
12,000	12,000	12,000	12,000	18,000	18,000
6	6	6	5	7	10
2	2	2	2	2	4

CITY OF CONROE, TEXAS**TABLE 25**

*WATERWORKS SYSTEM - TOP TEN WATER & SEWER USERS (IN GALLONS)
AS OF SEPTEMBER 30, 2023*

Customer	Fiscal Year Total 2023 Water Consumption	Fiscal Year Total 2023 Water Revenues	Percent of Total 2023 Water Revenues
EvoQua Water Technologies, LLC	196,813,000	\$ 552,814	2.6%
Ball Metal Container Group	67,848,000	204,762	1.0%
Houston Methodist Hospital	64,442,000	194,682	0.9%
Hiland Dairy	61,049,000	176,223	0.8%
M.U.D. 42	46,747,000	212,797	1.0%
The Geo Group	41,278,000	126,135	0.6%
Crown Cork and Seal	38,930,000	126,066	0.6%
The Dominion	27,582,000	182,886	0.9%
SeaGrove Apartments	25,976,000	87,118	0.4%
Montgomery County Jail	25,486,000	86,805	0.4%

Customer	Fiscal Year Total 2023 Sewer Consumption	Fiscal Year Total 2023 Sewer Revenues	Percent of Total 2023 Sewer Revenues
EvoQua Water Technologies, LLC	196,813,000	\$ 1,015,878	4.0%
Ball Metal Container Group	66,531,000	343,623	1.4%
Houston Methodist Hospital	64,442,000	334,500	1.3%
Hiland Dairy	61,049,000	315,196	1.2%
The Geo Group	41,251,000	213,178	0.8%
Crown Cork & Seal	38,930,000	201,202	0.8%
SeaGrove Apartments	25,976,000	135,113	0.5%
Montgomery County Jail	25,486,000	131,831	0.5%
Medical Center Hospital	25,049,000	130,363	0.5%
The GEO Group - Processing	22,351,000	115,654	0.5%

CITY OF CONROE, TEXAS

WATER AND SEWER RATES

AS OF SEPTEMBER 30, 2023

TABLE 26

Minimum Monthly Base Charge By Meter Size

Meter Size	Minimum Base Charge	Life Line Base Charge
5/8 Inch*	\$ 13.14	\$ 6.57
1 Inch	19.71	16.43
1.5 Inch	27.38	24.09
2 Inch	38.33	35.04
3 Inch	50.38	50.38
4 Inch	71.19	71.19
6 Inch	98.57	98.57
8 Inch	158.82	158.82
10 Inch	273.82	273.82

* Typical residential meter size.

A Surface Water Fee was implemented to recover expenses the City incurred participating in the Groundwater Reduction Plan with the San Jacinto River Authority. This charge is assessed at \$3.60 per 1,000 gallons of water consumed for residential, sprinkler and commercial customers. The Lone Star Groundwater Conservation District fee is a pass through fee to regulate ground water consumption. This charge is assessed at \$.06 per 1,000 gallons consumed for residential, sprinkler and non-residential customers.

Water and Sewer Service Charges

There is charged and collected each month by the City from the consumers of water and sewer service residing within the limits of the City, the amounts of money hereinafter set out upon the following rates:

Residential and Sprinkler Rates Inside City Limits

Usage	Water Rate Base Charge	Sanitary Sewer Rate
Minimum 0 - 3,999 gallons		\$ 43.76
Per thousand gallons		
4,000 - 10,999 gallons, per thousand	\$ 2.80	5.33
11,000 - 15,999 gallons, per thousand	3.45	
16,000 - 25,999 gallons, per thousand	4.10	
26,000 - 35,999 gallons, per thousand	4.68	
36,000 gallons and over	8.18	
Total Charge at 10,000 gallons		81.07

Non-Residential Rates Inside City Limits

Usage	Water Rate Base Charge	Sanitary Sewer Rate
Minimum 0 - 3,999 gallons		\$ 45.24
Per thousand gallons		
4,000 - 10,999 gallons, per thousand	\$ 3.16	5.51
11,000 - 15,999 gallons, per thousand	3.72	
16,000 - 25,999 gallons, per thousand	4.43	
26,000 - 35,999 gallons, per thousand	5.05	
36,000 - 150,999 gallons, per thousand	8.84	
151,000 gallons and over	2.91	

Residential and Sprinkler/Non-Residential Water & Sanitary Sewer Rates Outside City Limits

The amount to be charged and collected for water and sewer service outside the corporate limits of the City is computed and charged as double the amount established for service inside the City.

Life Line Residential Rates Inside City Limits

Usage	Water Rate Base Charge	Sanitary Sewer Rate
Minimum 0 - 3,999 gallons		\$ 21.88
Per thousand gallons		
4,000 - 10,999 gallons, per thousand	\$ 1.40	5.51
11,000 - 15,999 gallons, per thousand	2.93	
16,000 - 25,999 gallons, per thousand	4.10	
26,000 - 35,999 gallons, per thousand	4.68	
36,000 - and Up	8.18	
Total Charge at 10,000 gallons		40.50