

Comprehensive Annual Financial Report

Year Ended September 30, 2014

CITY OF CONROE

Est. 1904



*“PROTECT AND SERVE THE CITIZENS OF CONROE
AND EXCEED THEIR EXPECTATIONS”*

CITY OF CONROE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Prepared by:
CITY OF CONROE, TEXAS
FINANCE DEPARTMENT
Steve Williams
Assistant City Administrator/Chief Financial Officer

City of Conroe, Texas
Comprehensive Annual Financial Report
For the Year Ended September 30, 2014

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CITY OF CONROE

Est. 1904

February 12, 2015

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

The Comprehensive Annual Financial Report of the City of Conroe, Texas (the City) for the fiscal year ended September 30, 2014, 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 13.

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, and general administrative services. In addition to general government activities, the City provides water, sewer, and 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, Police and Courts Building Fund, and Woodlands Township Regional Participation. Capital project funds are appropriated annually. The City of Conroe Other Post Employment Benefit Trust Fund also does not have an annual appropriated budget.

The Assistant City Administrator/Chief Financial Officer 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.

Purchase orders that exceed appropriated balances are not released until they have been further reviewed and approved by the City Administrator or his representative. 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 in the new fiscal year.

The City amends the budget on a quarterly basis. Such amendments 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. The United States Census Bureau released the 2013 Census data for Texas. The population of the City of Conroe was listed at 63,032. Conroe's estimated population for 2015 is 71,592, which includes increases in population related to annexation.

The tax roll certified by the Montgomery Central Appraisal District for 2014 (FY14-15) increased by \$506,967,419, or 11.7%. New improvements accounted for approximately \$126,528,705 of this amount. Newly annexed property added approximately \$17,266,742 to the roll. This will affect revenues recorded in next year's Comprehensive Annual Financial Report (CAFR). The taxable value increase for the current fiscal year is \$320,137,852, or 8.0%.

Sales tax revenue is the largest revenue source for the City. Sales tax revenue totaled \$40,261,542 for the fiscal year ending September 30, 2014. This amount represents an increase of \$3,620,883, or 9.9%, from the prior fiscal year.

The City issued 1,712 building permits for properties and improvements valued at \$252,016,405. This included 871 building permits for single family housing starts totaling \$130,381,898. The average single family home value, exclusive of land, was \$149,692. The City reported a total labor force within city limits of 31,138 with an unemployment rate of 3.9% as of September 2014. This data is compiled by Labor Market & Career Information (LMCI.com).

SUMMARY OF SIGNIFICANT CAPITAL IMPROVEMENT PROJECTS

Numerous capital improvement projects were begun, under construction, or completed within the last fiscal year, the largest of which was the construction of the 248-acre Deison Technology Park. Located adjacent to the Lone Star Executive Airport, the park is designed to attract high technology businesses to Conroe. The total project included the purchase of land, as well as the construction of streets, drainage, water, and sewer improvements. A partial list of other projects from FY 13-14 includes the following (dollar amounts represent amounts expended in FY 13-14):

Streets

- Plantation Drive North and South and Drennan Road West - \$1,825,629
- Wilson Road widening (on both sides of IH-45) - \$67,837
- Anderson Crossing Road - \$2,715,417
- Stewart's Forest and First Street design - \$327,775
- Pedestrian access and transit improvements - \$376,504
- Street rehabilitations in the Dugan area - \$722,754

Drainage

- East Grand Lake Creek - \$148,359

Transit

- Park and Ride at FM 2854 - \$6,000
- State Highway (SH) 105 access management and safety - \$18,000
- New Freedom project - \$38,981 (completed)

Signals

- Signal design for various locations - \$99,604

Facilities

- Police and Municipal Court Facility - \$815,354

Parks & Recreation

- Candy Cane Park access and entrances - \$40,518
- Aquatic Center renovations - \$24,746
- Carl Barton Park Amenity Center - \$24,323
- IH-45 Detention Pond enhancements - \$298,350 (completed)
- Purchase of park building - \$354,060 (completed)

Water & Sewer

- Sanitary Sewer Overflow Initiative (SSOI) - \$64,619
- Water Wells No. 23 and No. 24 - \$2,085,070
- New Waste Water Treatment Plant - \$201,154
- Anderson Crossing Road - \$271,288
- Panorama/Shenandoah Catahoula well - \$1,301,746
- MUD No. 95 extension - \$2,739,236
- Surface Water System Improvement - \$1,059,762
- Existing Waste Water Treatment Plant - \$1,780,047
- Live Oak and White Oak Creek sewer line - \$200,286
- LaSalle @ League Line Road sewer line - \$1,888,491

Conroe Industrial Development Corporation

- Deison Technology Park drainage - \$436,013
- Industrial Park Section 8 water, sewer, drainage, and clearing - \$1,194,348

LONG-TERM FINANCIAL PLANNING

The \$20,500,016 unassigned fund balance in the General Fund is the equivalent of 137 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, 2020, in the current budget. As a result of the multi-year review, the City has been able to maintain its property tax rate of \$0.4200 per \$100 of value.

Net general bonded debt per capita increased from \$1,464 in 2013 to \$1,597 in 2014. The current ratio of net bonded debt to assessed value of all taxable property is 2.64%. The City continues to maintain its current Moody's rating of Aa2 and Standard & Poor's rating of AA on its Certificates of Obligation and its current Moody's rating of Aa3 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, it has significantly stepped up funding by paying 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 implemented several changes that were designed to provide a sustainable benefit to our employees. A major component included replacing eligibility based solely on years of service with the "Rule of 80", which is defined as the sum of age plus service at retirement being equal to at least 80. Also, the City has created a trust to fund ongoing and future retiree health care costs.

MAJOR INITIATIVES

In September 2014, the City issued \$17,130,000 in Water & Sewer Revenue Bonds and \$31,100,000 in Certificates of Obligation. The Water & Sewer Revenue Bonds will be used to fund \$4,890,771 in water projects, \$10,962,730 in sewer projects, and the debt service reserve requirement of \$1,276,499. Water projects include water lines at Anderson Crossing, Municipal Utility District (MUD) No. 95, FM 3083 Property Inc. DPA (Fuel Maxx), and FM 1488. Other water projects include the Panorama/Shenandoah Catahoula Well, Water Well No. 23 & Storage Tank, and Water Well No. 24.

Sewer projects include sewer lines at LaSalle at League Line, MUD No. 95, White Oak Creek, Live Oak Creek, Anderson Crossing (Phase I), and FM 3083 Property Inc. DPA (Fuel Maxx). Other sewer projects include the existing waste water treatment plant rehabilitation (Phase II) and the construction of a new waste water treatment plant (Phase IV). The Certificates of Obligation (COs) will be used to fund the following street improvement projects: Anderson Crossing, FM 3083 Grade Separation, Stewart's Forest, Peoples/Guinn/Schoettle Road, and Wilson Road Widening – IH-45 to Frazier. The COs will also fund a portion of the Police & Municipal Court Facility, IH-45 Detention Pond enhancements, park improvements at Candy Cane Park and Carl Barton Park, drainage project at East Grand Lake Creek, and signals at Anderson Crossing, First Street at Silverdale, and SH75 at North Loop 336.

The City has continued its consulting agreement with The Goodman Corporation to provide assistance in the areas of grant administration, compliance, pursuit of funding, legal/intergovernmental assistance, project management, and technical planning. The City has made significant progress as a Federal Transit Authority (FTA) recognized designated recipient in partnership with The Woodlands. We have successfully established a program of projects for grant years 2013 and 2014. The City has formed a Transit Advisory Committee. The City also became a federal grant designated recipient (Urbanized Area "UZA 5310") and replaced Brazos Transit District with a more cost effective demand response provider, The Friendship Center.

Major projects include the following:

- Creation of the transit five year Financial Capacity Analysis
- Authorization to purchase fixed route buses
- Completion of the New Freedom infrastructure project
- Contracted project design for SH105 Access Management project
- Contracted project design for Conroe Park and Ride project
- Contract to construct the Pedestrian Access and Transit Improvement project on Frazier Street and bus route
- Processed three Advanced Funding Agreements and two Multiple Use Agreements with the Texas Department of Transportation (TxDOT)
- Recovered \$132,497 in grant revenue

The City commenced in 2012 the annexation of 1,295 acres of land along Hwy 105, which generally includes April Sound (Utility Districts No. 3 and No. 4), April Villas, Lake View Village, Water Oak, and Waterpoint. The annexation was completed on December 31, 2014. It is the intent of the City to provide for the delivery of all municipal services to the annexed area in accordance with state law and Strategic Partnership Agreements (SPAs) with UDs No. 3 and No. 4.

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. 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 Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2013. This was the eighth 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 CAFR. This report must satisfy both GAAP and all applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR 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 and 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.

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 Hereford, Lynch, Sellars, & Kirkham, P.C., was selected by the City Council. This requirement has been fulfilled, and the auditors' opinion is included in this report. Hereford, Lynch, Sellars, & Kirkham, P.C., has issued an unmodified ("clean") opinion of the City's financial statements for the year ended September 30, 2014. Their report is located at the front of the financial section of this report.

Respectfully Submitted,

Steve Williams
Assistant City Administrator/Chief Financial Officer



Government Finance Officers Association

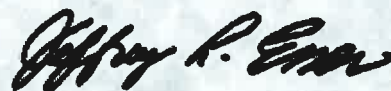
**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Conroe
Texas**

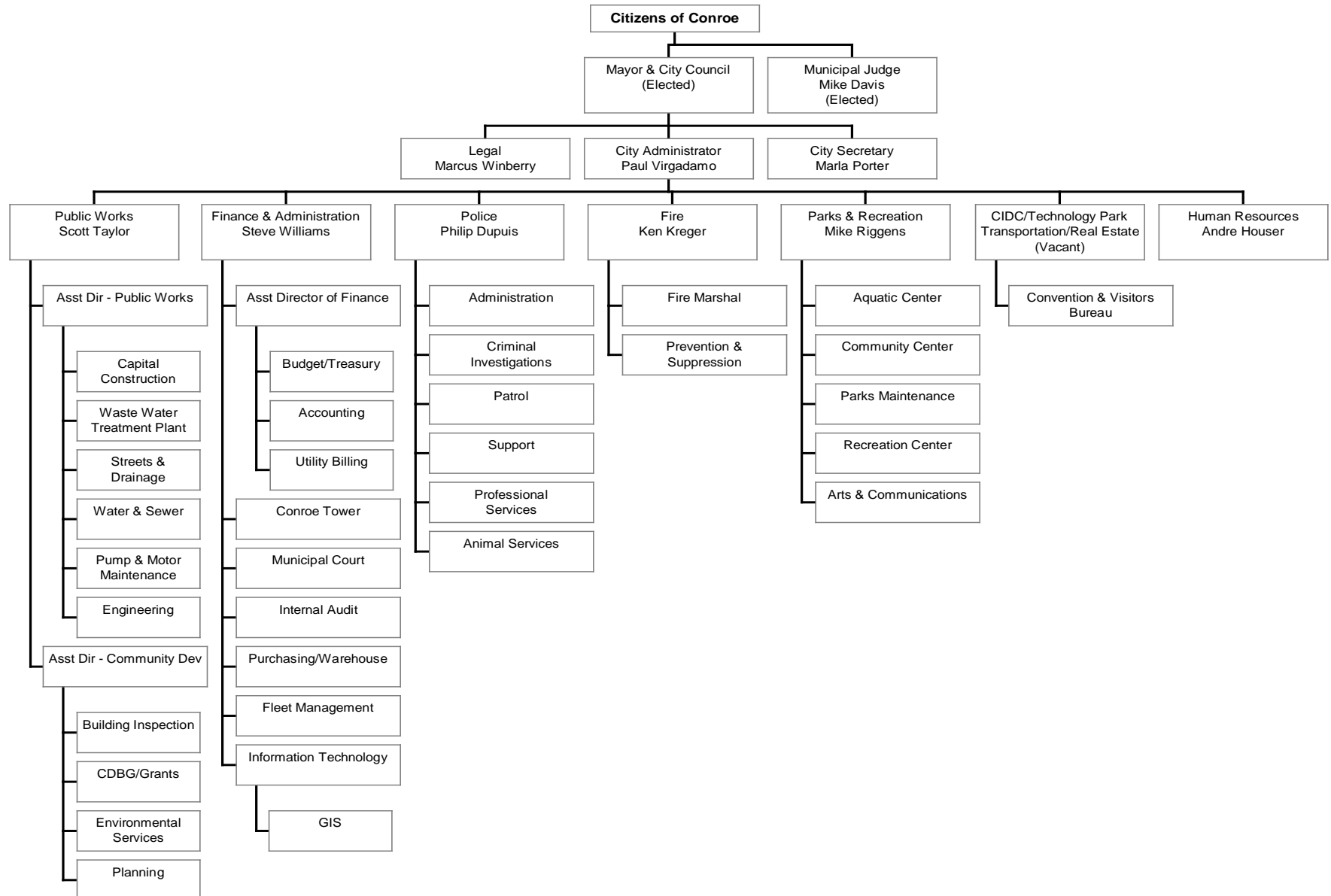
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013



Executive Director/CEO

City of Conroe, Texas Organization Chart



City of Conroe, Texas

Listing of City Officials

September 30, 2014

Elected Officials

Mayor	Webb Melder
Councilwoman Place 1	Marsha Porter
Councilman Place 2	Seth Gibson
Councilman Place 3	Duke W. Coon
Councilman Place 4 - Mayor Pro-Tem	Guy Martin
Councilman Place 5	Gil Snider
Municipal Court Judge	Mike Davis

Appointed Officials

City Administrator	Paul Virgadamo, Jr
City Secretary	Marla Porter
City Attorney	Marcus Winberry
Assistant City Administrator/Chief Financial Officer	Steve Williams
Police Chief	Philip Dupuis
Fire Chief	Ken Kreger
Director of Parks and Recreation	Mike Riggins
Executive Director of Infrastructure Services	Scott Taylor
Director of Human Resources	Andre Houser





Hereford, Lynch, Sellars & Kirkham

Certified Public Accountants

• A Professional Corporation

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INDEPENDENT AUDITORS' REPORT

To The Honorable Mayor and
Members of the City Council and Management of
City of Conroe, Texas
P.O. Box 3066
Conroe, Texas 77305

Report on the Financial Statements

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 (City), (component unit of Oscar Johnson, Jr. Community Center Volunteers, Inc.), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the 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 City of Conroe, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Conroe Industrial

Development Corporation for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedule of Funding Progress-OPEB, TMRS and Conroe Firefighters' Retirement Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Conroe's basic financial statements. The introductory section, combining statements, and budgetary comparison schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements and budgetary comparison schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2015, on our consideration of the City of Conroe's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 City of Conroe's internal control over financial reporting and compliance.

Respectfully,

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants

Conroe, Texas
January 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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, 2014. Please read it in conjunction with the City's financial statements, which follow this section.

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. This report also contains other supplementary information in addition to the basic financial statements themselves.

Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Financial Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The Statement of Net Position presents information on all of the City of Conroe's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Conroe 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 as opposed to the modified accrual basis used in prior reporting models.

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, police and fire protection, streets and drainage maintenance, planning, traffic control, sanitation, park and recreational activities, and cultural events. 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, health insurance program, and fleet services.

Figure A-1, Required Components of the City's Annual Financial Report

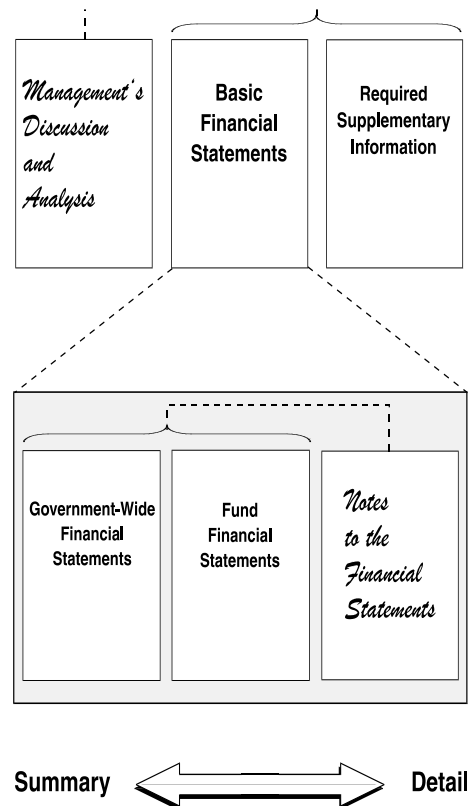


Figure A-2: Major Features of the City's Government-Wide and Fund Financial Statements

Type of Statements	FUND STATEMENTS			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire City government and its component units	The activities of the City that are not proprietary	Activities of the City that operate similar to a business	Resources held for the benefit of parties outside the city government
<i>Required Financial Statements</i>	Statement of Net Position	Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures & Changes in Fund Balance	Statement of Revenues, Expenses & Changes in Net Position	Statement of Changes in Fiduciary Net Position
			Statement of Cash Flows	
<i>Accounting Basis and Measurement Focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of Asset/Liability Information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term
<i>Type of Asset/Liability Information</i>	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Fund Financial Statements

The 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 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 23 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 (CIDC) Fund, CIDC CIP Fund, Facilities CIP Fund, Debt Service Fund, and Street Improvements Fund, all of 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 uses an enterprise fund to account for its water and sewer operations, which is considered to be a major fund. 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 health 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 one type of fiduciary fund: City of Conroe Other Post Employment Benefit (OPEB) Trust Fund.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Conroe exceeded its liabilities at the close of the most recent fiscal year by \$169,797,991. Of this amount, \$62,110,410 may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$14,638,891. The majority of the increase is attributable to sales tax, property tax, grants, and contributions.
- As of September 30, 2014, the City of Conroe's governmental funds reported combined ending fund balances of \$111,103,201 an increase of \$37,066,322 in comparison with the prior year. Approximately 18 percent of this total amount, \$20,500,016, is available for spending at the government's discretion (unassigned fund balance). Of the \$111,103,201 fund balance, \$152,798 is classified as nonspendable, \$62,883,652 is classified as restricted, \$16,605,722 is classified as committed, \$10,961,013 is classified as assigned, and \$20,500,016 is classified as unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$20,500,016, or 38 percent of total General Fund expenditures.
- The City of Conroe's gross bonded debt increased by \$38,595,000 during the current fiscal year. The key factors in this increase were debt payments amounting to \$9,635,000, and the issuance of \$48,230,000 in Certificates of Obligation, and Revenue Bonds.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (Government-wide Financial Analysis)

Net Position – Total assets of the City at September 30, 2014, were \$469,126,322, deferred outflows of resources were \$418,724, while total liabilities were \$299,747,055, resulting in a net position balance of \$169,797,991 (Table A-1).

The largest portion of the City's net position, \$92,894,487 (55%), 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.

Table A-1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 119,753,515	\$ 83,754,841	\$ 46,747,137	\$ 36,110,964	\$ 166,500,652	\$ 119,865,805
Capital Assets	186,671,721	181,457,473	115,953,949	105,108,136	302,625,670	286,565,609
Total Assets	306,425,236	265,212,314	162,701,086	141,219,100	469,126,322	406,431,414
Total Deferred Outflows of Resources	418,724	464,116	-	-	418,724	464,116
Long-term Liabilities Outstanding	187,763,963	159,513,690	98,312,089	82,344,918	286,076,052	241,858,608
Other Liabilities	7,253,413	6,503,798	6,417,590	3,374,024	13,671,003	9,877,822
Total Liabilities	195,017,376	166,017,488	104,729,679	85,718,942	299,747,055	251,736,430
Net Position:						
Net Investment in Capital Assets	54,366,984	49,087,033	38,527,503	38,080,390	92,894,487	87,167,423
Restricted	10,623,507	8,342,744	4,169,587	2,883,757	14,793,094	11,226,501
Unrestricted	46,836,093	42,229,165	15,274,317	14,536,011	62,110,410	56,765,176
Total Net Position	\$ 111,826,584	\$ 99,658,942	\$ 57,971,407	\$ 55,500,158	\$ 169,797,991	\$ 155,159,100

A portion of the City's net position, \$14,793,094 (9%), is restricted for debt service.

Change in Net Position – At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental activities. The City's combined changes in net position were \$14,638,891 at September 30, 2014, which is an increase over the prior year (See Table A-2).

Governmental Activities

The City's total revenues were \$79,146,892 from all governmental activities. A significant portion, \$40,261,541, or 51%, comes from sales taxes, while property tax revenue accounts for \$18,258,675, or 23%, and charges for services include \$8,278,100, or 10%. (See Figure A-3.)

The total cost of all governmental programs and services was \$66,875,095. The general government and public safety functions accounted for \$42,921,820, or 64%, of this total. (See Figure A-4.)

Program revenues of \$11,540,139 are comprised in large part (41%) by general government's revenues of \$4,741,364. The public safety function makes up 38% of program revenues at \$4,429,493; the parks function 11% at \$1,246,186 and the public works function 10% at \$1,123,096. As expected, general revenues provided the required support and coverage for additional expense.

The governmental activities showed an increase in net position over the prior year of \$12,167,642, which is attributable to revenues in excess of expenditures. A summary of key elements attributable to the change in net position is as follows:

- Although the City's tax rate remained at \$0.4200 per \$100 assessed value, the taxable assessed value increased from \$4,002,688,279 for 2013 to \$4,322,826,131 for 2014, yielding additional property tax revenues.
- Sales tax revenues for the City have increased due to improved consumer spending and growth within the county.
- Licenses and permits increased due to building permits for single and multi-family housing starts.
- Lower interest rates contributed to lower average yields on the City's portfolio.
- The City received grant funding from the Federal Transportation Authority for the Conroe Transit program.

Table A-2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 8,278,100	\$ 7,407,831	\$ 27,709,758	\$ 25,536,992	\$ 35,987,858	\$ 32,944,823
Operating Grants and Contributions	3,262,039	2,357,963	-	-	3,262,039	2,357,963
General Revenues:						
Property Taxes	18,258,675	16,887,252	-	-	18,258,675	16,887,252
In Lieu of Taxes	682,113	587,634	-	-	682,113	587,634
Gross Receipts Taxes	5,498,112	5,275,521	-	-	5,498,112	5,275,521
Sales and Other Taxes	40,261,541	36,640,659	-	-	40,261,541	36,640,659
Hotel Occupancy Taxes	1,103,093	926,572	-	-	1,103,093	926,572
Mixed Beverage Taxes	219,547	149,146	-	-	219,547	149,146
Miscellaneous	413,617	305,564	305,613	356,157	719,230	661,721
Donations	110,556	397,521	-	500	110,556	398,021
Grants and Contributions Not						-
Restricted to Specific Programs	1,050,519	984,394	1,030,521	1,500,000	2,081,040	2,484,394
Unrestricted Investment Earnings	135,095	122,179	36,200	32,490	171,295	154,669
Gain (Loss) on Investments	(126,115)	(221,800)	(37,068)	(36,457)	(163,183)	(258,257)
Total Revenues	79,146,892	71,820,436	29,045,024	27,389,682	108,191,916	99,210,118
Expenses:						
Governmental Activities:						
General Government	11,396,885	10,710,512	-	-	11,396,885	10,710,512
Finance	1,555,692	1,384,161	-	-	1,555,692	1,384,161
Public Safety	31,524,935	26,579,331	-	-	31,524,935	26,579,331
Parks	6,989,269	5,872,870	-	-	6,989,269	5,872,870
Public Works	9,658,450	8,408,438	-	-	9,658,450	8,408,438
Interest and Fiscal Charges	5,749,864	5,928,039	-	-	5,749,864	5,928,039
Total Governmental Activities	66,875,095	58,883,351	-	-	66,875,095	58,883,351
Business-Type Activities:						
Enterprise	-	-	25,440,644	21,378,030	25,440,644	21,378,030
Fleet Services	-	-	1,237,286	1,301,942	1,237,286	1,301,942
Total Business-Type Activities	-	-	26,677,930	22,679,972	26,677,930	22,679,972
Total Expenses	66,875,095	58,883,351	26,677,930	22,679,972	93,553,025	81,563,323
Transfers In (Out)	(104,155)	1,108,072	104,155	(1,108,072)	-	-
Change in Net Position	12,167,642	14,045,157	2,471,249	3,601,638	14,638,891	17,646,795
Net Position - Beginning	99,658,942	86,840,394	55,500,158	52,713,975	155,159,100	139,554,369
Prior Period Adjustment - Implement						
GASB 65 for Bond Issuance Costs	-	(1,226,609)	-	(815,455)	-	(2,042,064)
Net Position - Beginning, as restated	99,658,942	85,613,785	55,500,158	51,898,520	155,159,100	137,512,305
Net Position - Ending	\$ 111,826,584	\$ 99,658,942	\$ 57,971,407	\$ 55,500,158	\$ 169,797,991	\$ 155,159,100

Business-type Activities

Business-type activities are financed in whole or part by fees charged to external users for goods or services. They are usually reported in an Enterprise Fund. Business-type activities increased the City's net position by \$2,471,249. Revenue can be reported as program revenue or general revenue—all revenues are general unless they are required to be reported as program revenues. There are two categories under which program revenues can be reported. The first is charges for services, which includes revenues attributable to a specific program because they result from exchange-like transactions or other events, such as charges to customers. Charges for services reduce the net cost of the program financed from general revenues. The second is program-specific grants and contributions, which are not generated by the program, and generally the grantor is not the beneficiary of the goods, services, or privileges provided. Charges for services were \$27,709,758 and program expenses were \$26,677,930.

A summary of key elements attributable to the change in net position are as follows:

- Water and sewer rates were increased 4.55% across the board on October 1, 2013, to ensure financial stability of the water and sewer systems. The exception to this is the base meter charge for water, which was not increased. The demand for new services due to growth in both residential and business construction and the replacement and/or rehabilitation of aging water and sewer infrastructure required necessary capital investments.
- The surface water conversion fee increased from \$1.50 cents to \$2.10 cents per 1,000 gallons consumed, for residential, sprinkler and non-residential customers. This fee was implemented to help transition to a future surface water conversion and is passed through from the San Jacinto River Authority (SJRA).
- Total water accounts increased from 16,287 in September 2013 to 17,265 in September 2014.

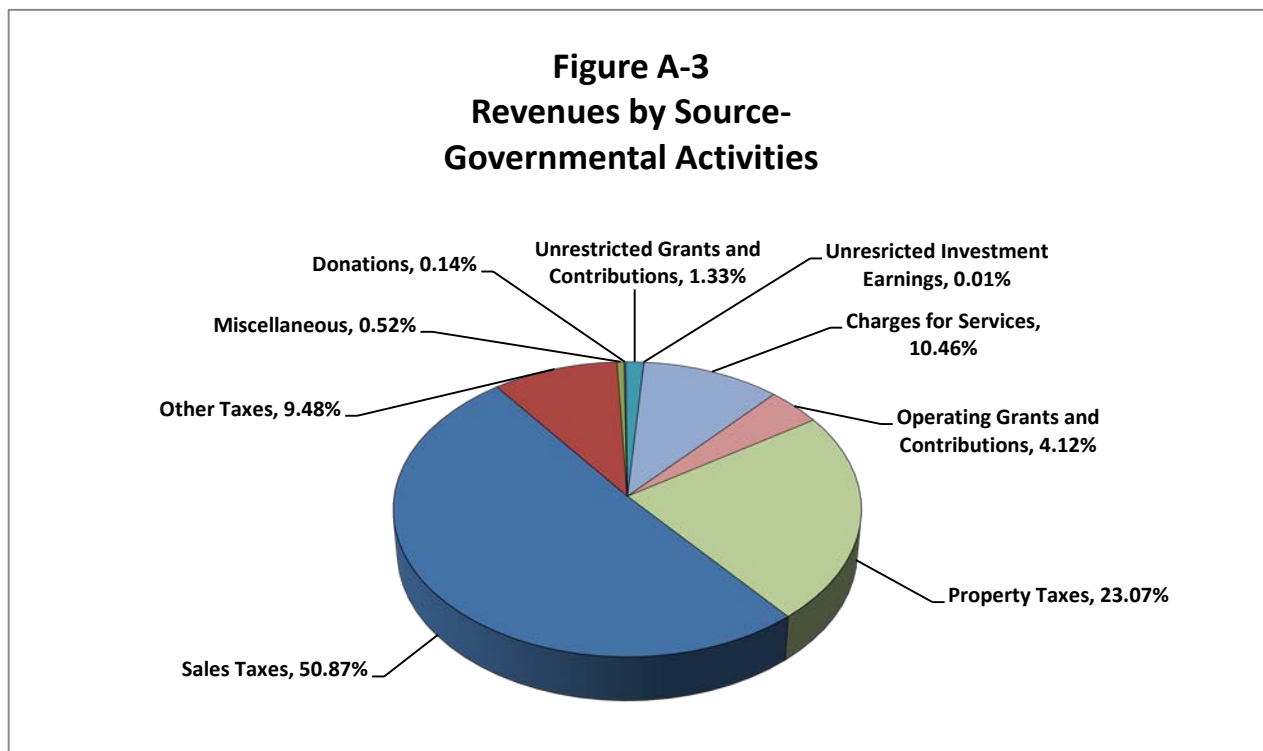
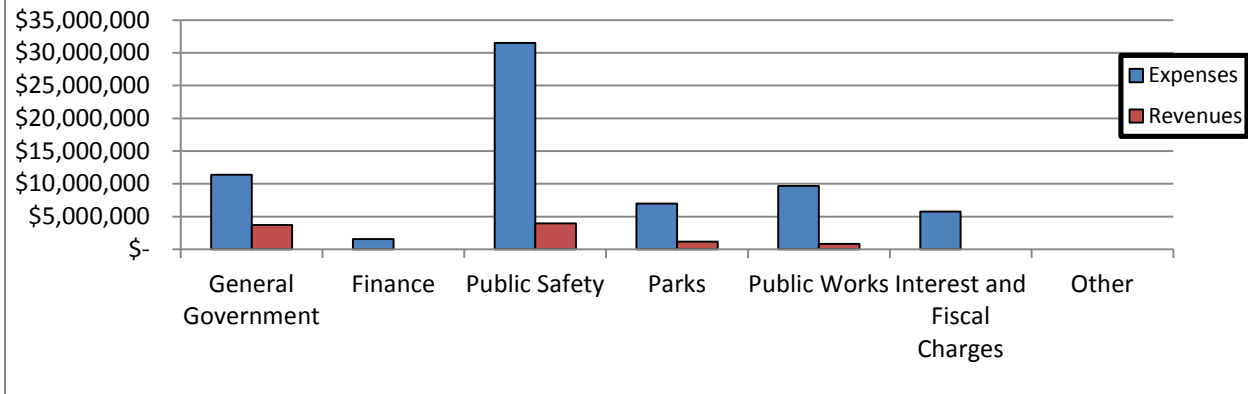


Figure A-4
Expenses and Program Revenues -
Governmental Activities



FINANCIAL ANALYSIS OF THE CITY'S 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 \$20,500,016, while the total fund balance reached \$32,817,192. 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 \$20,500,016, or 38% of total General Fund expenditures. The General Fund also had nonspendable amounts of \$42,208 for inventories and \$110,590 for prepaid items; restricted amounts of \$152,115 for Court Efficiency, \$30,333 for Court Security, \$72,160 for Juvenile Case Manager, \$2,433 for Truancy Prevention Fund, \$20,266 for Severance Pay 2% Sinking Fund, \$311,048 for Seized Assets, \$519,200 for Red Light Cameras and, \$79,778 for the State Cable Franchise 1% PEG fee; \$16,032 for Commercial Vehicle Enforcement Program and assigned amounts of \$31,353 for Tree Mitigation Revenue, \$4,977,087 for vehicle and equipment replacement, \$4,352,573 for General Fund-Balance FY2015 Appropriations, and \$1,600,000 for Self-Funded Insurance at year end.

The fund balances of the following major funds increased during the current fiscal year:

- \$1,100,360 in the General Fund, due to an increase in sales tax and building permit revenue as a result of an improved local economy.
- \$5,254,396 in CIDC, due to an increase in sales tax revenue and the sale of land in the industrial park.
- \$2,319,777 in Debt Service, due to a \$1,327,928 transfer from the CIDC for parks and recreation related debt of \$1,308,627, a transfer of \$2,085,331 from TIRZ#3 for street improvement debt, and property tax revenue.
- \$9,526,604 in Street Improvements Fund, which is due to the issuance of Certificate of Obligation bonds.
- \$418,266 in the CIDC CIP Fund, which is largely the result of an operating transfer from the CIDC for Section 8 of the industrial park.
- \$15,581,340 in Facilities CIP Fund, which is due to the issuance of Certificate of Obligation bonds for the construction of a new Police and Municipal Courts Facility.

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 \$15,169,470. The total increase in net position of \$2,357,613 was largely due an increase in operating revenues as a result of increased rates and an intergovernmental contribution.

General Fund Budgetary Highlights

During the year, there was a \$4,510,746 increase in appropriations between the original and final amended budget.

Following are the main components of the increase:

- \$1,998,678 to the Fire Department for the contract with Daily Wells for public safety radio upgrade.
- \$480,000 to the Non-Departmental Department for two land purchases for future fire stations (\$130,000 and \$350,000).
- \$193,949 to the Police Patrol Department for equipment for replacement patrol cars (\$115,961) and funds to modify patrol car replacement program by purchasing three replacement cars each quarter (\$77,988).
- \$175,000 to the Non-Departmental Department for the land purchase to expand Candy Cane Park.
- \$175,000 to the Engineering Department for the flood protection planning grant (\$175,000 per year for three fiscal years).
- \$167,022 to the Municipal Court Department for the fees related to the agreement with McCreary, Veselka, Bragg, and Allen for municipal court fine collections.
- \$160,303 to the Police Patrol Department for the adjustment to overtime budget funding from the Non-Departmental Department.
- \$150,465 to the Animal Services Department for additional funding for a private contractor to operate the shelter (\$145,545) and reimbursement of excess fees to the City of Willis for animal impoundment (\$4,920).
- \$131,068 to the Police Patrol Department for salary increases budgeted in the Non-Departmental Department.
- \$118,559 to the Non-Departmental Department to pay for the Montgomery County Thoroughfare Plan (\$50,000) and payment to Montgomery County ESD #1 for annexation (\$68,559).
- \$106,585 to the Information Technology Department for the purchase of audio visual equipment for the City Council Chambers and Greater Conroe Economic Development Council (GCEDC) Conference room (\$37,285), computer server replacement (\$9,300) and Police Department computer replacement (\$60,000).
- \$100,000 to the Fire Department for salary increases budgeted in the Non-Departmental Department.
- \$83,000 to the Non-Departmental Department for the transfer to the Transportation Grants Fund for accelerating roadway priority and letter of no prejudice for pedestrian access improvements.
- \$65,500 to the Red Light Program Department for the additional revenue and expense paid to the State of Texas for the Red Light Camera Program.
- \$62,794 to the Police Patrol Department for the benefit increases budgeted in the Non-Departmental Department.
- \$56,230 to the Parks Operations Department for the contract approval for landscaping services at Carl Barton, Jr. Park.
- \$52,000 to the Non-Departmental Department for the transfer to the Transportation Grants Fund for an amendment to the Goodman Corporation contract.
- \$48,300 to the C.K. Ray Recreation Center Department for the approval of grant funding for 2014.
- \$48,000 to the Parks Operations Department for the funding for asphalt overlay around the Friendship Center.

Conroe Industrial Development Corporation (CIDC) Fund Budgetary Highlights

During the year, there was a \$620,000 increase in appropriations between the original and final amended budget. The following is the main component of the increase:

- \$600,000 for participation in the U.S. Customs Federal Inspection building at the Lone Star Executive Airport.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the City had cumulatively invested \$302,625,670 in a broad range of capital assets, including land, equipment, buildings, infrastructure, and construction in progress. (See Table A-3.)

Table A-3
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and Easements	\$ 36,328,957	\$ 36,955,789	\$ 1,323,939	\$ 1,323,939	\$ 37,652,896	\$ 38,279,728
Construction in Progress	25,263,274	44,065,586	27,214,116	26,592,370	52,477,390	70,657,956
Buildings and Improvements	70,103,840	68,553,844	1,145,823	1,145,823	71,249,663	69,699,667
Machinery and Equipment	24,769,258	23,850,084	11,800,201	10,814,978	36,569,459	34,665,062
Infrastructure	112,851,516	83,406,019	153,878,344	140,906,830	266,729,860	224,312,849
Totals	\$ 269,316,845	\$ 256,831,322	\$ 195,362,423	\$ 180,783,940	\$ 464,679,268	\$ 437,615,262
Total Accumulated Depreciation	\$ (82,645,124)	\$ (75,373,849)	\$ (79,408,474)	\$ (75,675,804)	\$ (162,053,598)	\$ (151,049,653)
Capital Assets, Net	\$ 186,671,721	\$ 181,457,473	\$ 115,953,949	\$ 105,108,136	\$ 302,625,670	\$ 286,565,609

More detailed information about the City's capital assets is presented in Note D of the basic financial statements.

Long-Term Debt

At year-end the City had \$286,076,052 in long-term debt outstanding (See Table A-4), of which \$255,925,000 is bonded. During the year, the City issued \$17,130,000 in Water & Sewer Revenue Bonds and \$31,100,000 in Certificates of Obligation. The City's Standard & Poor's credit rating for the Water and Wastewater Revenue Bonds remained unchanged at AA, the CIDC Sales Tax Revenue Bonds remained unchanged at A, and the General Obligation Bonds increased from AA- to AA. General bonded debt per capita increased from \$1,464 in 2013 to \$1,597 in 2014. The current ratio of net bonded debt to assessed value of all taxable property is 2.64%.

The City continued its strong financial performance and diversification of its tax base. Property tax and sales tax revenue growth have contributed to the City's strong reserve levels, too. More detailed information about the City's debt is presented in Note F of the basic financial statements.

Table A-4
Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Capital Leases	\$ 458,149	\$ 513,293	\$ 3,407,795	\$ 3,824,233	\$ 3,865,944	\$ 4,337,526
Bonds Payable, Net	172,569,882	145,034,959	92,995,074	76,694,943	265,564,956	221,729,902
Notes Payable	971,000	1,070,000	-	-	971,000	1,070,000
Health Claims Liability	666,041	460,738	-	-	666,041	460,738
OPEB Liability	3,282,187	3,323,534	-	-	3,282,187	3,323,534
Net Pension Obligation/TMRS	1,192,254	1,187,426	356,627	355,537	1,548,881	1,542,963
Net Pension Obligation/Fire R/R	606,000	431,212	-	-	606,000	431,212
Severance Payable	1,013,297	791,457	-	-	1,013,297	791,457
Compensated Absences	7,005,153	6,701,071	905,858	968,207	7,911,011	7,669,278
Customer Deposits	-	-	646,735	501,998	646,735	501,998
Total Long-Term Debt	\$ 187,763,963	\$ 159,513,690	\$ 98,312,089	\$ 82,344,918	\$ 286,076,052	\$ 241,858,608

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- Appraised value used for the FY2015 budget preparation is up \$506,967,419, or 11.7%, from FY2014.
- Sales tax revenues and building permit revenues for the City are projected to increase as the local economy continues to grow and the City annexes property.
- Spending in the General Fund increases in the FY2015 budget from \$53,043,078 to \$57,983,755. This is a 9.3% increase.

These indicators were taken into account when adopting the General Fund budget for FY2015. Amounts available for appropriation in the General Fund budget are \$57,983,755, an increase of 0.7% over the final FY2014 budget of \$57,553,842. Property taxes will increase, due to the increasing values, annexations, and new construction. The City will use these increases in revenues to finance new programs, as well as those we currently offer.

If these estimates are realized, the City's budgetary General Fund fund balance is expected to decrease by approximately \$3,869,145 at the close of 2015. The decrease in the General Fund's fund balance is due to planned capital expenditures.

ANNEXATION AND STRATEGIC PARTNERSHIP AGREEMENTS

In 2012, the City began an annexation program for areas along State Highway 105 West, including but not limited to, Montgomery County Utility Districts No. 3 and No. 4 (the "Districts"). In February 2013, the City entered into Strategic Partnership Agreements ("SPA") with each of the Districts as authorized by Texas Local Government Code, Chapter 43. The SPAs provided for a "full purpose annexation" of the Districts effective December 31, 2014. The SPAs also provide that the Districts will continue to exist as "limited districts" after the annexation of the Districts into the City with powers and functions provided by law, including water, wastewater, storm sewer, and solid waste services, and also including the power to levy taxes and collect user fees. The Districts will continue to be responsible for maintenance of their Systems. After the annexation becomes effective, the City has agreed to (1) pay \$0.05 per \$100 of assessed valuation plus \$60,000 annually to each of the Districts in consideration for services to be provided by the District; (2) pay a share of the non-flow related expenses related to the regional sewage treatment plant partly owned by each of the Districts as a reservation fee for 300,000 gallons per day of capacity in the plant reserved for the City by the District; (3) after deliveries of sewage from the City begin, pay a share of other sewage treatment plant expenses; (4) make payments to the Districts each year from 2015 to 2036, which payments are designed to cover debt service on the Districts' bonds and are designated as consideration for the reservation of capacity in the sewage treatment plant; and (5) make certain payments to Utility District No. 3 to defray part of a lease-purchase obligation previously incurred by that District.

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 is constructing a surface water treatment facility and transmission system to provide treated surface water to the City. The transmission system will be interconnected to the City's water system, and it is anticipated that surface water will be delivered starting mid-2015 to early 2016.

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.

CITY OF CONROE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

EXHIBIT A-1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Pooled Cash and Cash Equivalents	\$ 1,912,113	\$ 509,575	\$ 2,421,688	\$ -
Non-pooled Cash and Cash Equivalents	355,478	583,026	938,504	13,508
Investments	106,766,794	40,993,311	147,760,105	-
Receivables (net of allowances for uncollectibles):				
Taxes	771,188	-	771,188	-
Accounts	-	3,664,647	3,664,647	-
Interest	107,778	12,504	120,282	-
Other	2,079,766	3,196	2,082,962	114
Due from Component Unit	191,915	-	191,915	-
Due from Other Governments	7,317,564	-	7,317,564	-
Receivables from External Parties	98,121	-	98,121	-
Prepaid Items	110,590	-	110,590	-
Inventories	42,208	980,878	1,023,086	-
Capital Assets:				
Land and Easements	36,328,957	1,323,939	37,652,896	108,770
Buildings and Improvements	70,103,840	1,145,823	71,249,663	1,421,618
Machinery and Equipment	24,769,258	11,800,201	36,569,459	247,003
Infrastructure	112,851,516	153,878,344	266,729,860	-
Construction in Progress	25,263,274	27,214,116	52,477,390	-
Less Accumulated Depreciation	(82,645,124)	(79,408,474)	(162,053,598)	(626,346)
<i>Total Capital Assets (net of depreciation)</i>	<u>186,671,721</u>	<u>115,953,949</u>	<u>302,625,670</u>	<u>1,151,045</u>
TOTAL ASSETS	<u>306,425,236</u>	<u>162,701,086</u>	<u>469,126,322</u>	<u>1,164,667</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	418,724	-	418,724	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>418,724</u>	<u>-</u>	<u>418,724</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable and Other Current Liabilities	5,569,550	4,891,128	10,460,678	46,522
Unearned Revenue	1,362,728	405,288	1,768,016	-
Due to Primary Government	-	-	-	191,915
Accrued Interest Payable	321,135	1,121,174	1,442,309	-
Noncurrent Liabilities:				
Due within One Year	8,574,157	3,755,697	12,329,854	4,210
Due in More Than One Year	<u>179,189,806</u>	<u>94,556,392</u>	<u>273,746,198</u>	<u>73,918</u>
TOTAL LIABILITIES	<u>195,017,376</u>	<u>104,729,679</u>	<u>299,747,055</u>	<u>316,565</u>
NET POSITION				
<i>Net Investment in Capital Assets</i>	54,366,984	38,527,503	92,894,487	1,151,045
Restricted for:				
<i>Debt Service</i>	10,623,507	4,169,587	14,793,094	-
<i>Unrestricted</i>	<u>46,836,093</u>	<u>15,274,317</u>	<u>62,110,410</u>	<u>(302,943)</u>
TOTAL NET POSITION	<u>\$ 111,826,584</u>	<u>\$ 57,971,407</u>	<u>\$ 169,797,991</u>	<u>\$ 848,102</u>

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, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
General Government	\$ 11,396,885	\$ 2,500,520	\$ 2,240,844
Finance	1,555,692	-	-
Public Safety	31,524,935	3,835,258	594,235
Parks	6,989,269	1,246,186	-
Public Works	9,658,450	696,136	426,960
Debt Service:			
Interest and Fiscal Charges	5,749,864	-	-
Total Governmental Activities	<u>66,875,095</u>	<u>8,278,100</u>	<u>3,262,039</u>
Business-type Activities:			
Enterprise	25,440,644	26,350,214	-
Fleet Services	1,237,286	1,359,544	-
Total Business-type Activities	<u>26,677,930</u>	<u>27,709,758</u>	<u>-</u>
Total Primary Government	<u>\$ 93,553,025</u>	<u>\$ 35,987,858</u>	<u>\$ 3,262,039</u>
COMPONENT UNIT:			
Oscar Johnson, Jr. Community Center	<u>\$ 1,185,313</u>	<u>\$ 576,937</u>	<u>\$ -</u>

General Revenues:
Property Taxes
In Lieu of Taxes
Gross Receipts Tax
Sales and Other Taxes
Hotel Occupancy Taxes
Mixed Beverage Taxes
Miscellaneous
Donations
Grants and Contributions Not Restricted to Specific Programs
Unrestricted Investment Earnings
Gain (Loss) on 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			Component Unit
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (6,655,521)	\$ -	\$ (6,655,521)	\$ -
(1,555,692)	-	(1,555,692)	-
(27,095,442)	-	(27,095,442)	-
(5,743,083)	-	(5,743,083)	-
(8,535,354)	-	(8,535,354)	-
(5,749,864)	-	(5,749,864)	-
(55,334,956)	-	(55,334,956)	-
-	909,570	909,570	-
-	122,258	122,258	-
-	1,031,828	1,031,828	-
(55,334,956)	1,031,828	(54,303,128)	-
			(608,376)
18,258,675	-	18,258,675	-
682,113	-	682,113	-
5,498,112	-	5,498,112	-
40,261,541	-	40,261,541	-
1,103,093	-	1,103,093	-
219,547	-	219,547	-
413,617	305,613	719,230	172
110,556	-	110,556	7,660
1,050,519	1,030,521	2,081,040	583,588
135,095	36,200	171,295	-
(126,115)	(37,068)	(163,183)	-
(104,155)	104,155	-	-
67,502,598	1,439,421	68,942,019	591,420
12,167,642	2,471,249	14,638,891	(16,956)
99,658,942	55,500,158	155,159,100	865,058
\$ 111,826,584	\$ 57,971,407	\$ 169,797,991	\$ 848,102

CITY OF CONROE, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General Fund	Conroe Industrial Development Corp.	Debt Service Fund
ASSETS			
Pooled Cash and Cash Equivalents	\$ 1,439,320	\$ 43,736	\$ 62,425
Non-pooled Cash and Cash Equivalents	4,505	-	-
Investments	27,739,952	18,803,780	10,643,673
Receivable (Net of Allowances for Uncollectibles):			
Taxes	458,940	-	312,248
Interest	60,486	30,418	13,235
Other	1,809,021	10,003	-
Due from Other Funds	-	1,829,359	-
Due from Other Governments	7,317,564	-	-
Prepaid Items	110,590	-	-
Inventories	42,208	-	-
TOTAL ASSETS	\$ 39,174,501	\$ 20,717,296	\$ 11,031,581
LIABILITIES			
Accounts Payable	\$ 865,106	\$ 25,958	\$ -
Accrued Expenditures/Expenses	1,911,629	14,779	-
Retainage Payable	-	-	-
Due to Other Funds	1,829,359	-	-
Customer Deposits	-	-	-
Accrued Interest Payable	-	-	86,939
Unearned Revenue	1,360,564	-	-
TOTAL LIABILITIES	5,966,658	40,737	86,939
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue-Property Taxes	390,651	-	312,248
TOTAL DEFERRED INFLOWS OF RESOURCES	390,651	-	312,248
FUND BALANCES			
Nonspendable:			
Prepaid Items	110,590	-	-
Inventories	42,208	-	-
Restricted for:			
Court Efficiency	152,115	-	-
Court Security	30,333	-	-
Juvenile Case Manager	72,160	-	-
Truancy Prevention Fund	2,433	-	-
Severance Pay 2% Sinking Fund	20,266	-	-
Seized Assets	311,048	-	-
Red Light Cameras	519,200	-	-
4B Sales Tax	-	4,471,517	-
State Cable Franchise 1% PEG Fee	79,778	-	-
Commercial Vehicle Enforcement Program	16,032	-	-
Debt Service	-	3,904,788	10,632,394
Capital Project Funds	-	-	-
Special Revenue Funds	-	-	-
Committed for:			
CIDC-Land Sales	-	12,300,254	-
TIRZ #2-Property Tax Receipts	-	-	-
TIRZ #3-Property Tax Receipts	-	-	-
Conroe Tower-Lease Income	-	-	-
Owen Theater-Ticket Sales	-	-	-
Woodlands Township Reg. Participation	-	-	-
Assigned to:			
Tree Mitigation Revenue	31,353	-	-
Equipment Replacement	4,977,087	-	-
General Fund-Balance FY2015 Appropriations	4,352,573	-	-
Self-Funded Insurance	1,600,000	-	-
Unassigned	20,500,016	-	-
TOTAL FUND BALANCES	32,817,192	20,676,559	10,632,394
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 39,174,501	\$ 20,717,296	\$ 11,031,581

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

Street Improvements Fund	CIDC CIP Fund	Facilities CIP Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 6,770	\$ 5,519	\$ 18,037	\$ 269,414	\$ 1,845,221
-	-	-	350,973	355,478
18,420,839	3,191,034	16,099,898	11,109,849	106,009,025
-	-	-	-	771,188
-	-	-	3,371	107,510
191,532	-	-	61,252	2,071,808
-	-	-	-	1,829,359
-	-	-	-	7,317,564
-	-	-	-	110,590
-	-	-	-	42,208
<u>\$ 18,619,141</u>	<u>\$ 3,196,553</u>	<u>\$ 16,117,935</u>	<u>\$ 11,794,859</u>	<u>\$ 120,651,866</u>
\$ 1,786,750	\$ 192,535	\$ 166,785	\$ 257,366	\$ 3,294,500
-	-	-	86,860	2,013,268
192,110	55,644	-	-	247,754
-	-	-	-	1,829,359
-	-	-	11,218	11,218
-	-	-	-	86,939
-	-	-	2,164	1,362,728
<u>1,978,860</u>	<u>248,179</u>	<u>166,785</u>	<u>357,608</u>	<u>8,845,766</u>
-	-	-	-	702,899
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>702,899</u>
-	-	-	-	110,590
-	-	-	-	42,208
-	-	-	-	152,115
-	-	-	-	30,333
-	-	-	-	72,160
-	-	-	-	2,433
-	-	-	-	20,266
-	-	-	-	311,048
-	-	-	-	519,200
-	-	-	-	4,471,517
-	-	-	-	79,778
-	-	-	-	16,032
-	-	-	-	14,537,182
16,640,281	2,948,374	15,951,150	4,818,383	40,358,188
-	-	-	2,313,400	2,313,400
-	-	-	-	12,300,254
-	-	-	10	10
-	-	-	3,867,574	3,867,574
-	-	-	344,253	344,253
-	-	-	30,121	30,121
-	-	-	63,510	63,510
-	-	-	-	31,353
-	-	-	-	4,977,087
-	-	-	-	4,352,573
-	-	-	-	1,600,000
-	-	-	-	20,500,016
<u>16,640,281</u>	<u>2,948,374</u>	<u>15,951,150</u>	<u>11,437,251</u>	<u>111,103,201</u>
<u>\$ 18,619,141</u>	<u>\$ 3,196,553</u>	<u>\$ 16,117,935</u>	<u>\$ 11,794,859</u>	<u>\$ 120,651,866</u>



CITY OF CONROE, TEXAS**EXHIBIT A-4**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014*

Total Fund Balances - Governmental Funds (Exhibit A-3) \$ 111,103,201

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 Costs	\$ 269,316,845	
Accumulated Depreciation of Governmental Capital Assets	<u>(82,645,124)</u>	186,671,721

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. 702,899

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items consist of:

Bonds Payable, at Original Par	\$ (166,300,000)	
Premiums/Discounts on Bonds Payable	(6,269,882)	
Deferred Charge on Refunding	418,724	
Accrued Interest on Bonds	(234,196)	
Capital Lease Payable	(458,149)	
Notes Payable	(971,000)	
Net Pension Obligation - TMRS	(1,192,254)	
Net Pension Obligation - Firefighters' Retirement	(606,000)	
Severance Benefits	(1,013,297)	
Compensated Absences	<u>(7,005,153)</u>	(183,631,207)

The Self Funded Insurance internal service fund is used by the City to charge the costs of health insurance to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. (3,020,030)

Total Net Position - Governmental Activities (Exhibit A-1) \$ 111,826,584

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

CITY OF CONROE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Conroe Industrial Development Corp.	Debt Service Fund
REVENUES			
Taxes	\$ 47,388,180	\$ 10,065,385	\$ 7,323,108
Licenses and Permits	2,260,525	-	-
Charges for Sales and Services	1,966,939	-	-
Lease Income	88,712	-	-
Fines and Forfeitures	3,693,068	-	-
Intergovernmental	1,962,208	-	-
Investment Income	61,395	30,683	21,088
Gain (Loss) on Investment	(59,889)	(21,427)	(23,732)
Penalties and Interest	61,569	-	45,363
Land Sales	-	4,777,829	-
Other	422,916	-	-
TOTAL REVENUES	57,845,623	14,852,470	7,365,827
EXPENDITURES			
Current:			
General Government	-	1,931,763	8,418
Administration	1,096,881	-	-
Legal	495,725	-	-
Municipal Court	1,292,343	-	-
CDBG	240,529	-	-
Warehouse/Purchasing	442,664	-	-
Information Technology	2,021,627	-	-
Human Resources	658,833	-	-
Non-Departmental	2,597,328	-	-
Finance	1,421,763	-	-
Public Safety			
Police	17,272,810	-	-
Fire	9,563,665	-	-
Parks			
Parks and Recreation Administration	402,350	-	-
Recreation Center	1,476,946	-	-
Aquatic Center	1,411,909	-	-
Parks Operations	1,614,015	-	-
Public Works			
Community Development	1,188,157	-	-
Drainage Maintenance	788,867	-	-
Streets	3,046,854	-	-
Signal Maintenance	416,064	-	-
Engineering	1,929,917	-	-
Debt Service:			
Principal Retirement	55,144	2,395,000	4,645,000
Interest and Fiscal Charges	20,035	1,645,797	3,805,891
Bond Issuance Costs	-	1,749	-
Capital Outlay	5,004,888	-	-
TOTAL EXPENDITURES	54,459,314	5,974,309	8,459,309
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,386,309	8,878,161	(1,093,482)
OTHER FINANCING SOURCES (USES)			
Issuance of Certificate of Obligation Bonds	-	-	-
Premium on Issuance of Bonds	-	-	-
Transfers In	10,034	-	3,413,259
Transfers Out	(2,295,983)	(3,623,765)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,285,949)	(3,623,765)	3,413,259
Net Change in Fund Balances	1,100,360	5,254,396	2,319,777
Fund Balances at Beginning of Year	31,716,832	15,422,163	8,312,617
FUND BALANCES AT END OF YEAR	\$ 32,817,192	\$ 20,676,559	\$ 10,632,394

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

Street Improvements Fund	CIDC CIP Fund	Facilities CIP Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,103,093	\$ 65,879,766
-	-	-	-	2,260,525
-	-	-	-	1,966,939
-	-	-	268,856	357,568
-	-	-	-	3,693,068
267,792	-	-	2,082,558	4,312,558
5,536	1,627	587	9,419	130,335
(855)	-	-	(15,894)	(121,797)
-	-	-	-	106,932
-	-	-	-	4,777,829
-	-	-	204,129	627,045
<u>272,473</u>	<u>1,627</u>	<u>587</u>	<u>3,652,161</u>	<u>83,990,768</u>
-	-	-	2,610,253	4,550,434
-	-	-	-	1,096,881
-	-	-	-	495,725
-	-	-	-	1,292,343
-	-	-	-	240,529
-	-	-	-	442,664
-	-	-	-	2,021,627
-	-	-	-	658,833
-	-	-	-	2,597,328
-	-	-	-	1,421,763
-	-	-	-	17,272,810
-	-	-	-	9,563,665
-	-	-	-	402,350
-	-	-	-	1,476,946
-	-	-	-	1,411,909
-	-	-	-	1,614,015
-	-	-	-	1,188,157
-	-	-	-	788,867
-	-	-	-	3,046,854
-	-	-	-	416,064
-	-	-	-	1,929,917
-	-	-	99,000	7,194,144
-	-	-	59,140	5,530,863
128,221	-	133,629	82,052	345,651
6,035,916	1,630,361	815,354	1,071,013	14,557,532
6,164,137	1,630,361	948,983	3,921,458	81,557,871
<u>(5,891,664)</u>	<u>(1,628,734)</u>	<u>(948,396)</u>	<u>(269,297)</u>	<u>2,432,897</u>
13,803,729	-	14,493,915	2,802,356	31,100,000
1,614,539	-	1,695,267	327,774	3,637,580
-	2,047,000	340,554	2,447,605	8,258,452
-	-	-	(2,442,859)	(8,362,607)
<u>15,418,268</u>	<u>2,047,000</u>	<u>16,529,736</u>	<u>3,134,876</u>	<u>34,633,425</u>
9,526,604	418,266	15,581,340	2,865,579	37,066,322
7,113,677	2,530,108	369,810	8,571,672	74,036,879
<u>\$ 16,640,281</u>	<u>\$ 2,948,374</u>	<u>\$ 15,951,150</u>	<u>\$ 11,437,251</u>	<u>\$ 111,103,201</u>

CITY OF CONROE, TEXAS**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Total Net Change in Fund Balances - Governmental Funds (Exhibit A-5) **\$ 37,066,322**

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 expense.

Capital Assets <i>increased</i>	\$ 14,557,532	
Depreciation Expense	<u>(8,036,931)</u>	6,520,601

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position.		(1,306,353)
--	--	-------------

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.		36,383
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Issuance of bonds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Par Value	\$ (31,100,000)	
(Premium) Discount	<u>(3,637,580)</u>	(34,737,580)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		7,040,000
--	--	-----------

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		55,144
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Repayment of notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		99,000
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The (increase) decrease in interest reported in the statement of activities consists of the following:

Accrued Interest on Current Interest Bonds Payable <i>increase (decrease)</i>	\$ 9,385	
Amortization of Bond Premium/Discount	162,657	
Amortization of Deferred Amount on Refunding	<u>(45,392)</u>	126,650

An internal service fund (Self Funded Insurance Fund) is used by the City to charge the costs of health insurance benefits to the individual funds. The net activity of the internal service fund was reported in the government-wide statements.		(2,010,777)
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The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.		(319,985)
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The (increase) decrease in net pension obligation for firefighters' retirement is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.		(174,788)
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The (increase) decrease in net pension obligation for TMRS is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.		(5,135)
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The (increase) decrease in severance benefits is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.		<u>(221,840)</u>
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Change in Net Position - Governmental Activities (Exhibit A-2)		<u>\$ 12,167,642</u>
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The accompanying notes are an integral part of this statement.

CITY OF CONROE, TEXAS

EXHIBIT A-7

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 43,180,217	\$ 45,415,258	\$ 47,388,180	\$ 1,972,922
Licenses and Permits	1,357,619	1,357,619	2,260,525	902,906
Charges for Sales and Services	1,996,535	1,996,535	1,966,939	(29,596)
Lease Income	21,950	21,950	88,712	66,762
Fines and Forfeitures	3,114,269	3,294,349	3,693,068	398,719
Intergovernmental	1,593,687	1,611,313	1,962,208	350,895
Investment Income	54,087	54,087	61,395	7,308
Gain (Loss) on Investment	-	-	(59,889)	(59,889)
Penalties and Interest	71,181	71,181	61,569	(9,612)
Other	174,591	174,591	422,916	248,325
TOTAL REVENUES	51,564,136	53,996,883	57,845,623	3,848,740
EXPENDITURES				
Current:				
General Government				
Administration	1,090,573	1,110,573	1,096,881	13,692
Legal	556,816	556,816	495,725	61,091
Municipal Court	987,395	1,254,087	1,292,343	(38,256)
CDBG	232,485	232,485	240,529	(8,044)
Warehouse/Purchasing	458,416	458,416	442,664	15,752
Information Technology	1,755,576	2,090,864	2,021,627	69,237
Human Resources	752,995	752,995	658,833	94,162
Non-Departmental	4,110,159	3,844,088	2,597,328	1,246,760
Finance	1,376,016	1,416,016	1,421,763	(5,747)
Public Safety				
Police	15,916,677	17,168,279	17,272,810	(104,531)
Fire	9,431,147	9,578,184	9,563,665	14,519
Parks				
Parks and Recreation Administration	382,802	382,802	402,350	(19,548)
Recreation Center	1,241,460	1,304,648	1,476,946	(172,298)
Aquatic Center	1,221,920	1,256,780	1,411,909	(155,129)
Parks Operations	1,485,836	1,590,100	1,614,015	(23,915)
Public Works				
Community Development	1,326,746	1,347,345	1,188,157	159,188
Drainage Maintenance	789,989	792,408	788,867	3,541
Streets	2,916,877	3,034,347	3,046,854	(12,507)
Signal Maintenance	545,030	545,030	416,064	128,966
Engineering	2,143,645	2,326,345	1,929,917	396,428
Debt Service:				
Principal Retirement	55,144	55,144	55,144	-
Interest and Fiscal Charges	20,035	20,035	20,035	-
Capital Outlay	4,245,339	6,436,055	5,004,888	1,431,167
TOTAL EXPENDITURES	53,043,078	57,553,842	54,459,314	3,094,528
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,478,942)	(3,556,959)	3,386,309	6,943,268
OTHER FINANCING SOURCES (USES)				
Transfers In	10,034	10,034	10,034	-
Transfers Out	(2,102,233)	(2,295,983)	(2,295,983)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,092,199)	(2,285,949)	(2,285,949)	-
Net Change in Fund Balance	(3,571,141)	(5,842,908)	1,100,360	6,943,268
Fund Balance at Beginning of Year	31,716,832	31,716,832	31,716,832	-
FUND BALANCE AT END OF YEAR	\$ 28,145,691	\$ 25,873,924	\$ 32,817,192	\$ 6,943,268

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

CITY OF CONROE, TEXAS**EXHIBIT A-8**

*CONROE INDUSTRIAL DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 8,831,758	\$ 9,576,771	\$ 10,065,385	\$ 488,614
Investment Income	14,798	14,798	30,683	15,885
Gain (Loss) on Investment	-	-	(21,427)	(21,427)
Land Sales	-	-	4,777,829	4,777,829
TOTAL REVENUES	<u>8,846,556</u>	<u>9,591,569</u>	<u>14,852,470</u>	<u>5,260,901</u>
EXPENDITURES				
Current:				
General Government	2,132,393	2,752,393	1,931,763	820,630
Debt Service:				
Principal Retirement	2,395,000	2,395,000	2,395,000	-
Interest and Fiscal Charges	1,664,047	1,664,047	1,645,797	18,250
Bond Issuance Costs	-	-	1,749	(1,749)
TOTAL EXPENDITURES	<u>6,191,440</u>	<u>6,811,440</u>	<u>5,974,309</u>	<u>837,131</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,655,116</u>	<u>2,780,129</u>	<u>8,878,161</u>	<u>6,098,032</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(3,076,765)</u>	<u>(3,623,765)</u>	<u>(3,623,765)</u>	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,076,765)</u>	<u>(3,623,765)</u>	<u>(3,623,765)</u>	-
Net Change in Fund Balance	(421,649)	(843,636)	5,254,396	6,098,032
Fund Balance at Beginning of Year	<u>15,422,163</u>	<u>15,422,163</u>	<u>15,422,163</u>	-
FUND BALANCE AT END OF YEAR	<u>\$ 15,000,514</u>	<u>\$ 14,578,527</u>	<u>\$ 20,676,559</u>	<u>\$ 6,098,032</u>

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

CITY OF CONROE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

EXHIBIT A-9

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
ASSETS		
Current Assets:		
Pooled Cash and Cash Equivalents	\$ 475,981	\$ 100,486
Non-pooled Cash and Cash Equivalents	583,026	-
Investments	40,813,300	937,780
Receivables (Net of Allowances for Uncollectibles):		
Accounts	3,663,602	1,045
Interest	12,500	272
Other	3,196	7,958
Receivables from External Parties	-	98,121
Inventories	938,794	42,084
Total Current Assets	46,490,399	1,187,746
Noncurrent Assets:		
Capital Assets (Net of Accumulated Depreciation)	115,953,949	-
Total Noncurrent Assets	115,953,949	-
TOTAL ASSETS	162,444,348	1,187,746
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,927,910	29,005
Retainage Payable	596,976	-
Accrued Expenditures/Expenses	314,540	25,507
Health Claims Liability	-	666,041
Compensated Absences	20,663	1,443
Customer Deposits	355,704	-
Unearned Revenue	405,288	-
Capital Lease	432,887	-
Accrued Interest Payable	1,121,174	-
Revenue Bonds Payable	2,945,000	-
Total Current Liabilities	10,120,142	721,996
Noncurrent Liabilities, net of current portion		
Compensated Absences	806,393	77,359
OPEB Liability	-	3,282,187
Net Pension Obligation/TMRS	335,240	21,387
Customer Deposits	291,031	-
Capital Lease	2,974,908	-
Revenue Bonds, Net	90,050,074	-
Total Noncurrent Liabilities	94,457,646	3,380,933
TOTAL LIABILITIES	104,577,788	4,102,929
NET POSITION		
Net Investment in Capital Assets	38,527,503	-
Restricted for Debt Service	4,169,587	-
Unrestricted	15,169,470	(2,915,183)
TOTAL NET POSITION	\$ 57,866,560	\$ (2,915,183)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	104,847	
Net Position of Business-type Activities (Exhibit A-1)	\$ 57,971,407	

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

CITY OF CONROE, TEXAS**EXHIBIT A-10**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES		
Charges for Sales and Services	\$ 26,395,316	\$ 8,658,584
TOTAL OPERATING REVENUES	<u>26,395,316</u>	<u>8,658,584</u>
OPERATING EXPENSES		
Public Works	9,047,876	1,237,286
Utility Billing and Collection	838,492	-
Water Conservation	124,536	-
Water Production	3,484,698	-
Sewage Treatment	3,409,327	-
Project Construction	667,938	-
Pump and Motor Maintenance	857,257	-
General Government	-	9,310,259
Depreciation	3,883,261	-
TOTAL OPERATING EXPENSES	<u>22,313,385</u>	<u>10,547,545</u>
Operating Income (Loss)	<u>4,081,931</u>	<u>(1,888,961)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	36,184	4,776
Gain (Loss) on Investment	(37,068)	(4,318)
Other Income	1,291,032	-
Interest Expense	(2,990,797)	-
Other	(136,462)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(1,837,111)</u>	<u>458</u>
Income (Loss) Before Transfers	<u>2,244,820</u>	<u>(1,888,503)</u>
Transfers In	248,837	-
Transfers Out	(136,044)	(8,638)
NET TRANSFERS	<u>112,793</u>	<u>(8,638)</u>
Change in Net Position	<u>2,357,613</u>	<u>(1,897,141)</u>
Net Position at Beginning of Year	55,508,947	(1,018,042)
NET POSITION AT END OF YEAR	<u>\$ 57,866,560</u>	<u>\$ (2,915,183)</u>
Change in Net Position	\$ 2,357,613	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>113,636</u>	
Change in Net Position of Business-type Activities (Exhibit A-2)	<u>\$ 2,471,249</u>	

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, 2014

EXHIBIT A-11

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
Cash Flows from Operating Activities:		
<i>Cash Received from Customers</i>	\$ 25,950,973	\$ 1,368,253
<i>Cash Received from Employees</i>	-	1,665,307
<i>Cash Received from Other Funds</i>	-	5,634,212
<i>Cash Payments to Employees for Services</i>	(5,323,605)	(584,243)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(10,525,910)	(1,989,196)
<i>Cash Payments for Loss Claims</i>	-	(7,885,004)
<i>Increase (Decrease) in Customer Deposits</i>	144,737	-
Net Cash Provided by (Used for) Operating Activities	<u>10,246,195</u>	<u>(1,790,671)</u>
Cash Flows from Non-Capital Financing Activities:		
<i>Transfer To Other Funds</i>	-	(488,723)
<i>Transfer From Other Funds</i>	112,793	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>112,793</u>	<u>(488,723)</u>
Cash Flows from Capital and Related Financing Activities:		
<i>Proceeds from Revenue Bonds</i>	17,130,000	-
<i>Proceeds from Sale of Capital Assets</i>	35,548	-
<i>Proceeds from Bond Premium</i>	1,847,952	-
<i>Capital Grants</i>	1,280,027	-
<i>Principal and Interest Paid</i>	(5,910,166)	-
<i>Acquisition or Construction of Capital Assets</i>	(14,558,331)	-
<i>Bond Issue Expense</i>	(219,283)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(394,253)</u>	<u>-</u>
Cash Flows from Investing Activities:		
<i>Purchase of Investment Securities</i>	(36,110,000)	(179,999)
<i>Proceeds from Sale and Maturities of Securities</i>	25,054,107	2,407,601
<i>Interest and Dividends on Investments</i>	6,507	-
Net Cash Provided by (Used for) Investing Activities	<u>(11,049,386)</u>	<u>2,227,602</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,084,651)	(51,792)
Cash and Cash Equivalents at Beginning of Year	2,143,658	152,278
Cash and Cash Equivalents at End of Year	<u>\$ 1,059,007</u>	<u>\$ 100,486</u>
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by (Used for) Operating Activities:		
Operating Income (Loss)	\$ 4,081,931	\$ (1,888,961)
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
Provided by (Used for) Operating Activities:		
<i>Depreciation</i>	3,883,261	-
Changes in Assets and Liabilities:		
<i>Decrease (Increase) in Receivables</i>	(436,952)	9,188
<i>Decrease (Increase) in Inventories</i>	(166,054)	(9,303)
<i>Increase (Decrease) in Accounts Payable</i>	2,504,792	(12,019)
<i>Increase (Decrease) in Compensated Absences</i>	(31,751)	(46,501)
<i>Increase (Decrease) in Accrued Expenses</i>	4,590	198,579
<i>Increase (Decrease) in Unearned Revenue</i>	405,288	-
<i>Increase (Decrease) in OPEB Liability</i>	-	(307)
<i>Increase (Decrease) in Net Pension Obligation/TMRS</i>	1,090	(41,347)
Total Adjustments	<u>6,164,264</u>	<u>98,290</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 10,246,195</u>	<u>\$ (1,790,671)</u>

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

CITY OF CONROE, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2014

EXHIBIT A-12

	City of Conroe OPEB Trust Fund
ASSETS	
Pooled Cash and Cash Equivalents	\$ 282,639
Investments, at fair value:	
Stable Value/PARS Fund	2,136,973
Receivables (Net of Allowances for Uncollectibles):	
Other	3
TOTAL ASSETS	<u>2,419,615</u>
LIABILITIES	
Payable to External Parties	98,121
TOTAL LIABILITIES	<u>98,121</u>
NET POSITION	
Assets Held in Trust for OPEB	2,321,494
TOTAL NET POSITION	<u>\$ 2,321,494</u>

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

CITY OF CONROE, TEXAS**EXHIBIT A-13**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	City of Conroe OPEB Trust Fund
ADDITIONS	
Contributions:	
Employer Contributions	\$ 1,471,512
Investment Earnings:	
Investment Income	132,516
Gain (Loss) on Investment	2,427
TOTAL ADDITIONS	<u>1,606,455</u>
DEDUCTIONS	
Benefits and Refunds Paid to Members and Beneficiaries	<u>1,071,878</u>
TOTAL DEDUCTIONS	<u>1,071,878</u>
Change in Net Position	534,577
Net Position at Beginning of the Year	<u>1,786,917</u>
NET POSITION AT END OF YEAR	<u><u>\$ 2,321,494</u></u>

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, 2014

A. 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.

1. Reporting Entity

The City's combined 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 Statement No. 61 "The Financial Reporting Entity," 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
- there is fiscal dependency by the organization on the City

BLENDED COMPONENT UNITS

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

Conroe Industrial Development Corporation - (CIDC) Directors are appointed by the governing body of the City. Although it is legally separate from the City, the CIDC is reported as if it were part of the primary government because its sole purpose is to expend the proceeds of any sales and use taxes levied for the City's benefit in order to promote economic development. The CIDC does not issue separate financial statements.

Conroe Park Foundation, Inc. - (CPFI) Directors are appointed by the governing body of the City. Although it is legally separate from the City, CPFI is reported as if it were part of the primary government because its sole purpose is to take title of real property and transfer it to the City to promote and develop the City's parks. Conroe Park Foundation, Inc. (CPFI) does not issue separate financial statements.

DISCRETE COMPONENT UNITS

The following entity is included in the financial statements as a discrete component unit based upon its significant financial and operational relationship to the City:

Oscar Johnson, Jr. Community Center Volunteers, Inc. 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 (OJJCC), 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 OJJCC. Oscar Johnson, Jr. Community Center Volunteers, Inc. does not issue separate financial statements.

RELATED ORGANIZATIONS

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments.

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

The following organizations are related organizations, which have not been included in the reporting entity:

Conroe Fire Fighters' Retirement Fund - (CFFRF) A local retirement plan covering active paid and volunteer firefighters of the City of Conroe. The City makes contributions to the fund as the firemen's employer, but has no control over investments or pension benefits. Two of the fund's trustees are the City's Mayor and the Assistant City Administrator/CFO, or their appointees.

Montgomery County 911 - (911) An entity created to manage the emergency telephone response system. The City appoints one member to the 911 Board.

Joint Fire/EMS Communications Center - (JFECC) An entity created to manage fire and emergency medical response in Montgomery County. The City provides partial funding and appoints one member to the governing board.

Houston/Galveston Area Council - (HGAC) A council of local governments in the Houston/Galveston area. The City appoints a representative.

Conroe Independent School District. The City of Conroe provides no funding and has no appointive or budgetary authority.

Montgomery County. The City of Conroe provides no funding and has no appointive or budgetary authority.

Montgomery County Hospital District. The City of Conroe provides no funding and has no appointive or budgetary authority.

Montgomery Central Appraisal District. The City of Conroe provides some funding and casts votes for board members.

2. Implementation of New Standards

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

GASB Statement No. 66, *Technical Corrections – 2012; an amendment of GASB Statements No. 10 and No. 62*, improves accounting and financial reporting for a government financial reporting entity by resolving conflicting guidance that resulted in the issuance of these two pronouncements. The amendment to GASB Statement No. 10 removes the provision that limits fund-based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. The amendment to GASB Statement No. 62 modifies guidance on accounting for operating lease payments that vary from a straight-line basis. The effects of the statement have been included within this financial report.

3. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. 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.

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. 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.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following *major governmental funds*:

General Fund. This 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.

Conroe Industrial Development Corporation (CIDC) Fund. This is a special revenue fund used to account for 4B sales tax and industrial and technology park land sales that are legally restricted to expenditure for particular purposes by the City of Conroe.

Debt Service Fund. This 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 in from the CIDC Fund 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.

Street Improvements Fund. This is a capital projects fund used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and special revenue funds. The principal resources of the fund are proceeds from the sale of bonds.

Conroe Industrial Development Corporation (CIDC) CIP Fund. This is a capital projects fund used to account for the acquisition and construction of the Conroe Park North Industrial Park and the Deison Technology Park. The principal resources of the capital projects fund are transfers from the CIDC Fund and proceeds from sales tax revenue bonds.

Facilities CIP Fund. This is a capital projects fund used to account for design, construction, and improvements of City buildings, facilities, and related infrastructure. The principal resources of the fund are proceeds from the sale of bonds.

The City reports the following *major proprietary fund*:

Water and Sewer Fund. This fund is 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 services to the general public on a continuing basis are financed through user charges.

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

The City reports the following *internal service funds*:

Fleet Services Fund: This fund is used to account for revenues and expenses related to services primarily provided to parties inside the City. This fund facilitates distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the Fleet Services internal service fund are the City's business-type activities, this fund type is included in the "Business-type Activities" column of the government-wide financial statements.

Self-Funded Insurance Fund (SFIF): This fund is used to account for revenues and expenses related to services provided to parties inside the City. This fund facilitates distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the Self-Funded Insurance internal service are the City's governmental and business-type activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements. The SFIF accounts for the costs of providing health, dental, and vision insurance to the City's employees, retirees, and dependents.

The City reports the following *fiduciary fund*:

City of Conroe OPEB Trust Fund: This 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).

Government-wide Financial Statements:

These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. 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.

Governmental 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. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property and sales taxes. Property tax revenues and revenues received from Federal and State government are recognized under the susceptible-to-accrual concept. 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.

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances

a. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its

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reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to the liabilities, the Statement of Net Position 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 position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

b. Net Position Flow Assumption

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.

c. Fund Balance Flow Assumptions

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.

5. Financial Statement Amounts

a. Cash and Investments

The City maintains and controls cash and investment pools in which the primary government's funds share. In addition, non-pooled cash and investments are separately held and reflected in their respective funds as "non-pooled cash and cash equivalents" and "investments".

The City, as a reporting entity, considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

The City is authorized by the Public Funds Investment Act (PFIA) of 1987 to invest in: a) Obligations of the United States and its agencies or instrumentalities, b) Obligations of the State of Texas, c) Obligations of states, agencies, political subdivisions, and municipalities having a rating of not less than A, d) fully collateralized direct repurchase agreements, e) local government investment pools and money market mutual funds rated not less than AAA, f) certificates of deposit, g) commercial paper rated A-1 or P-1, h) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, and i) 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

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Insurance Corporation (FDIC) or by the explicit full faith and credit of the United States. The City Council annually adopts a written investment policy in accordance with the Texas PFIA.

The City reports its investments as required by Statement 31 of the Governmental Accounting Standards Board, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". Investments in open-end mutual funds are reported at fair value, as determined by the funds' current share prices. The City's investments in the local government investment pools are at fair value based on the value per share of the pools' underlying portfolio.

b. 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. 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, 2014, was \$0.4200 per \$100, allocated \$0.2500 for the General Fund and \$0.1700 for the Debt Service Fund. The tax rate for the year ended September 30, 2013, was \$0.4200 per \$100, which was allocated \$0.2500 to the General Fund and \$0.1700 to the Debt Service Fund. However, not all outstanding property taxes are expected to be collected within one year of the financial statements.

c. 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. Prepaid items are recorded when purchased rather than when consumed.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair 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 assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	20-50
Machinery and Equipment	5-30
Infrastructure	30-40

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

Sixty percent of the property tax receivable is estimated to not be collected in the subsequent year.

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f. 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 maximum 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 accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

g. 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.

h. 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.

i. Fund Balances

As of these financial statements, the City has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

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 Assistant City Administrator/CFO 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.

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6. Budgetary Control

a. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The following governmental funds do not have an annual budget: Public Improvement District (PID) Assessments, Owen Theatre, and Woodlands Township Regional Participation. Capital project funds adopt annual budgets based on project expenditures anticipated during the fiscal year.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- (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 made before the fact, 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.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the 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, 2014, expenditures exceeded appropriations in the following departments (the legal level of budgetary control):

- (1) Municipal Court department of the General Fund by \$38,256. These over expenditures were funded by current period revenues.
- (2) CDBG department of the General Fund by \$8,044. These over expenditures were funded by current period revenues.
- (3) Finance department of the General Fund by \$5,747. These over expenditures were funded by current period revenues.
- (4) Police department of the General Fund by \$104,531. These over expenditures were funded by current period revenues.
- (5) Parks and Recreation Administration department of the General Fund by \$19,548. These over expenditures were funded by current period revenues.

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- (6) Recreation Center department of the General Fund by \$172,298. These over expenditures were funded by current period revenues.
- (7) Aquatic Center department of the General Fund by \$155,129. These over expenditures were funded by current period revenues.
- (8) Parks Operations department of the General Fund by \$23,915. These over expenditures were funded by current period revenues.
- (9) Streets department of the General Fund by \$12,507. These over expenditures were funded by current period revenues.
- (10) Bond issuance costs of the Conroe Industrial Development Corporation Fund exceeded its appropriations by \$1,749. These over expenditures were funded by CIDC Fund's current period revenue.

B. Compliance and Accountability

1. Deficit Fund Balance or Fund Net Position of Individual Funds

The Self-Funded Insurance Fund had a deficit fund net position of (\$3,020,030) at September 30, 2014. Exclusive of the City's OPEB liability of \$3,282,187, the City would otherwise recognize a positive net position of \$262,157.

On November 13, 2014, the City Council approved changes to the City's Self-Funded Insurance plan. The City increased employee and dependent (participant) premiums for medical and dental insurance, as well as retiree participant premiums medical, dental, and vision insurance. The City also increased participant deductibles, out-of-pocket maximums, and prescription drug co-pay amounts. Additionally, the City transferred \$421,615 from the General Fund in November 2014. These actions were designed to increase revenues and decrease expenses to the fund.

In the summer of 2015, the City anticipates bidding medical, dental, and vision insurance; 3rd party administration; and re-insurance. Human Resources staff, along with the City's insurance consultant, will also analyze the current self-funded model verses a fully insured model, as well as other plan options such as Voluntary HMO.

For FY 15-16, the City anticipates increasing the per employee contribution. The City will also continue to look at health, dental, and vision rate structures and recommend actuarially justified rates that tie directly to expected plan costs and reflect the City's actual subsidy toward employee and dependent rates. If the City stays self-insured, the goal is to have a net position of between 60 and 90 days of budgeted expenses, exclusive of the City's OPEB liability. The City, along with its insurance consultant, will continue to monitor the plan through FY 14-15.

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2. Reconciliation of Government-wide and Fund Statements for Business-type Activities:

<u>Description</u>	<u>Government- Wide</u>	<u>Fund</u>	<u>Difference</u>	<u>Remarks</u>
Total Assets	\$ 162,701,086	\$ 162,444,348	\$ 256,738	Due to Other funds shown in Government-wide as reduction in Assets instead of a Liability and inclusion of Fleet Services Assets in the Government-wide level and not at Fund level.
Total Liabilities	\$ 104,729,679	\$ 104,577,788	\$ 151,891	Due to Other funds shown in Government-wide as reduction in Assets instead of a Liability and inclusion of Fleet Services Liabilities in the Government-wide level and not at Fund level.

C. Deposits and Investments

As of September 30, 2014 the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 33,651,194	22.77%	AAAm	-
TexSTAR	28,565,840	19.33%	AAAm	-
Texas CLASS	41,236,382	27.91%	AAAm	-
Insured Deposit Portal (IDP)	9,004,002	6.09%	AA+	-
U.S. Government Securities, Long-term	9,493,885	6.43%	AA+	2.29
Municipal Securities, Long-term	6,687,166	4.53%	AA+	1.96
U.S. Government Securities, Short-term	19,096,617	12.92%	AA+	0.69
Money Market	25,019	0.02%	Aaa	-
Total Fair Value	<u>\$ 147,760,105</u>	<u>100.00%</u>		
Portfolio Weighted Average Maturity				<u>0.33</u>

Interest rate risk. In compliance with the City's Investment Policy, as of September 30, 2014, the City minimized the interest rate risk, related to current events market turmoil in the portfolio by: limiting the effective duration of security types not to exceed three years; structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act; and investing operating funds primarily in short-term securities, money market funds, or similar government investment pools. TexPool, TexSTAR, and, TexasCLASS operate in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940. The Insured Deposit Portal ("IDP") invests funds in various well-capitalized banks in amounts that are covered by FDIC insurance. The City's investment policy is to concentrate its portfolio in short-term securities in order to limit principal risk caused by changes in interest rates. The maximum dollar-weighted average maturities for the entire portfolio shall be limited to 365 days unless the securities are being held for long-term goals.

Credit Risk. In compliance with the City's Investment Policy, as of September 30, 2014, the City minimized credit risk losses due to default of a security issuer or backer by:

- limiting investments to the safest types of securities;
- investing in a money market mutual fund (Wells Fargo Advantage Government Money Market Fund) and local government investment pools (TexPool, TexSTAR, and TexasCLASS) that were rated AAAm by Standard and Poor's;
- purchasing investments in obligations of the United States of America, its agencies or instrumentalities;

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- purchasing commercial paper investments that were rated A-1, P-1 or equivalent by at least two nationally recognized credit rating agencies;
- 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 investments.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's Investment Policy provides that, consistent with the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all uninsured City funds on deposit with a depository bank, other than investments. The City's deposits were fully insured or collateralized as required by the state statutes and the City's investment policy. At year-end, the carrying amounts of the City's deposits were \$3,642,830. Of the total bank balance of \$7,397,928, demand deposits of \$5,069,180 held in the depository bank are collateralized by our 3rd party custodian, BBVA Compass and \$2,328,748 held in Invesco, a Government & Agency Portfolio cash management account. The Government and Agency Portfolio account invests primarily in short-term high credit quality money market instruments, and it is rated AAAM by Standard and Poor's.

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 possession of an outside party. According to the City's investment policy, the City shall contract with a financial institution for the safekeeping of securities owned by the City as part of its investment portfolio. Securities owned by the City shall be held in the City's name as evidenced by safekeeping receipts of the institution holding the securities.

The City voluntarily invests in three local government investment pools: the Texas Local Government Investment Pool ("TexPool"), the Texas Short Term Asset Reserve ("TexSTAR") Cash Reserve Fund, and the Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS"). Each public funds investment pool operates in full compliance with the Texas Public Funds Investment Act.

TexPool is overseen by the Texas State Comptroller of Public Accounts. TexSTAR is overseen by a Governing Board consisting of individuals from participating Government Entities in the pool. Texas CLASS is supervised by a Board of Trustees, each of whom is elected by participants. The number of Trustees to be selected is determined by the participants at an annual meeting and shall be an odd number of three (3) or more. Each pool is rated AAA by Standard & Poor's (S&P).

Each pool seeks to maintain a \$1 net asset value. The fair value of the City's position in each pool is the same as the value of the pool shares.

The City voluntarily invests in a FDIC Insured Bank Deposit Program, the Insured Deposit Portal ("IDP"). IDP is administered by Wertz York Capital Management Group.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

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D. Capital Assets

Capital asset activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases/ Reclasses ⁽¹⁾	Ending Balance
<u>Governmental Activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land and Easements	\$ 36,955,789	\$ 610,043	\$ (1,236,875)	\$ 36,328,957
Construction in Progress	44,065,586	12,352,804	(31,155,116)	25,263,274
Total capital assets, not being depreciated	<u>81,021,375</u>	<u>12,962,847</u>	<u>(32,391,991)</u>	<u>61,592,231</u>
<u>Capital assets, being depreciated:</u>				
Buildings and Improvements	68,553,844	-	1,549,996	70,103,840
Machinery and Equipment	23,850,084	990,095	(70,921)	24,769,258
Infrastructure	83,406,019	604,590	28,840,907	112,851,516
Total capital assets, being depreciated	<u>175,809,947</u>	<u>1,594,685</u>	<u>30,319,982</u>	<u>207,724,614</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Less Accumulated Depreciation for:				
Buildings and Improvements	(19,458,086)	(2,856,087)	-	(22,314,173)
Machinery and Equipment	(12,204,787)	(2,265,698)	765,656	(13,704,829)
Infrastructure	(43,710,976)	(2,915,146)	-	(46,626,122)
Total accumulated depreciation	<u>(75,373,849)</u>	<u>(8,036,931)</u>	<u>765,656</u>	<u>(82,645,124)</u>
Total capital assets being depreciated, net	<u>100,436,098</u>	<u>(6,442,246)</u>	<u>31,085,638</u>	<u>125,079,490</u>
Governmental Activities capital assets, net	<u>\$ 181,457,473</u>	<u>\$ 6,520,601</u>	<u>\$ (1,306,353)</u>	<u>\$ 186,671,721</u>

- (1) Included in Decreases/Reclasses column were the decreases to construction in progress that were completed in the current year and moved to its depreciable asset category. The decrease in construction in progress is an increase to capital assets within the same column. The Increase column to capital assets are current year increases only and do not reflect the increases to capital assets from reclasses. The decrease in construction in progress was \$31,155,116. The amount of \$1,549,996 was transferred to Buildings and Improvements. The amount of \$764,212 was transferred to Equipment. The amount of \$28,840,908 was transferred to Infrastructure.

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SEPTEMBER 30, 2014

	Beginning Balance	Increases	Decreases/ Reclasses ⁽¹⁾	Ending Balance
<u>Business-type Activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land and Easements	\$ 1,323,939	\$ -	\$ -	\$ 1,323,939
Construction in Progress	26,592,370	13,593,260	(12,971,514)	27,214,116
Total capital assets not being depreciated	<u>27,916,309</u>	<u>13,593,260</u>	<u>(12,971,514)</u>	<u>28,538,055</u>
 <i>Capital assets being depreciated:</i>				
Buildings and Improvements	1,145,823	-	-	1,145,823
Machinery and Equipment	10,814,978	1,160,357	(175,134)	11,800,201
Infrastructure	140,906,830	-	12,971,514	153,878,344
Total capital assets being depreciated	<u>152,867,631</u>	<u>1,160,357</u>	<u>12,796,380</u>	<u>166,824,368</u>
 Less Accumulated Depreciation for:				
Buildings and Improvements	(321,108)	(30,251)	(8,037)	(359,396)
Machinery and Equipment	(4,660,099)	(724,882)	150,590	(5,234,391)
Infrastructure	<u>(70,694,597)</u>	<u>(3,128,127)</u>	<u>8,037</u>	<u>(73,814,687)</u>
Total accumulated depreciation	<u>(75,675,804)</u>	<u>(3,883,260)</u>	<u>150,590</u>	<u>(79,408,474)</u>
Total capital assets being depreciated, net	<u>77,191,827</u>	<u>(2,722,903)</u>	<u>12,946,970</u>	<u>87,415,894</u>
Business-type Activities capital assets, net	<u>\$ 105,108,136</u>	<u>\$ 10,870,357</u>	<u>\$ (24,544)</u>	<u>\$ 115,953,949</u>

- (1) Included in Decreases/Reclasses column were the decreases to construction in progress that were completed in the current year and moved to its depreciable asset category. The decrease in construction in progress is an increase to capital assets within the same column. The Increase column to capital assets are current year increases only and do not reflect the increases to capital assets from reclasses.

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 746,407
Finance	59,209
Public Safety	3,259,528
Parks	1,956,517
Public Works	2,015,270
	<u>\$ 8,036,931</u>
 Business-type Activities:	
Enterprise	<u>\$ 3,883,260</u>
	<u>\$ 3,883,260</u>

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Discrete Component Unit

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated:</i>				
Land and Easements	\$ 108,770	\$ -	\$ -	\$ 108,770
Total capital assets not being depreciated	<u>108,770</u>	<u>-</u>	<u>-</u>	<u>108,770</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	1,421,618	-	-	1,421,618
Machinery and Equipment	<u>192,393</u>	<u>54,610</u>	<u>-</u>	<u>247,003</u>
Total capital assets being depreciated	<u>1,614,011</u>	<u>54,610</u>	<u>-</u>	<u>1,668,621</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(477,938)	(42,272)	-	(520,210)
Machinery and Equipment	<u>(90,063)</u>	<u>(16,073)</u>	<u>-</u>	<u>(106,136)</u>
Total accumulated depreciation	<u>(568,001)</u>	<u>(58,345)</u>	<u>-</u>	<u>(626,346)</u>
Total capital assets being depreciated, net	<u>1,046,010</u>	<u>(3,735)</u>	<u>-</u>	<u>1,042,275</u>
Discrete Component Unit capital assets, net	<u>\$ 1,154,780</u>	<u>\$ (3,735)</u>	<u>\$ -</u>	<u>\$ 1,151,045</u>

Depreciation expense was charged to functions as follows:

Discrete Component Unit:	
Oscar Johnson Jr. Community Center	\$ 58,345
	<u>\$ 58,345</u>

The City has active construction projects as of September 30, 2014. Total accumulated commitments for ongoing capital projects are composed of the following:

	<u>Spent-to Date</u>	<u>Remaining Commitment</u>
Water and Sewer	\$ 15,092,303	\$ 19,254,464
CIDC CIP Fund	1,502,533	134,608
Street Improvements	4,084,195	2,772,118
Facilities	<u>890,600</u>	<u>329,400</u>
	<u>\$ 21,569,631</u>	<u>\$ 22,490,590</u>

These commitments will be funded by unspent bond proceeds.

E. Interfund Balances and Activity

1. Due To and From Other Funds

A summary of interfund receivables and payables at September 30, 2014 is as follows:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>	<u>Purpose</u>
CIDC	General Fund	\$ 1,829,359	Sales Tax
		<u>\$ 1,829,359</u>	

CITY OF CONROE, TEXAS**NOTES TO THE FINANCIAL STATEMENTS****SEPTEMBER 30, 2014****2. 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 for the year ended September 30, 2014, were:

Transfers between funds during the year were as follows:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Nonmajor Governmental	\$ 142,367	Increase in TIRZ property tax value
General Fund	Nonmajor Governmental	1,457,596	Increase in TIRZ property tax value
General Fund	Nonmajor Governmental	136,044	In lieu of rent
General Fund	Nonmajor Governmental	24,750	Firearms Training Facility (Gun Range)
General Fund	Nonmajor Governmental	14,000	Enhancements to IH 45 detention pond
General Fund	Nonmajor Governmental	521,226	New Freedom Project (Transit)
Water and Sewer	Nonmajor Governmental	136,044	In lieu of rent
<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
CIDC	Debt Service	1,327,928	Principal & interest requirements
CIDC	Water and Sewer	248,837	Principal & interest requirements
CIDC	CIDC CIP Fund	2,047,000	Construction transfer
Nonmajor Governmental	General Fund	1,396	To fund vehicle & equipment purchases
Nonmajor Governmental	Debt Service	2,085,331	Principal & interest requirements
Nonmajor Governmental	Nonmajor Governmental	15,578	Surplus funds
Nonmajor Governmental	Facilities CIP Fund	340,554	Construction of new police building
Internal Service	General Fund	8,638	To fund vehicle & equipment purchases
	Total	\$ 8,507,289	

F. 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, drainage, transportation, and water and sewer improvements. Bonds have been issued for both governmental and business-type activities. During the year, certificates of obligation bonds were issued for \$31,100,000 and revenue bonds were issued for \$17,130,000.

Long-term debt also includes the City's accrued liability for compensated absences, severance payable, notes payable, health claims, OPEB, net pension obligations, and capital leases. Principal and interest payments on the City's bonded debt are secured by ad valorem property taxes levied on all taxable property within the City limits. Sales tax revenue bonds are secured by 4B sales and use taxes, and water and sewer revenue bonds are secured by water and sewer enterprise fund revenues. Payments are recorded in the Debt Service Fund, CIDC Fund and Water & Sewer Fund.

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

1. Long-Term Obligation Activity

A summary of the long-term bonded debt of the City at September 30, 2014 is presented below:

	Rate		Issue Date	Amount of Original Issue	Maturity Date	Bonds Outstanding
Refunding Bonds						
Refunding Bonds, Series 2007	4.00 %		2007	13,155,000	2017	\$ 3,720,000
Refunding Bonds, Series 2010	2.00-3.00 %		2010	4,035,000	2017	1,870,000
Refunding Bonds, Series 2012	2.00-3.00 %		2012	7,560,000	2023	6,850,000
Total Refunding Bond Payable						\$ 12,440,000
Contractual and Certificates of Obligation						
Series 2005	4.325 %		2005	3,865,000	2030	\$ 3,665,000
Series 2006	4.00-5.00 %		2007	9,700,000	2030	9,375,000
Series 2007	4.25-5.00 %		2007	10,820,000	2030	10,620,000
Series 2008	3.50-5.00 %		2008	17,100,000	2030	16,765,000
Series 2009	2.00-4.25 %		2009	12,750,000	2030	11,280,000
Series 2010	2.00-4.00 %		2010	9,270,000	2031	8,550,000
Series 2011	1.875-5.00 %		2011	18,235,000	2031	17,695,000
Series 2012	2.00-3.175 %		2012	8,970,000	2032	3,440,000
Series 2014	2.00-5.00 %		2014	31,100,000	2034	31,100,000
Certificates of Obligation Payable						\$ 112,490,000
Sales Tax Revenue Bonds						
Series 1997 CIDC	4.40 %		1997	\$ 17,500,000	2017	\$ 3,795,000
Series 1999 CIDC	3.85 %		1999	2,500,000	2017	555,000
Series 2011 CIDC	2.00-4.50 %		2011	13,845,000	2030	13,055,000
Series 2012 CIDC	2.00-5.00 %		2012	25,385,000	2032	23,965,000
Total Sales Tax Revenue Bonds Payable						\$ 41,370,000
Revenue Bonds						
Waterworks and Sewer System						
Bonds, Series 2006	4.375-5.00 %		2006	\$ 10,850,000	2030	\$ 9,010,000
Bonds, Series 2007	4.25-6.00 %		2007	5,700,000	2030	4,765,000
Bonds, Series 2008	3.50-5.00 %		2008	11,225,000	2030	9,430,000
Bonds, Series 2009	3.00-4.375 %		2009	7,350,000	2030	6,330,000
Bonds, Series 2010	2.00-4.00 %		2010	15,715,000	2031	13,895,000
Bonds, Series 2011	1.75-4.25 %		2011	5,160,000	2032	4,765,000
Bonds, Series 2012	1.75-5.00 %		2012	18,130,000	2032	17,510,000
Bonds, Series 2013	2.00-4.25 %		2013	6,790,000	2033	6,790,000
Bonds, Series 2014	2.00-5.00 %		2014	17,130,000	2035	17,130,000
Total Revenue Bonds						\$ 89,625,000

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2014, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General obligation bonds	\$ 15,475,000	\$ -	\$ (3,035,000)	\$ 12,440,000	\$ 3,145,000
Certificates of obligation	83,000,000	31,100,000	(1,610,000)	112,490,000	1,995,000
Sales tax revenue bonds	43,765,000	-	(2,395,000)	41,370,000	2,475,000
Less deferred amounts:					
Issuance discounts	(92,208)	-	5,424	(86,784)	-
Issuance premiums	2,887,167	3,637,580	(168,081)	6,356,666	-
Total bonds payable, net	145,034,959	34,737,580	(7,202,657)	172,569,882	7,615,000
Capital leases	513,293	-	(55,144)	458,149	57,322
Notes payable	1,070,000	-	(99,000)	971,000	103,000
Health claims liability*	460,738	6,929,382	(6,724,079)	666,041	666,041
OPEB liability*	3,323,534	-	(41,347)	3,282,187	-
Net pension oblig./TMRS*	1,187,426	4,828	-	1,192,254	-
Net pension oblig./Fire R/R*	431,212	174,788	-	606,000	-
Severance payable	791,457	221,840	-	1,013,297	-
Compensated absences*	6,701,071	857,669	(553,587)	7,005,153	132,794
Total governmental activities	\$ 159,513,690	\$ 42,926,087	\$ (14,675,814)	\$ 187,763,963	\$ 8,574,157
	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Business-type Activities:</u>					
Revenue bonds	\$ 75,090,000	\$ 17,130,000	\$ (2,595,000)	\$ 89,625,000	\$ 2,945,000
Less deferred amounts					
Issuance discount	(154,732)	-	11,493	(143,239)	-
Issuance premiums	1,759,675	1,847,952	(94,314)	3,513,313	-
Revenue bonds, net	76,694,943	18,977,952	(2,677,821)	92,995,074	2,945,000
Customer deposits	501,998	144,737	-	646,735	355,704
Capital leases	3,824,233	-	(416,438)	3,407,795	432,887
Net pension oblig./TMRS*	355,537	1,090	-	356,627	-
Compensated absences*	968,207	8,311	(70,660)	905,858	22,106
Total business-type activities	\$ 82,344,918	\$ 19,132,090	\$ (3,164,919)	\$ 98,312,089	\$ 3,755,697

* Other long-term liabilities

Long-term liabilities from the Self-Funded Insurance internal service fund in the amount \$3,282,187 (consisting of \$3,282,187 OPEB liability) are included in the governmental activities column of Exhibit A-1, and are included in Exhibit A-9, Statement of Net Assets-Proprietary Funds.

CITY OF CONROE, TEXAS**NOTES TO THE FINANCIAL STATEMENTS****SEPTEMBER 30, 2014**

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

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General
Compensated absences	Business-type	Water and Sewer
Health claims liability	Governmental	Self-Funded Insurance
OPEB liability	Governmental	Self-Funded Insurance
Net pension oblig./TMRS	Governmental	General
Net pension oblig./Fire R/R	Governmental	General
Net pension oblig./TMRS	Business-type	Water and Sewer

Discrete Component Unit

Long-term liabilities of the Oscar Johnson Jr. Community Center are \$78,128 consisting of compensated absences (\$64,902) and net pension obligation (\$13,226). The amount due within one year for compensated absences is \$4,210.

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. Rebate 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.

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2014, are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities - Bonded Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 7,615,000	\$ 6,529,750	\$ 14,144,750
2016	7,970,000	6,299,553	14,269,553
2017	8,215,000	6,049,206	14,264,206
2018	7,780,000	5,777,496	13,557,496
2019	8,035,000	5,521,882	13,556,882
2020-2024	44,760,000	22,653,577	67,413,577
2025-2029	54,500,000	12,206,312	66,706,312
2030-2034	27,425,000	2,390,948	29,815,948
Totals	<u>\$ 166,300,000</u>	<u>\$ 67,428,724</u>	<u>\$ 233,728,724</u>

<u>Year Ending September 30,</u>	<u>Governmental Activities - Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 103,000	\$ 54,096	\$ 157,096
2016	107,000	48,708	155,708
2017	113,000	42,999	155,999
2018	118,000	36,833	154,833
2019	123,000	30,289	153,289
2020-2022	407,000	47,692	454,692
Totals	<u>\$ 971,000</u>	<u>\$ 260,617</u>	<u>\$ 1,231,617</u>

Interest on the Section 108 Loan Guarantee is paid at 0.20% plus LIBOR.

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

Year Ending September 30,	Business-type Activities - Bonded Debt		
	Principal	Interest	Total
2015	\$ 2,945,000	\$ 3,257,084	\$ 6,202,084
2016	3,640,000	3,364,792	7,004,792
2017	3,745,000	3,256,595	7,001,595
2018	3,865,000	3,136,188	7,001,188
2019	3,990,000	3,007,367	6,997,367
2020-2024	22,360,000	12,648,868	35,008,868
2025-2029	27,585,000	7,416,148	35,001,148
2030-2034	20,250,000	1,919,055	22,169,055
2035	1,245,000	31,124	1,276,124
Totals	\$ 89,625,000	\$ 38,037,221	\$ 127,662,221

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2014, are as follows:

<u>Governmental Activities</u>	
<u>Year Ending September 30:</u>	
2015	\$ 75,178
2016	75,178
2017	75,178
2018	75,178
2019	75,178
2020-2021	156,446
Total Minimum Lease Payments	\$ 532,336
Less: amount representing interest	(74,187)
Present Value of Minimum Lease Payments	\$ 458,149

The gross amount of capital assets (machinery, equipment and improvements) acquired through governmental activities capital leases is \$532,336 as of September 30, 2014.

<u>Business-type Activities</u>	
<u>Year Ending September 30:</u>	
2015	\$ 567,735
2016	567,735
2017	567,735
2018	567,736
2019	567,736
2020-2021	1,129,380
Total Minimum Lease Payments	\$ 3,968,057
Less: amount representing interest	(560,262)
Present Value of Minimum Lease Payments	\$ 3,407,795

The gross amount of capital assets (machinery, equipment and improvements) acquired through business-type activities capital leases is \$3,968,057 as of September 30, 2014.

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

4. CIDC – Debt Noncompliance

The revenue bonds are paid solely from the revenue of the 4B sales tax of CIDC and are not an obligation of the City of Conroe, Texas.

During 2014, the City of Conroe, Texas was completing its post issuance review of bonds. At which time it was determined that because of the sale of properties purchased with proceeds of CIDC's Sales Tax Revenue Bonds, Series 2008 ("2008 Bonds"), which were subsequently refunded with proceeds of CIDC's Sales Tax Revenue and Refunding Bonds, Series 2012 ("2012 Bonds"), that proceeds of the redeemed 2008 Bonds and outstanding 2012 bonds were used in the trade or business of a nongovernmental person, as described in Section 141 of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, CIDC has determined that the receipt by CIDC of proceeds from the sale of properties may result in more than 10% of the debt service on the 2008 Bonds and Series 2012 Bonds as indirectly being secured by an interest in such property or payments in respect of such property, as described in Section 141 of the Code and Treas. Reg. 1.141-4. This may be true even though the 2008 Bonds were and the 2012 Bonds are secured and paid from sales and use tax revenues which constitute generally applicable taxes as described in Treas. Reg. 1.14104 (e).

CIDC has filed with the Internal Revenue Service (the "IRS") a Tax Exempt Bonds Voluntary Closing Agreement Program Request ("TEB VCAP Request") under the applicable procedures. The purpose of the TEB VCAP Request is to resolve a violation jeopardizing the tax-advantaged status of the CIDC's 2008 Bonds and 2012 Bonds so that bondholders remain unaffected. CIDC has not otherwise communicated with or received communications from the IRS, and can make no representation with respect to the outcome of the submission to the IRS. CIDC has sufficient funds for payment of its estimated settlement amount, but can make no representation as to acceptance of its estimated settlement amount in any final Closing Agreement with the IRS. CIDC intends to diligently proceed with reaching a Closing Agreement with the IRS.

G. Risk Management

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 weekly preliminary 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 also 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, 2014, 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.

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

Changes in the health claims for the two fiscal years ended September 30, 2014 and 2013 are as follows:

	2014	2013
Health Claim Liability, beginning of the year	\$ 460,738	\$ 433,921
Current-year Claims and Changes in Estimates	6,929,382	5,864,180
Claim payments	(6,724,079)	(5,837,363)
Health Claim Liability, End of Year	<u>\$ 666,041</u>	<u>\$ 460,738</u>

H. Other Post Employment Benefits

1. Retiree Health Benefit

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. 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.

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

b. Eligibility

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

c. Termination of Coverage

- (1) 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).
- (2) Retirees are entitled to a one-time, opt-in to re-enroll in the insurance plan(s).

d. Premiums

- (1) A minimum of fifty (50) percent of the effective premium cost will be paid by the City.
- (2) Payment of any remaining premium will be determined on an annual basis by City Council.
- (3) The retiree is responsible for payment of premiums for any dependent covered under the plan(s).
- (4)

e. Miscellaneous

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

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

f. Exception

- (1) Retirement under the eligibility provisions effective through December 31, 2011
 - (a) Any employee meeting retirement eligibility under the prior retiree insurance eligibility requirements may retire under those provisions through December 31, 2011.
 - (b) Employees completing twenty-five (25) years of service by December 31, 2011, will be grandfathered at 100% premium paid by the City.
- (2) Receipt of pension requirement for firefighters
 - (a) The requirement that an employee must be receiving a pension is waived for firefighters through December 31, 2011.
- (3) Exchange of sick leave
 - (a) 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 expires December 31, 2011.

g. Death-in-Service Retirement Benefits

- (1) Surviving spouses of active employees are allowed COBRA coverage only.

h. Benefits for Spouses of Retired Employees

- (1) 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.

i. Non-Medicare and Medicare-Eligible Provisions

- (1) 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 two post 65 retirees who are covered under special agreements.
- (2) As of the valuation date, there were 15 grandfathered retirees who have their Medicare Part 5 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 \$96 per month as of the valuation date.

j. Dental and Vision Coverage

- (1) The City's subsidies apply to the member portion of the dental and vision premiums as well. Upon reaching Medicare eligibility, the provisions for continued dental and vision coverage are the same as those for medical coverage.

k. Life Insurance Coverage

- (1) The City provides a \$7,500 life insurance benefit for retirees. The life insurance benefit extends past age 65. As of December 31, 2011, there were six retirees who accrued a life insurance benefit of \$12,500.

l. Monthly Retiree Premiums Effective October 1, 2013

<u>Benefit</u>	<u>Retiree Only</u>	<u>Spouse</u>
Medical	\$ 677	\$ 84
Dental	34	18
Vision	4	8

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

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

As with all benefits, the benefits provided above are subject to change, amendment, addition or cancellation at any time, 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.

For the year ended September 30, 2014, the City funded 50% of the normal cost and the pay-go amount totaling \$1,471,512 in an irrevocable trust, and it reported in a fiduciary fund in the financial statements. Withdrawals in the amount of \$964,067 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.

m. Schedule of Actuarial Liabilities

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.

Actuarial Cost Method	Projected Unit Credit		
Amortization Method	Level Percent of Payroll		
Remaining Amortization Period	28 Years - Closed Payroll		
Asset Valuation Method	Amortized Cost		
Investment Rate of Return	Blended		
Payroll Growth	3%		
Health Care Trends	10% Initial, 4.5% Ultimate		
Inflation Rate	3%		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>Annual OPEB Cost:</u>			
Annual required contribution (ARC)	\$ 1,471,511	\$ 1,471,511	\$ 1,232,356
Interest on prior year net OPEB obligation	199,412	253,788	210,673
Adjustment to the ARC	(240,758)	(1,262,775)	254,354
Annual OPEB Cost	1,430,165	462,524	1,697,383
Employer Contributions	(1,471,512)	(1,368,795)	(1,232,356)
NOO restated for 2010 Retiree Contributions	-	-	121,129
NOO restated for 2011 Retiree Contributions	-	-	132,429
Increase in OPEB obligation	(41,347)	(906,271)	586,156
Net OPEB obligation, October 1	<u>3,323,534</u>	<u>4,229,805</u>	<u>3,511,220</u>
Net OPEB obligation, September 30	\$ <u>3,282,187</u>	\$ <u>3,323,534</u>	\$ <u>4,229,805</u>
Percentage of annual OPEB cost contributed	102.89%	295.94%	57.67%

Note: 2013 NOO was restated to correct the Adjustment to the ARC which was previously reported as an addition to the Annual OPEB cost.

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

n. Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan was 10.34 percent funded. The actuarial liability for benefits was \$14,851,911, and the actuarial value of assets was \$1,535,927, resulting in an unfunded actuarial liability (UAAL) of \$13,315,984. The covered payroll (annual payroll of active employees covered by the plan) was \$21,528,653, and the ratio of UAAL to the covered payroll was 61.85 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

I. Pension Plan

1. Plan Description

The City provides pension benefits for all of its eligible employees excluding firefighters through a non-traditional, joint contributory, hybrid defined-benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

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 2014	Plan Year 2013
Employee Deposit Rate	7%	7%
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

2. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

a one year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015).

The annual pension cost and net pension obligation/(asset) are as follows:

	2014	2013	2012
Net Pension Obligation:			
Annual pension cost:			
Annual required contribution (ARC)	\$ 3,931,113	\$ 3,571,775	\$ 3,468,496
Interest on prior year net pension obligation (NPO)	108,930	151,742	136,050
Adjustment to the ARC	(97,952)	(629,654)	116,950
Annual pension cost	3,942,091	3,093,863	3,721,496
Contributions made	3,936,127	3,705,461	3,497,349
Increase in NPO	5,964	(611,598)	224,147
Net Pension Obligation, October 1	1,556,142	2,167,740	1,943,593
Net Pension Obligation, September 30	\$ 1,562,106	\$ 1,556,142	\$ 2,167,740
Percentage of APC Contribution	99.8%	119.8%	94.0%

Note: 2013 NPO was restated to correct the Adjustment to the ARC which was previously reported as an addition to the Net Pension Obligation.

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	12/31/2013	12/31/2012	12/31/2011
Actuarial Cost Method	Entry Age Normal	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
GASB 25 Equivalent Single Amortization Period	23.0 years, closed period	25.1 years, closed period	26.1 years, closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.00%	7.00%	7.00%
Projected Salary Increase*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.10%	2.10%	2.10%

3. Funded Status and Funding Progress

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

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changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

As of December 31, 2013, the most recent actuarial valuation date, the plan was 76.1 percent funded. The actuarial liability for benefits was \$105,012,620, and the actuarial value of assets was \$79,913,546, resulting in an unfunded actuarial liability (UAAL) of \$25,099,074. The covered payroll (annual payroll of active employees covered by the plan) was \$22,081,256, and the ratio of UAAL to the covered payroll was 113.7 percent.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

4. Supplemental Death Benefits Fund

The City does not offer supplemental death benefits to either active employees or retirees for plan year 2014.

J. City of Conroe Fire Fighters' Retirement Fund

The City participates in funding a contributory, defined benefit retirement plan: City of Conroe Fire Fighters' 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 firefighters. The Fund is administered in accordance with State laws by the members of the Fund's Pension Board of Directors. The plan is a City wide single employer funded plan that covers substantially all active paid and volunteer fire fighters. The fiscal year of the pension fund ends December 31. The most recently available financial statements of the pension fund is for the year ended December 31, 2013.

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.

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

The components of the net pension liability of the City at December 31, 2013, were as follows:

	2014	2013	2012
Net Pension Obligation:			
Annual pension cost:			
Annual required contribution (ARC)	\$ 1,604,145	\$ 1,545,052	\$ 1,493,746
Interest on prior year net pension obligation (NPO)	41,020	31,804	23,776
Adjustment to the ARC	(28,146)	(21,822)	(16,902)
Less Firefighter Contributions	721,920	669,808	647,862
Annual pension cost, net*	895,099	885,226	852,758
Contributions made by City	818,386	766,312	749,171
Increase in NPO	76,713	118,914	103,587
Net Pension Obligation, October 1	529,287	410,373	306,786
Net Pension Obligation, September 30	\$ 606,000	\$ 529,287	\$ 410,373
Percentage of APC Contribution	91%	87%	88%

Note: Annual pension cost was restated in FY2013 due to the latest actuarial valuation dated December 30, 2013.

Actuarial valuation of the plan is performed every two years. The latest actuarial valuations were completed as of December 30, 2013.

The following are actuarial assumptions:

Actuarial Cost Method	Entry age normal cost method
Amortization Method	Level Percentage, Open
Amortization Period	37.4 Years
Asset Valuation Method	5-Year Smoothed Market
Investment Rate of Return	7.75%
Projected Salary Increase	5.70%
Inflation Rate	4.00%
Cost of Living Adjustment	0.00%

The plan's amortization period has decreased to 37.4 years. Under current Texas Pension Review Board guidelines for actuarial soundness, expected contributions should be sufficient to amortize the unfunded actuarial liability (UAL) over a preferred period of 15 to 25 years (maximum of 40 years). The expected amortization period was 37.4 years based on the 2013 actuarial valuation, assuming future Plan experience is consistent with the underlying basis. The net decrease in the expected amortization period is primarily attributable to investment performance.

As of December 31, 2013, the most recent actuarial valuation date, the plan was 61.8 percent funded. The actuarial accrued liability for benefits was \$29,344,347, and the actuarial value of assets was \$18,126,626, resulting in an unfunded actuarial liability (UAAL) of \$11,217,721. The covered payroll (annual payroll of active employees covered by the plan) was \$5,660,398, and the ratio of UAAL to the covered payroll was 198.2 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The plan's accounting records are maintained on the accrual method. Their investments are valued at current market value determined by the following methods: investments traded on a national securities exchange are valued at the reported closing price as of the last business day of the year; and the investments traded over-the-counter are valued at the last reported bid price. Mutual funds are reported at the net position value.

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

Financial reports that include financial statements for the plan is publicly available by contacting: Conroe Fire Fighter's Retirement Fund, 904 W. Dallas, Suite 11, Conroe, Texas 77301, or (936) 760-1600.

K. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such 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, 2014, 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.

2. Litigation

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.

3. 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 further 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.

L. 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.

M. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several new statements. A listing follows of those that apply to the City. These statements will be implemented as required by the GASB.

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*, replaces the requirements of Statement No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. This statement will be effective for the City in the fiscal year ending September 30, 2015.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An amendment of GASB Statement No. 68*, addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68. This statement will be effective for the City in the fiscal year ending September 30, 2015.

N. Subsequent Events

In October 2014, the Sales Tax Revenue Bonds, Series 1997 and Series 1999 were defeased in the amount of \$4,385,267.

CITY OF CONROE, TEXAS

CITY OF CONROE, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

OTHER POST EMPLOYMENT BENEFITS (OPEB)

YEAR ENDED SEPTEMBER 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2006	\$ -	\$ 28,081,159	\$ 28,081,159	-	\$ 25,556,387	109.88%
12/31/2008	-	19,393,024	19,393,024	-	26,241,409	73.90%
12/31/2011	1,535,927	14,851,911	13,315,984	10.34%	21,528,653	61.85%

SCHEDULE OF FUNDING PROGRESS

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

YEAR ENDED SEPTEMBER 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2011	65,735,466	85,928,817	20,193,351	76.5%	20,511,507	98.4%
12/31/2012	72,682,221	91,839,830	19,157,609	79.1%	20,887,572	91.7%
12/31/2013	79,913,546	105,012,620	25,099,074	76.1%	22,081,256	113.7%

SCHEDULE OF FUNDING PROGRESS

CONROE FIREFIGHTERS' RETIREMENT FUND

YEAR ENDED SEPTEMBER 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2009	\$ 12,943,409	\$ 22,477,234	\$ 9,533,825	57.6%	\$ 4,834,146	197.2%
12/31/2011	15,392,762	25,409,581	10,016,819	60.6%	4,993,826	200.6%
12/31/2013	18,126,626	29,344,347	11,217,721	61.8%	5,660,398	198.2%



CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

EXHIBIT B-1

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
Pooled Cash and Cash Equivalents	\$ 123,502	\$ 145,912	\$ 269,414
Non-pooled Cash and Cash Equivalents	350,973	-	350,973
Investments	2,454,007	8,655,842	11,109,849
Receivables (Net of Allowances for Uncollectibles):			
Interest	-	3,371	3,371
Other	61,252	-	61,252
TOTAL ASSETS	\$ 2,989,734	\$ 8,805,125	\$ 11,794,859
LIABILITIES			
Accounts Payable	\$ 205,331	\$ 52,035	\$ 257,366
Accrued Expenditures/Expenses	19,737	67,123	86,860
Customer Deposits	11,218	-	11,218
Unearned Revenue	2,164	-	2,164
TOTAL LIABILITIES	238,450	119,158	357,608
FUND BALANCES			
Restricted for:			
Capital Project Funds	-	4,818,383	4,818,383
Special Revenue Funds	2,313,400	-	2,313,400
Committed for:			
TIRZ #2-Property Tax Receipts	-	10	10
TIRZ #3-Property Tax Receipts	-	3,867,574	3,867,574
Conroe Tower-Lease Income	344,253	-	344,253
Owen Theater-Ticket Sales	30,121	-	30,121
Woodlands Township Reg. Participation	63,510	-	63,510
TOTAL FUND BALANCES	2,751,284	8,685,967	11,437,251
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,989,734	\$ 8,805,125	\$ 11,794,859



CITY OF CONROE, TEXAS**EXHIBIT B-2**

*COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014*

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
REVENUES			
Taxes	\$ 1,103,093	\$ -	\$ 1,103,093
Lease Income	268,856	-	268,856
Intergovernmental	1,021,418	1,061,140	2,082,558
Investment Income	1,273	8,146	9,419
Gain (Loss) on Investment	-	(15,894)	(15,894)
Other	176,940	27,189	204,129
TOTAL REVENUES	<u>2,571,580</u>	<u>1,080,581</u>	<u>3,652,161</u>
EXPENDITURES			
Current:			
General Government	2,436,556	173,697	2,610,253
Debt Service:			
Principal Retirement	99,000	-	99,000
Interest and Fiscal Charges	59,140	-	59,140
Bond Issuance Costs	-	82,052	82,052
Capital Outlay	18,072	1,052,941	1,071,013
TOTAL EXPENDITURES	<u>2,612,768</u>	<u>1,308,690</u>	<u>3,921,458</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(41,188)</u>	<u>(228,109)</u>	<u>(269,297)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of Certificate of Obligation Bonds	-	2,802,356	2,802,356
Premium on Issuance of Bonds	-	327,774	327,774
Transfers In	808,892	1,638,713	2,447,605
Transfers Out	(1,396)	(2,441,463)	(2,442,859)
TOTAL OTHER FINANCING SOURCES (USES)	<u>807,496</u>	<u>2,327,380</u>	<u>3,134,876</u>
Net Change in Fund Balances	766,308	2,099,271	2,865,579
Fund Balances at Beginning of Year	1,984,976	6,586,696	8,571,672
FUND BALANCES AT END OF YEAR	<u>\$ 2,751,284</u>	<u>\$ 8,685,967</u>	<u>\$ 11,437,251</u>

CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2014

	Hotel/Motel Occupancy Tax Fund	Public Improvement District "PID" Assessments	Community Development Block Grant Entitlement	The Conroe Tower
ASSETS				
Pooled Cash and Cash Equivalents	\$ 17,970	\$ -	\$ 15,657	\$ 14,262
Non-pooled Cash and Cash Equivalents	-	11,653	339,320	-
Investments	1,702,463	-	105,602	350,831
Receivables (Net of Allowances for Uncollectibles):				
Other	2	2,164	57,420	-
TOTAL ASSETS	<u>\$ 1,720,435</u>	<u>\$ 13,817</u>	<u>\$ 517,999</u>	<u>\$ 365,093</u>
LIABILITIES				
Accounts Payable	\$ 180,056	\$ -	\$ -	\$ 5,986
Accrued Expenditures/Expenses	12,441	-	-	3,636
Customer Deposits	-	-	-	11,218
Unearned Revenue	-	2,164	-	-
TOTAL LIABILITIES	<u>192,497</u>	<u>2,164</u>	<u>-</u>	<u>20,840</u>
FUND BALANCES				
Restricted for:				
Special Revenue Funds	1,527,938	11,653	517,999	-
Committed for:				
Conroe Tower-Lease Income	-	-	-	344,253
Owen Theatre-Ticket Sales	-	-	-	-
Woodlands Township Reg. Participation	-	-	-	-
TOTAL FUND BALANCES	<u>1,527,938</u>	<u>11,653</u>	<u>517,999</u>	<u>344,253</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,720,435</u>	<u>\$ 13,817</u>	<u>\$ 517,999</u>	<u>\$ 365,093</u>

<u>Owen Theatre</u>	<u>Woodlands Township Regional Participation</u>	<u>Transportation Grants Fund</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit B-1)</u>
\$ 5,027	\$ 63,510	\$ 7,076	\$ 123,502
-	-	-	350,973
25,094	-	270,017	2,454,007
-	-	1,666	61,252
<u>\$ 30,121</u>	<u>\$ 63,510</u>	<u>\$ 278,759</u>	<u>\$ 2,989,734</u>
\$ -	\$ -	\$ 19,289	\$ 205,331
-	-	3,660	19,737
-	-	-	11,218
-	-	-	2,164
<u>-</u>	<u>-</u>	<u>22,949</u>	<u>238,450</u>
-	-	255,810	2,313,400
-	-	-	344,253
30,121	-	-	30,121
-	63,510	-	63,510
<u>30,121</u>	<u>63,510</u>	<u>255,810</u>	<u>2,751,284</u>
<u>\$ 30,121</u>	<u>\$ 63,510</u>	<u>\$ 278,759</u>	<u>\$ 2,989,734</u>

CITY OF CONROE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Hotel/Motel Occupancy Tax Fund	Public Improvement District "PID" Assessments	Community Development Block Grant Entitlement	The Conroe Tower
REVENUES				
Taxes	\$ 1,103,093	\$ -	\$ -	\$ -
Lease Income	-	-	-	268,856
Intergovernmental	-	-	877,876	-
Investment Income	902	90	103	132
Other	3,796	170,624	-	2,520
TOTAL REVENUES	<u>1,107,791</u>	<u>170,714</u>	<u>877,979</u>	<u>271,508</u>
EXPENDITURES				
Current:				
General Government	678,381	167,008	557,460	583,897
Debt Service:				
Principal Retirement	-	-	99,000	-
Interest and Fiscal Charges	-	-	59,140	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>678,381</u>	<u>167,008</u>	<u>715,600</u>	<u>583,897</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>429,410</u>	<u>3,706</u>	<u>162,379</u>	<u>(312,389)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	15,578	272,088
Transfers Out	-	-	-	(1,396)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>15,578</u>	<u>270,692</u>
Net Change in Fund Balances	429,410	3,706	177,957	(41,697)
Fund Balances at Beginning of Year	1,098,528	7,947	340,042	385,950
FUND BALANCES AT END OF YEAR	<u>\$ 1,527,938</u>	<u>\$ 11,653</u>	<u>\$ 517,999</u>	<u>\$ 344,253</u>

<u>Owen Theatre</u>	<u>Woodlands Township Regional Participation</u>	<u>Transportation Grants Fund</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit B-2)</u>
\$ -	\$ -	\$ -	\$ 1,103,093
-	-	-	268,856
-	9,379	134,163	1,021,418
18	8	20	1,273
-	-	-	176,940
<u>18</u>	<u>9,387</u>	<u>134,183</u>	<u>2,571,580</u>
50,211	-	399,599	2,436,556
-	-	-	99,000
-	-	-	59,140
<u>18,072</u>	<u>-</u>	<u>-</u>	<u>18,072</u>
<u>68,283</u>	<u>-</u>	<u>399,599</u>	<u>2,612,768</u>
<u>(68,265)</u>	<u>9,387</u>	<u>(265,416)</u>	<u>(41,188)</u>
-	-	521,226	808,892
-	-	-	(1,396)
-	-	<u>521,226</u>	<u>807,496</u>
(68,265)	9,387	255,810	766,308
98,386	54,123	-	1,984,976
<u>\$ 30,121</u>	<u>\$ 63,510</u>	<u>\$ 255,810</u>	<u>\$ 2,751,284</u>

CITY OF CONROE, TEXAS**EXHIBIT B-5**

*HOTEL/MOTEL OCCUPANCY TAX FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 816,476	\$ 816,476	\$ 1,103,093	\$ 286,617
Investment Income	-	-	902	902
Other	-	3,796	3,796	-
TOTAL REVENUES	<u>816,476</u>	<u>820,272</u>	<u>1,107,791</u>	<u>287,519</u>
EXPENDITURES				
Current:				
General Government	683,650	741,446	678,381	63,065
TOTAL EXPENDITURES	<u>683,650</u>	<u>741,446</u>	<u>678,381</u>	<u>63,065</u>
Net Change in Fund Balance	132,826	78,826	429,410	350,584
Fund Balance at Beginning of Year	1,098,528	1,098,528	1,098,528	-
FUND BALANCE AT END OF YEAR	<u>\$ 1,231,354</u>	<u>\$ 1,177,354</u>	<u>\$ 1,527,938</u>	<u>\$ 350,584</u>

CITY OF CONROE, TEXAS**EXHIBIT B-6****COMMUNITY DEVELOPMENT BLOCK GRANT ENTITLEMENT****SPECIAL REVENUE FUND****BUDGETARY COMPARISON SCHEDULE****FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 552,617	\$ 714,118	\$ 877,876	\$ 163,758
Investment Income	-	-	103	103
TOTAL REVENUES	<u>552,617</u>	<u>714,118</u>	<u>877,979</u>	<u>163,861</u>
EXPENDITURES				
Current:				
General Government	393,724	555,225	557,460	(2,235)
Debt Service:				
Principal Retirement	95,000	95,000	99,000	(4,000)
Interest and Fiscal Charges	63,892	63,892	59,140	4,752
TOTAL EXPENDITURES	<u>552,616</u>	<u>714,117</u>	<u>715,600</u>	<u>(1,483)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	15,578	15,578	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>15,578</u>	<u>15,578</u>	<u>-</u>
Net Change in Fund Balance	1	1	177,957	177,956
Fund Balance at Beginning of Year	340,042	340,042	340,042	-
FUND BALANCE AT END OF YEAR	<u>\$ 340,043</u>	<u>\$ 340,043</u>	<u>\$ 517,999</u>	<u>\$ 177,956</u>

CITY OF CONROE, TEXAS
THE CONROE TOWER
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT B-7

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Lease Income	\$ 251,520	\$ 251,520	\$ 268,856	\$ 17,336
Investment Income	-	-	132	132
Other	-	-	2,520	2,520
TOTAL REVENUES	<u>251,520</u>	<u>251,520</u>	<u>271,508</u>	<u>19,988</u>
EXPENDITURES				
Current:				
General Government	432,212	614,743	583,897	30,846
Capital Outlay	90,000	-	-	-
TOTAL EXPENDITURES	<u>522,212</u>	<u>614,743</u>	<u>583,897</u>	<u>30,846</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(270,692)</u>	<u>(363,223)</u>	<u>(312,389)</u>	<u>50,834</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	272,088	272,088	272,088	-
Transfers Out	(1,396)	(1,396)	(1,396)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>270,692</u>	<u>270,692</u>	<u>270,692</u>	<u>-</u>
Net Change in Fund Balance	-	(92,531)	(41,697)	50,834
Fund Balance at Beginning of Year	385,950	385,950	385,950	-
FUND BALANCE AT END OF YEAR	<u>\$ 385,950</u>	<u>\$ 293,419</u>	<u>\$ 344,253</u>	<u>\$ 50,834</u>

CITY OF CONROE, TEXAS
TRANSPORTATION GRANTS FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT B-8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 830,149	\$ 908,149	\$ 134,163	\$ (773,986)
Investment Income	-	-	20	20
TOTAL REVENUES	<u>830,149</u>	<u>908,149</u>	<u>134,183</u>	<u>(773,966)</u>
EXPENDITURES				
Current:				
General Government	656,375	889,375	399,599	489,776
Capital Outlay	540,000	540,000	-	540,000
TOTAL EXPENDITURES	<u>1,196,375</u>	<u>1,429,375</u>	<u>399,599</u>	<u>1,029,776</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(366,226)</u>	<u>(521,226)</u>	<u>(265,416)</u>	<u>255,810</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	366,226	521,226	521,226	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>366,226</u>	<u>521,226</u>	<u>521,226</u>	<u>-</u>
Net Change in Fund Balance	-	-	255,810	255,810
Fund Balance at Beginning of Year	-	-	-	-
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 255,810</u>	<u>\$ 255,810</u>



CITY OF CONROE, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT B-9

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 7,292,711	\$ 7,292,711	\$ 7,323,108	\$ 30,397
Investment Income	23,717	23,717	21,088	(2,629)
Gain (Loss) on Investment	-	-	(23,732)	(23,732)
Penalties and Interest	51,525	51,525	45,363	(6,162)
TOTAL REVENUES	<u>7,367,953</u>	<u>7,367,953</u>	<u>7,365,827</u>	<u>(2,126)</u>
EXPENDITURES				
Current:				
General Government	22,650	22,650	8,418	14,232
Debt Service:				
Principal Retirement	4,745,000	4,745,000	4,645,000	100,000
Interest and Fiscal Charges	4,105,674	4,105,674	3,805,891	299,783
TOTAL EXPENDITURES	<u>8,873,324</u>	<u>8,873,324</u>	<u>8,459,309</u>	<u>414,015</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,505,371)</u>	<u>(1,505,371)</u>	<u>(1,093,482)</u>	<u>411,889</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	3,413,259	3,413,259	3,413,259	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,413,259</u>	<u>3,413,259</u>	<u>3,413,259</u>	<u>-</u>
Net Change in Fund Balance	1,907,888	1,907,888	2,319,777	411,889
Fund Balance at Beginning of Year	8,312,617	8,312,617	8,312,617	-
FUND BALANCE AT END OF YEAR	<u>\$ 10,220,505</u>	<u>\$ 10,220,505</u>	<u>\$ 10,632,394</u>	<u>\$ 411,889</u>

CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2014

	Police & Courts Building Fund	Signals CIP Fund	Transportation Grants CIP Fund
ASSETS			
Pooled Cash and Cash Equivalents	\$ -	\$ 16,920	\$ 18,039
Investments	-	936,909	180,011
Receivables (net of allowances for uncollectibles):			
Interest	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 953,829</u>	<u>\$ 198,050</u>
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Accrued Expenditures/Expenses	-	67,123	-
TOTAL LIABILITIES	<u>-</u>	<u>67,123</u>	<u>-</u>
FUND BALANCES			
Restricted for:			
Capital Project Funds	-	886,706	198,050
Committed for:			
TIRZ #2-Property Tax Receipts	-	-	-
TIRZ #3-Property Tax Receipts	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>886,706</u>	<u>198,050</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 953,829</u>	<u>\$ 198,050</u>

CDBG Sec 108 Facade Improvement	Firearms Training Facility	Woodlands Annexations	Drainage CIP Fund	Park CIP Fund
\$ -	\$ 43,143	\$ 10,475	\$ 23,977	\$ 31,541
-	-	-	1,426,003	2,250,523
-	-	-	-	-
<u>\$ -</u>	<u>\$ 43,143</u>	<u>\$ 10,475</u>	<u>\$ 1,449,980</u>	<u>\$ 2,282,064</u>
\$ -	\$ -	\$ -	\$ 19,530	\$ 32,505
-	-	-	-	-
-	-	-	19,530	32,505
-	43,143	10,475	1,430,450	2,249,559
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>43,143</u>	<u>10,475</u>	<u>1,430,450</u>	<u>2,249,559</u>
<u>\$ -</u>	<u>\$ 43,143</u>	<u>\$ 10,475</u>	<u>\$ 1,449,980</u>	<u>\$ 2,282,064</u>



CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2014

EXHIBIT B-10

Page 2 of 2

	Tax Incr Reinv. Zone 2	Tax Incr Reinv. Zone 3	Total Nonmajor Capital Projects Funds (See Exhibit B-1)
ASSETS			
Pooled Cash and Cash Equivalents	\$ 10	\$ 1,807	\$ 145,912
Investments	-	3,862,396	8,655,842
Receivables (net of allowances for uncollectibles):			
Interest	-	3,371	3,371
TOTAL ASSETS	<u>\$ 10</u>	<u>\$ 3,867,574</u>	<u>\$ 8,805,125</u>
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 52,035
Accrued Expenditures/Expenses	-	-	67,123
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>119,158</u>
FUND BALANCES			
Restricted for:			
Capital Project Funds	-	-	4,818,383
Committed for:			
TIRZ #2-Property Tax Receipts	10	-	10
TIRZ #3-Property Tax Receipts	-	3,867,574	3,867,574
TOTAL FUND BALANCES	<u>10</u>	<u>3,867,574</u>	<u>8,685,967</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10</u>	<u>\$ 3,867,574</u>	<u>\$ 8,805,125</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, 2014

	Police & Courts Building Fund	Signals CIP Fund	Transportation Grants CIP Fund
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Investment Income	-	86	12
Gain (Loss) on Investment	-	-	-
Other	-	15,000	-
TOTAL REVENUES	<u>-</u>	<u>15,086</u>	<u>12</u>
EXPENDITURES			
Current:			
General Government	-	-	-
Debt Service:			
Bond Issuance Costs	-	24,992	1,567
Capital Outlay	-	99,604	62,981
TOTAL EXPENDITURES	<u>-</u>	<u>124,596</u>	<u>64,548</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(109,510)</u>	<u>(64,536)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of Certificate of Obligation Bonds	-	633,199	199,910
Premium on Issuance of Bonds	-	74,061	23,382
Transfers In	-	-	-
Transfers Out	(340,554)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(340,554)</u>	<u>707,260</u>	<u>223,292</u>
Net Change in Fund Balances	(340,554)	597,750	158,756
Fund Balances at Beginning of Year	340,554	288,956	39,294
FUND BALANCES AT END OF YEAR	<u>\$ -</u>	<u>\$ 886,706</u>	<u>\$ 198,050</u>

CDBG Sec 108 Facade Improvement	Firearms Training Facility	Woodlands Annexations	Drainage CIP Fund	Park CIP Fund
\$ -	\$ 20,000	\$ -	\$ -	\$ -
-	2	1	642	522
-	-	-	-	-
-	-	-	-	12,189
-	20,002	1	642	12,711
-	19,112	-	-	12,218
-	-	-	25,298	30,195
-	-	-	148,359	741,997
-	19,112	-	173,657	784,410
-	890	1	(173,015)	(771,699)
-	-	-	672,095	1,297,152
-	-	-	78,611	151,720
-	24,750	-	-	14,000
(15,578)	-	-	-	-
(15,578)	24,750	-	750,706	1,462,872
(15,578)	25,640	1	577,691	691,173
15,578	17,503	10,474	852,759	1,558,386
\$ -	\$ 43,143	\$ 10,475	\$ 1,430,450	\$ 2,249,559



CITY OF CONROE, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

EXHIBIT B-11

Page 2 of 2

	Tax Incr Reinv. Zone 2	Tax Incr Reinv. Zone 3	Total Nonmajor Capital Projects Funds (See Exhibit B-2)
REVENUES			
Intergovernmental	\$ -	\$ 1,041,140	\$ 1,061,140
Investment Income	2	6,879	8,146
Gain (Loss) on Investment	-	(15,894)	(15,894)
Other	-	-	27,189
TOTAL REVENUES	<u>2</u>	<u>1,032,125</u>	<u>1,080,581</u>
EXPENDITURES			
Current:			
General Government	142,367	-	173,697
Debt Service:			
Bond Issuance Costs	-	-	82,052
Capital Outlay	-	-	1,052,941
TOTAL EXPENDITURES	<u>142,367</u>	<u>-</u>	<u>1,308,690</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(142,365)</u>	<u>1,032,125</u>	<u>(228,109)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of Certificate of Obligation Bonds	-	-	2,802,356
Premium on Issuance of Bonds	-	-	327,774
Transfers In	142,367	1,457,596	1,638,713
Transfers Out	-	(2,085,331)	(2,441,463)
TOTAL OTHER FINANCING SOURCES (USES)	<u>142,367</u>	<u>(627,735)</u>	<u>2,327,380</u>
Net Change in Fund Balances	<u>2</u>	<u>404,390</u>	<u>2,099,271</u>
Fund Balances at Beginning of Year	<u>8</u>	<u>3,463,184</u>	<u>6,586,696</u>
FUND BALANCES AT END OF YEAR	<u>\$ 10</u>	<u>\$ 3,867,574</u>	<u>\$ 8,685,967</u>

CITY OF CONROE, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2014

EXHIBIT B-12

	Fleet Services Fund	Self Funded Insurance	Total Internal Service Funds (See Exhibit A-9)
ASSETS			
Current Assets:			
Pooled Cash and Cash Equivalents	\$ 33,594	\$ 66,892	\$ 100,486
Investments	180,011	757,769	937,780
Receivable (Net of Allowances for Uncollectibles):			
Accounts	1,045	-	1,045
Interest	4	268	272
Other	-	7,958	7,958
Receivables from External Parties	-	98,121	98,121
Inventories	42,084	-	42,084
Total Current Assets	256,738	931,008	1,187,746
TOTAL ASSETS	256,738	931,008	1,187,746
LIABILITIES			
Current Liabilities:			
Accounts Payable	26,195	2,810	29,005
Accrued Expenditures/Expenses	25,507	-	25,507
Health Claims Liability	-	666,041	666,041
Compensated Absences	1,443	-	1,443
Total Current Liabilities	53,145	668,851	721,996
Noncurrent Liabilities, net of current portion			
Compensated Absences	77,359	-	77,359
OPEB Liability	-	3,282,187	3,282,187
Net Pension Obligation/TMRS	21,387	-	21,387
Total Noncurrent Liabilities	98,746	3,282,187	3,380,933
TOTAL LIABILITIES	151,891	3,951,038	4,102,929
NET POSITION			
Unrestricted	104,847	(3,020,030)	(2,915,183)
TOTAL NET POSITION	\$ 104,847	\$ (3,020,030)	\$ (2,915,183)

CITY OF CONROE, TEXAS**EXHIBIT B-13**

*COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014*

	Fleet Services Fund	Self Funded Insurance	Total Internal Service Funds (See Exhibit A-10)
OPERATING REVENUES			
Charges for Sales and Services	\$ 1,359,544	\$ 7,299,040	\$ 8,658,584
TOTAL OPERATING REVENUES	<u>1,359,544</u>	<u>7,299,040</u>	<u>8,658,584</u>
OPERATING EXPENSES			
Public Works	1,237,286	-	1,237,286
General Government	-	9,310,259	9,310,259
TOTAL OPERATING EXPENSES	<u>1,237,286</u>	<u>9,310,259</u>	<u>10,547,545</u>
Operating Income (Loss)	<u>122,258</u>	<u>(2,011,219)</u>	<u>(1,888,961)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Income	16	4,760	4,776
Gain (Loss) on Investment	-	(4,318)	(4,318)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>16</u>	<u>442</u>	<u>458</u>
Income (Loss) Before Transfers	<u>122,274</u>	<u>(2,010,777)</u>	<u>(1,888,503)</u>
Transfer Out	(8,638)	-	(8,638)
NET TRANSFERS	<u>(8,638)</u>	<u>-</u>	<u>(8,638)</u>
Change in Net Position	<u>113,636</u>	<u>(2,010,777)</u>	<u>(1,897,141)</u>
Net Position at Beginning of Year	(8,789)	(1,009,253)	(1,018,042)
NET POSITION AT END OF YEAR	<u>\$ 104,847</u>	<u>\$ (3,020,030)</u>	<u>\$ (2,915,183)</u>

CITY OF CONROE, TEXAS
COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT B-14

	Fleet Services Fund	Self Funded Insurance	Total Internal Service Funds (See Exhibit A-11)
Cash Flows from Operating Activities			
<i>Cash Received from Customers</i>	\$ 1,368,253	\$ -	\$ 1,368,253
<i>Cash Received from Employees</i>	-	1,665,307	1,665,307
<i>Cash Received from Other Funds</i>	-	5,634,212	5,634,212
<i>Cash Payments to Employees for Services</i>	(584,243)	-	(584,243)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(714,057)	(1,275,139)	(1,989,196)
<i>Cash Payments for Loss Claims</i>	-	(7,885,004)	(7,885,004)
Net Cash Provided by (Used for) Operating Activities	<u>69,953</u>	<u>(1,860,624)</u>	<u>(1,790,671)</u>
Cash Flows from Non-Capital Financing Activities:			
<i>Transfer To Other Funds</i>	<u>(8,638)</u>	<u>(480,085)</u>	<u>(488,723)</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(8,638)</u>	<u>(480,085)</u>	<u>(488,723)</u>
Cash Flows from Investing Activities:			
<i>Purchase of Investment Securities</i>	(179,999)	-	(179,999)
<i>Proceeds from Sale and Maturities of Securities</i>	-	2,407,601	2,407,601
Net Cash Provided by (Used for) Investing Activities	(179,999)	2,407,601	2,227,602
Net Increase (Decrease) in Cash and Cash Equivalents	(118,684)	66,892	(51,792)
Cash and Cash Equivalents at Beginning of Year	<u>152,278</u>	<u>-</u>	<u>152,278</u>
Cash and Cash Equivalents at End of Year	<u>\$ 33,594</u>	<u>\$ 66,892</u>	<u>\$ 100,486</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
<i>Operating Income (Loss)</i>	122,258	(2,011,219)	(1,888,961)
<i>Changes in Assets and Liabilities:</i>			
<i>Decrease (Increase) in Receivables</i>	8,709	479	9,188
<i>Decrease (Increase) in Inventories</i>	(9,303)	-	(9,303)
<i>Increase (Decrease) in Accounts Payable</i>	(14,829)	2,810	(12,019)
<i>Increase (Decrease) in Compensated Absences</i>	(30,598)	(15,903)	(46,501)
<i>Increase (Decrease) in Accrued Expenses</i>	(6,284)	204,863	198,579
<i>Increase (Decrease) in OPEB Liability</i>	-	(307)	(307)
<i>Increase (Decrease) in Net Pension Obligation/TMRS</i>	-	(41,347)	(41,347)
<i>Total Adjustments</i>	<u>(52,305)</u>	<u>150,595</u>	<u>98,290</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 69,953</u>	<u>\$ (1,860,624)</u>	<u>\$ (1,790,671)</u>

STATISTICAL SECTION

This part of the City of Conroe, Texas's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents

Tables

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<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	6-13
<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	14-18
<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	19-20
<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	21-25
<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 comprehensive annual financial reports for the relevant year.

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

		Fiscal Year				
		2005	2006	2007	2008	2009
Governmental Activities:						
Net Investment in Capital Assets	\$	(11,377,274)	\$ 6,521,797	\$ 15,076,286	\$ 30,494,416	\$ 9,491,461
Restricted for:						
Capital Projects		4,679,343	7,719,594	3,879,363	-	34,504,480
Debt Service		4,101,959	596,287	4,885,305	356,030	8,598,275
Federal & State Programs		1,501,003	90,683	226,818	101,185	74,890
CIDC		5,676,286	6,659,112	11,041,766	14,291,377	5,794,691
Other Purposes		34,095	979,744	837,285	590,338	711,703
Unrestricted		(3,856,350)	(3,347,366)	13,947,148	18,623,082	10,289,905
Total Governmental						
Activities Net Position	\$	<u>759,062</u>	<u>\$ 19,219,851</u>	<u>\$ 49,893,971</u>	<u>\$ 64,456,428</u>	<u>\$ 69,465,405</u>
Business-type Activities:						
Net Investment in Capital Assets	\$	50,815,915	\$ 36,583,725	\$ 40,138,677	\$ 34,302,455	\$ 30,550,082
Restricted for:						
Debt Service		-	-	-	-	-
Unrestricted		<u>3,397,835</u>	<u>13,315,205</u>	<u>9,005,666</u>	<u>12,443,817</u>	<u>16,429,178</u>
Total Business-type						
Activities Net Position	\$	<u>54,213,750</u>	<u>\$ 49,898,930</u>	<u>\$ 49,144,343</u>	<u>\$ 46,746,272</u>	<u>\$ 46,979,260</u>
Primary Government:						
Net Investment in Capital Assets	\$	39,438,641	\$ 37,786,573	\$ 55,214,963	\$ 64,796,871	\$ 40,041,543
Restricted for:						
Capital Projects		4,679,343	7,719,594	3,879,363	-	34,504,480
Debt Service		4,101,959	596,287	4,885,305	356,030	8,598,275
Federal & State Programs		1,501,003	90,683	226,818	101,185	74,890
CIDC		5,676,286	6,659,112	11,041,766	14,291,377	5,794,691
Other Purposes		34,095	979,744	837,285	590,338	711,703
Unrestricted		(458,515)	15,286,788	22,952,814	31,066,899	26,719,083
Total Primary						
Government Net Position	\$	<u>54,972,812</u>	<u>\$ 69,118,781</u>	<u>\$ 99,038,314</u>	<u>\$ 111,202,700</u>	<u>\$ 116,444,665</u>

TABLE C-1

Fiscal Year				
2010	2011	2012	2013	2014
\$ 45,594,829	\$ 44,291,192	\$ 46,590,472	\$ 49,087,033	\$ 54,366,984
-	-	-	-	-
5,114,405	6,293,542	7,028,107	8,342,744	10,623,507
-	-	-	-	-
-	-	-	-	-
22,393,150	30,316,480	33,221,815	42,229,165	46,836,093
<u>\$ 73,102,384</u>	<u>\$ 80,901,214</u>	<u>\$ 86,840,394</u>	<u>\$ 99,658,942</u>	<u>\$ 111,826,584</u>
\$ 42,313,096	\$ 41,092,795	\$ 38,394,869	\$ 38,080,390	\$ 38,527,503
768,607	2,011,388	3,469,710	2,883,757	4,169,587
3,482,423	6,574,281	10,849,396	14,536,011	15,274,317
<u>\$ 46,564,126</u>	<u>\$ 49,678,464</u>	<u>\$ 52,713,975</u>	<u>\$ 55,500,158</u>	<u>\$ 57,971,407</u>
\$ 87,907,925	\$ 85,383,987	\$ 84,985,341	\$ 87,167,423	\$ 92,894,487
-	-	-	-	-
5,883,012	8,304,930	10,497,817	11,226,501	14,793,094
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
25,875,573	36,890,761	44,071,211	56,765,176	62,110,410
<u>\$ 119,666,510</u>	<u>\$ 130,579,678</u>	<u>\$ 139,554,369</u>	<u>\$ 155,159,100</u>	<u>\$ 169,797,991</u>

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

TABLE C-2
1 of 2

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
General Government	\$ 5,765,495	\$ 13,354,977	\$ 10,673,508	\$ 15,745,057	\$ 15,339,833	\$ 15,821,856	\$ 16,197,260	\$ 20,069,578	\$ 10,710,512	\$ 11,396,885
Finance	984,020	953,556	1,005,747	1,322,176	1,356,686	1,829,867	1,366,931	2,025,523	1,384,161	1,555,692
Public Safety	15,354,723	17,482,857	18,776,769	20,566,227	23,126,347	24,091,284	24,932,831	25,729,415	26,579,331	31,524,935
Parks	4,322,139	4,619,033	4,099,203	4,199,935	5,606,763	5,712,279	6,309,608	5,531,230	5,872,870	6,989,269
Public Works	4,409,759	5,565,872	6,004,553	8,479,694	6,892,655	6,858,838	7,462,982	7,202,936	8,408,438	9,658,450
Debt Service:										
Interest and Fiscal Charges	3,151,513	3,631,719	3,317,992	3,773,890	4,710,814	4,935,903	4,908,920	5,649,013	5,928,039	5,749,864
Capital Outlay	77,564	-	-	-	-	-	-	-	-	-
Other	1,131,154	183,126	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses	<u>\$ 35,196,367</u>	<u>\$ 45,791,140</u>	<u>\$ 43,877,772</u>	<u>\$ 54,086,979</u>	<u>\$ 57,033,098</u>	<u>\$ 59,250,027</u>	<u>\$ 61,178,532</u>	<u>\$ 66,207,695</u>	<u>\$ 58,883,351</u>	<u>\$ 66,875,095</u>
Business-Type Activities:										
Enterprise	10,752,233	13,484,224	13,582,979	13,494,738	14,256,678	15,432,772	17,552,228	18,470,310	21,378,030	25,440,644
Fleet Services	720,242	690,502	550,206	797,463	1,008,177	1,029,431	1,108,717	1,252,899	1,301,942	1,237,286
Total Business-type Activities Expenses	<u>11,472,475</u>	<u>14,174,726</u>	<u>14,133,185</u>	<u>14,292,201</u>	<u>15,264,855</u>	<u>16,462,203</u>	<u>18,660,945</u>	<u>19,723,209</u>	<u>22,679,972</u>	<u>26,677,930</u>
Total Primary Government Expenses	<u>\$ 46,668,842</u>	<u>\$ 59,965,866</u>	<u>\$ 58,010,957</u>	<u>\$ 68,379,180</u>	<u>\$ 72,297,953</u>	<u>\$ 75,712,230</u>	<u>\$ 79,839,477</u>	<u>\$ 85,930,904</u>	<u>\$ 81,563,323</u>	<u>\$ 93,553,025</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 2,086,274	\$ 6,688,317	\$ 6,774,117	\$ 6,760,940	\$ 7,059,292	\$ 6,725,603	\$ 7,577,554	\$ 8,199,459	\$ 1,982,113	\$ 2,500,520
Public Safety	1,823,010	2,601,118	1,430,892	1,178,518	1,375,485	2,430,917	4,350,954	3,725,515	3,489,063	3,835,258
Parks	525,109	594,503	723,509	732,336	828,233	877,457	1,084,825	1,157,025	1,194,628	1,246,186
Public Works	1,401,430	287,265	579,590	705,732	573,402	618,137	722,668	718,931	742,027	696,136
Operating Grants & Contributions:										
General Government	748,332	655,598	768,143	215,183	584,351	649,953	1,247,405	1,698,203	1,758,848	2,240,844
Finance	-	-	-	-	57,995	-	-	-	-	-
Public Safety	-	-	-	-	925,361	87,564	62,070	353,102	494,595	594,235
Parks	-	-	-	-	191,572	-	-	-	-	-
Public Works	-	-	-	-	246,467	896,259	-	-	104,520	426,960
Total Governmental Activities Program Revenues	<u>\$ 6,584,155</u>	<u>\$ 10,826,801</u>	<u>\$ 10,276,251</u>	<u>\$ 9,592,709</u>	<u>\$ 11,842,158</u>	<u>\$ 12,285,890</u>	<u>\$ 15,045,476</u>	<u>\$ 15,852,235</u>	<u>\$ 9,765,794</u>	<u>\$ 11,540,139</u>
Business-type Activities:										
Charges for Services:										
Enterprise	9,718,894	11,043,310	11,298,324	13,767,268	14,200,624	15,451,810	21,660,846	20,963,406	24,239,291	26,350,214
Service Center	647,562	543,743	803,220	745,546	951,870	1,088,578	1,156,833	1,211,046	1,297,701	1,359,544
Operating Grants & Contributions:										
Enterprise	-	-	-	-	685,721	-	-	-	-	-
Total Business-type Activities Program Revenues	<u>10,366,456</u>	<u>11,587,053</u>	<u>12,101,544</u>	<u>14,512,814</u>	<u>15,838,215</u>	<u>16,540,388</u>	<u>22,817,679</u>	<u>22,174,452</u>	<u>25,536,992</u>	<u>27,709,758</u>
Total Primary Government Program Revenues	<u>\$ 16,950,611</u>	<u>\$ 22,413,854</u>	<u>\$ 22,377,795</u>	<u>\$ 24,105,523</u>	<u>\$ 27,680,373</u>	<u>\$ 28,826,278</u>	<u>\$ 37,863,155</u>	<u>\$ 38,026,687</u>	<u>\$ 35,302,786</u>	<u>\$ 39,249,897</u>
Net (Expense) Revenues										
Governmental Activities	\$ (28,612,212)	\$ (34,964,339)	\$ (33,601,521)	\$ (44,494,270)	\$ (45,190,940)	\$ (46,964,137)	\$ (46,133,056)	\$ (50,355,460)	\$ (49,117,557)	\$ (55,334,956)
Business-type Activities	(1,106,019)	(2,587,673)	(2,031,641)	220,613	573,360	78,185	4,156,734	2,451,243	2,857,020	1,031,828
Total Net Expense	<u>\$ (29,718,231)</u>	<u>\$ (37,552,012)</u>	<u>\$ (35,633,162)</u>	<u>\$ (44,273,657)</u>	<u>\$ (44,617,580)</u>	<u>\$ (46,885,952)</u>	<u>\$ (41,976,322)</u>	<u>\$ (47,904,217)</u>	<u>\$ (46,260,537)</u>	<u>\$ (54,303,128)</u>

TABLE C-2

2 of 2

		Fiscal Year									
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Position											
Governmental Activities:											
Property Taxes	\$	8,710,890	\$ 9,670,927	\$ 10,542,923	\$ 12,086,406	\$ 13,766,694	\$ 14,490,433	\$ 14,512,982	\$ 15,551,084	\$ 16,887,252	\$ 18,258,675
In Lieu of Taxes		112,822	379,862	378,998	435,170	457,851	480,206	489,904	570,277	587,634	682,113
Gross Receipts Tax		2,343,976	3,031,455	3,160,436	3,747,522	3,940,939	4,189,983	4,715,542	4,837,834	5,275,521	5,498,112
Sales and Other Taxes		22,729,197	27,297,564	28,266,100	29,786,065	28,863,680	27,168,790	30,033,856	31,967,819	36,640,659	40,261,541
Hotel Occupancy Taxes		324,188	175,416	279,111	228,666	406,603	690,112	591,940	801,963	926,572	1,103,093
Mixed Beverage Taxes		103,211	119,216	134,088	140,886	147,909	173,790	168,103	141,111	149,146	219,547
Seized Assets		26,437	-	-	-	-	-	-	-	-	-
Miscellaneous		1,547,410	1,676,290	2,544,540	2,094,181	2,852,751	811,074	839,882	1,044,394	305,564	413,617
Donations		-	-	-	-	76,412	161,124	193,335	173,978	397,521	110,556
Grants and Contributions Not											
Restricted to Specific Programs		-	-	-	-	-	1,636,394	872,055	870,190	984,394	1,050,519
Unrestricted Investment Earnings		1,213,038	989,750	1,948,043	1,211,705	718,596	240,119	176,010	160,852	122,179	135,095
Gain (Loss) on Investments		-	(733,375)	285,948	467,934	(240,904)	(83,186)	38,218	14,930	(221,800)	(126,115)
Gain (Loss) on Capital Assets		-	233,293	(504,685)	4,780,042	-	-	-	-	-	-
Transfers		(285,993)	1,156,645	141,445	3,441,351	453,959	642,277	1,300,059	160,208	1,108,072	(104,155)
Total Governmental Activities	\$	<u>36,825,176</u>	<u>\$ 43,997,043</u>	<u>\$ 47,176,947</u>	<u>\$ 58,419,928</u>	<u>\$ 51,444,490</u>	<u>\$ 50,601,116</u>	<u>\$ 53,931,886</u>	<u>\$ 56,294,640</u>	<u>\$ 63,162,714</u>	<u>\$ 67,502,598</u>
Business-type Activities:											
Miscellaneous		-	-	2,898	-	-	31,492	120,155	126,429	356,157	305,613
Donations		-	-	-	-	-	880	105	1,000	500	-
Grants and Contributions Not											
Restricted to Specific Programs		-	-	-	-	-	119,062	48,160	576,728	1,500,000	1,030,521
Unrestricted Investment Earnings		459,079	303,334	389,611	873,629	216,786	24,326	36,412	41,335	32,490	36,200
Gain (Loss) on Investments		-	(187,907)	125,198	(26,230)	(103,199)	(26,802)	52,831	(1,016)	(36,457)	(37,068)
Gain (Loss) on Capital Assets		-	161,592	52,528	-	-	-	-	-	-	-
Transfers		285,993	(1,156,645)	(141,445)	(3,441,351)	(453,959)	(642,277)	(1,300,059)	(160,208)	(1,108,072)	104,155
Total Business-type Activities		<u>745,072</u>	<u>(879,626)</u>	<u>428,790</u>	<u>(2,593,952)</u>	<u>(340,372)</u>	<u>(493,319)</u>	<u>(1,042,396)</u>	<u>584,268</u>	<u>744,618</u>	<u>1,439,421</u>
Total Primary Government	\$	<u>37,570,248</u>	<u>\$ 43,117,417</u>	<u>\$ 47,605,737</u>	<u>\$ 55,825,976</u>	<u>\$ 51,104,118</u>	<u>\$ 50,107,797</u>	<u>\$ 52,889,490</u>	<u>\$ 56,878,908</u>	<u>\$ 63,907,332</u>	<u>\$ 68,942,019</u>
Change in Net Position											
Governmental Activities	\$	8,212,964	\$ 9,032,704	\$ 13,575,426	\$ 13,925,658	\$ 6,253,550	\$ 3,636,979	\$ 7,798,830	\$ 5,939,180	\$ 14,045,157	\$ 12,167,642
Business-type Activities		(360,947)	(3,467,299)	(1,602,851)	(2,373,339)	232,988	(415,134)	3,114,338	3,035,511	3,601,638	2,471,249
Total Primary Government	\$	<u>7,852,017</u>	<u>\$ 5,565,405</u>	<u>\$ 11,972,575</u>	<u>\$ 11,552,319</u>	<u>\$ 6,486,538</u>	<u>\$ 3,221,845</u>	<u>\$ 10,913,168</u>	<u>\$ 8,974,691</u>	<u>\$ 17,646,795</u>	<u>\$ 14,638,891</u>

CITY OF CONROE, TEXAS**PROGRAM REVENUE BY FUNCTION/PROGRAMS****LAST TEN FISCAL YEARS**

	Fiscal Year				
	2005	2006	2007	2008	2009
Functions/Programs					
Governmental Activities:					
Charges for Services					
General Government	\$ 2,086,274	\$ 6,688,317	\$ 6,774,117	\$ 6,760,940	\$ 7,059,292
Public Safety	1,823,010	2,601,118	1,430,892	1,178,518	1,375,485
Parks	525,109	594,503	723,509	732,336	828,233
Public Works	1,401,430	287,265	579,590	705,732	573,402
Operating Grants & Contributions					
General Government	748,332	655,598	768,143	215,183	584,351
Finance	-	-	-	-	57,995
Public Safety	-	-	-	-	925,361
Parks	-	-	-	-	191,572
Public Works	-	-	-	-	246,467
Total Governmental Activities	<u>\$ 6,584,155</u>	<u>\$ 10,826,801</u>	<u>\$ 10,276,251</u>	<u>\$ 9,592,709</u>	<u>\$ 11,842,158</u>
Business-type Activities:					
Charges for Services					
Enterprise	9,718,894	11,043,310	11,298,324	13,767,268	14,200,624
Fleet Services	647,562	543,743	803,220	745,546	951,870
Operating Grants & Contributions					
Enterprise	-	-	-	-	685,721
Total Business-type Activities	<u>10,366,456</u>	<u>11,587,053</u>	<u>12,101,544</u>	<u>14,512,814</u>	<u>15,838,215</u>
Total Primary Government	<u><u>\$ 16,950,611</u></u>	<u><u>\$ 22,413,854</u></u>	<u><u>\$ 22,377,795</u></u>	<u><u>\$ 24,105,523</u></u>	<u><u>\$ 27,680,373</u></u>

TABLE C-3

Fiscal Year				
2010	2011	2012	2013	2014
\$ 6,725,603	\$ 7,577,554	\$ 8,199,459	\$ 1,982,113	\$ 2,500,520
2,430,917	4,350,954	3,725,515	3,489,063	3,835,258
877,457	1,084,825	1,157,025	1,194,628	1,246,186
618,137	722,668	718,931	742,027	696,136
649,953	1,247,405	1,698,203	1,758,848	2,240,844
-	-	-	-	-
87,564	62,070	353,102	494,595	594,235
-	-	-	-	-
896,259	-	-	104,520	426,960
<u>\$12,285,890</u>	<u>\$15,045,476</u>	<u>\$15,852,235</u>	<u>\$ 9,765,794</u>	<u>\$11,540,139</u>
15,451,810	21,660,846	20,963,406	24,239,291	26,350,214
1,088,578	1,156,833	1,211,046	1,297,701	1,359,544
-	-	-	-	-
<u>16,540,388</u>	<u>22,817,679</u>	<u>22,174,452</u>	<u>25,536,992</u>	<u>27,709,758</u>
<u>\$28,826,278</u>	<u>\$37,863,155</u>	<u>\$38,026,687</u>	<u>\$35,302,786</u>	<u>\$39,249,897</u>

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

	Fiscal Year			
	2005	2006	2007	2008
General Fund				
Reserved	\$ 67,947	\$ 58,395	\$ 4,443,217	\$ 67,477
Unreserved	8,252,471	14,404,541	12,946,865	18,246,066
Nonspendable:				
Prepaid Items	-	-	-	-
Inventories	-	-	-	-
Restricted for:				
Court Efficiency Fund	-	-	-	-
Court Security Fund	-	-	-	-
Court Technology Fund	-	-	-	-
Juvenile Case Manager	-	-	-	-
Truancy Prevention Fund	-	-	-	-
Severance Pay 2% Sinking Fund	-	-	-	-
Seized Assets	-	-	-	-
Red Light Cameras	-	-	-	-
State Franchise 1% PEG Fee	-	-	-	-
Commercial Vehicle Enforcement Program	-	-	-	-
Assigned to:				
Tree Mitigation Revenue	-	-	-	-
Equipment Replacement	-	-	4,375,889	5,204,390
General Fund-Balance 2015 Appropriations	-	-	-	-
Self-Funded Insurance	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	\$ 8,320,418	\$ 14,462,936	\$ 21,765,971	\$ 23,517,933
All Other Governmental Funds				
Reserved for:				
Debt Service	\$ 755,165	\$ 870,322	\$ 1,201,318	\$ 952,326
Unreserved, designated for, reported in:				
Special Revenue Funds:				
CIDC Fund	5,403,154	6,765,338	11,010,511	14,921,377
Retained Risk	-	3,193	-	-
Unreserved, Undesignated for, reported in:				
Capital Project Funds	2,455,570	2,825,996	11,448,676	21,910,731
Special Projects	1,494,066	1,307,837	1,256,628	765,092
Restricted for:				
4B Sales Tax	-	-	-	-
Debt Service	-	-	-	-
Capital Project Funds	-	-	-	-
Special Revenue Funds	-	-	-	-
Committed for:				
CIDC-Land Sales	-	-	-	-
Police Projects-Settlement Proceeds	-	-	-	-
TIRZ #2-Property Tax Receipts	-	-	-	-
TIRZ #3-Property Tax Receipts	-	-	-	-
Conroe Park N. Inc. Park-Infrastructure	-	-	-	-
Conroe Tower-Lease Income	-	-	-	-
Owen Theater-Ticket Sales	-	-	-	-
Woodlands Township Reg. Participation	-	-	-	-
Assigned to:				
Parks Foundation-Donations	-	-	-	-
CIDC-Balance FY2014 Appropriations	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	\$ 10,107,955	\$ 11,772,686	\$ 24,917,133	\$ 38,549,526

TABLE C-4

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 36,942	\$ 165,106	\$ -	\$ -	\$ -	\$ -
19,864,037	17,838,511	-	-	-	-
-	-	120,070	116,910	113,750	110,590
-	-	25,373	42,871	43,791	42,208
-	-	-	204,460	151,170	152,115
-	-	-	188,541	105,605	30,333
-	-	100,395	-	31,497	-
-	-	-	-	-	72,160
-	-	-	-	-	2,433
-	-	-	-	15,829	20,266
-	-	236,503	394,828	184,389	311,048
-	-	312,564	405,739	416,273	519,200
-	-	11,905	54,311	93,998	79,778
-	-	-	-	-	16,032
-	-	-	-	15,353	31,353
2,460,433	2,686,253	2,659,177	3,082,043	3,906,728	4,977,087
-	-	-	-	1,751,375	4,352,573
-	-	-	-	-	1,600,000
-	-	19,911,074	23,483,574	24,887,074	20,500,016
<u>\$ 22,361,412</u>	<u>\$ 20,689,870</u>	<u>\$ 23,377,061</u>	<u>\$ 27,973,277</u>	<u>\$ 31,716,832</u>	<u>\$ 32,817,192</u>
\$ 4,304,747	\$ 5,028,864	\$ -	\$ -	\$ -	\$ -
5,075,144	4,910,240	-	-	-	-
-	-	-	-	-	-
29,377,504	29,668,367	-	-	-	-
865,526	740,551	-	-	-	-
-	-	5,718,604	6,444,898	8,591,820	4,471,517
-	-	6,441,765	10,451,194	12,260,043	14,537,182
-	-	28,774,112	23,677,654	12,796,545	40,358,188
-	-	822,755	1,146,480	1,446,517	2,313,400
-	-	3,439,652	1,621,505	2,461,268	12,300,254
-	-	362,504	362,451	340,554	-
-	-	3	5	8	10
-	-	2,922,942	3,023,439	3,463,184	3,867,574
-	-	2,516,382	-	-	-
-	-	385,084	466,711	385,950	344,253
-	-	97,514	100,739	98,386	30,121
-	-	35,360	44,042	54,123	63,510
-	-	4,604	4,604	-	-
-	-	-	-	421,649	-
-	-	-	(4,872,753)	-	-
<u>\$ 39,622,921</u>	<u>\$ 40,348,022</u>	<u>\$ 51,521,281</u>	<u>\$ 42,470,969</u>	<u>\$ 42,320,047</u>	<u>\$ 78,286,009</u>

CITY OF CONROE, TEXAS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2005	2006	2007	2008	2009
Revenues					
Taxes	\$ 34,582,604	\$ 40,498,583	\$ 42,780,198	\$ 46,107,838	\$ 47,521,728
Licenses and Permits	1,857,903	2,394,336	2,055,529	1,628,111	1,174,481
Charges for Sales and Services	1,984,967	916,490	1,376,537	1,484,854	1,518,562
Lease Income	301,666	309,551	295,408	281,458	301,447
Fines and Forfeitures	1,125,117	1,315,769	1,317,815	1,029,715	3,820,757
Intergovernmental	2,368,709	3,003,857	2,542,020	2,217,918	718,692
Investment Income	418,397	1,000,074	1,915,809	1,138,113	(247,791)
Gain (Loss) on Investments	-	(733,375)	275,649	471,925	124,740
Penalties and Interest	133,207	141,259	132,178	121,257	830,453
Sale of Assets	-	-	1,299,847	-	-
Land Sales	626,868	1,093,043	953,745	5,142,836	1,192,527
Other	1,581,826	694,174	991,527	217,811	1,325,953
Total Revenues	44,981,264	50,633,761	55,936,262	59,841,836	58,281,549
Expenditures					
General Government	5,327,329	9,671,105	7,061,998	10,535,145	8,043,022
Finance	951,489	961,631	967,077	1,269,490	1,277,562
Public Safety	14,831,292	15,964,914	16,987,159	19,506,439	20,322,601
Parks	3,547,279	3,877,382	3,033,828	3,678,713	4,294,923
Public Works	4,045,718	4,692,501	4,960,344	5,397,344	5,433,457
Debt Service:					
Principal Retirement	4,287,000	5,029,157	5,351,293	5,812,976	6,496,604
Interest and Fiscal Charges	3,124,910	3,100,448	3,286,714	3,810,590	4,730,550
Bond Issuance Costs	-	-	-	-	-
Capital Outlay	4,919,743	7,754,555	14,329,659	28,827,746	21,013,380
Other	1,131,154	-	-	-	-
Total Expenditures	42,165,914	51,051,693	55,978,072	78,838,443	71,612,099
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,815,350	(417,932)	(41,810)	(18,996,607)	(13,330,550)
Other Financing Sources (Uses)					
Issuance of Bonds and COs	4,168,378	4,155,666	33,701,208	32,100,000	12,750,000
Refunding Bonds Issued	-	-	-	-	-
Issuance of Capital Lease	1,314,221	2,452,456	-	-	-
Premiums and Discounts	-	-	(152,284)	122,115	43,466
Payment to Refunded Bond Escrow Agent	(4,110,408)	-	(13,086,693)	(1,282,504)	-
Transfers In	3,998,571	4,181,543	4,072,130	18,298,629	19,193,905
Transfers Out	(4,284,564)	(3,024,898)	(3,930,685)	(14,857,278)	(18,739,946)
Total Other Financing Sources (Uses)	1,086,198	7,764,767	20,603,676	34,380,962	13,247,425
Net Change in Fund Balances	\$ 3,901,548	\$ 7,346,835	\$ 20,561,866	\$ 15,384,355	\$ (83,125)
Debt Service as a Percentage of Noncapital Expenditures	19.9%	18.8%	20.7%	19.2%	22.2%

TABLE C-5

2010	2011	2012	2013	2014
\$ 46,779,434	\$ 50,327,235	\$ 53,584,786	\$ 60,358,883	\$ 65,879,766
1,293,727	1,240,026	1,414,723	1,752,598	2,260,525
1,545,589	1,833,902	1,909,626	1,979,380	1,966,939
312,867	332,526	339,640	331,029	357,568
2,247,748	4,204,363	3,480,694	3,344,824	3,693,068
3,789,076	2,705,939	3,610,177	3,342,357	4,312,558
290,805	183,455	277,440	116,658	130,335
(78,519)	33,809	(9,121)	(191,185)	(121,797)
150,095	107,349	140,798	112,655	106,932
-	3,439,652	1,621,505	2,645,283	4,777,829
751,187	-	-	-	-
614,992	677,273	830,787	852,106	627,045
57,697,001	65,085,529	67,201,055	74,644,588	83,990,768
10,469,930	9,858,475	12,912,210	11,444,046	13,396,364
1,259,066	1,302,032	1,354,043	1,333,034	1,421,763
21,289,975	22,150,568	22,534,671	24,048,252	26,836,475
4,403,634	4,724,826	4,124,585	4,238,271	4,905,220
5,269,914	5,772,043	5,519,381	6,703,354	7,369,859
6,687,970	6,916,093	7,437,033	13,183,048	7,194,144
4,859,814	4,889,929	5,751,981	5,887,124	5,530,863
-	453,738	239,023	433,014	345,651
13,646,743	29,127,940	21,033,141	18,897,565	14,557,532
-	-	-	-	-
67,887,046	85,195,644	80,906,068	86,167,708	81,557,871
(10,190,045)	(20,110,115)	(13,705,013)	(11,523,120)	2,432,897
9,270,000	32,080,000	8,970,000	13,080,000	31,100,000
4,035,000	-	7,560,000	12,305,000	-
-	-	-	-	-
425,757	590,506	258,044	(11,377,320)	3,637,580
(4,064,917)	-	(7,697,335)	13,761,078	-
9,374,078	7,848,088	7,289,803	(12,653,006)	8,258,452
(9,796,314)	(6,548,029)	(7,129,595)	-	(8,362,607)
9,243,604	33,970,565	9,250,917	15,115,752	34,633,425
\$ (946,441)	\$ 13,860,450	\$ (4,454,096)	\$ 3,592,632	\$ 37,066,322
21.3%	21.1%	22.0%	28.3%	19.5%

CITY OF CONROE, TEXAS**TABLE C-6**

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

<u>Fiscal Year</u>	<u>Property</u>	<u>Sales & Use</u>	<u>Hotel/Motel Occupancy</u>	<u>Franchise</u>	<u>Other</u>	<u>Total</u>
2005	\$8,554,138	\$22,729,197	\$ 270,699	\$2,343,976	\$ 684,594	\$34,582,604
2006	9,352,664	27,297,564	357,855	3,031,455	\$ 459,045	40,498,583
2007	10,517,805	28,266,100	418,612	3,160,436	\$ 417,245	42,780,198
2008	11,786,615	29,786,065	424,744	3,747,522	\$ 362,892	46,107,838
2009	13,351,420	28,863,680	518,732	3,940,939	\$ 846,957	47,521,728
2010	14,231,807	27,168,790	441,937	4,189,983	\$ 746,917	46,779,434
2011	14,336,402	30,033,856	591,940	4,715,542	\$ 649,495	50,327,235
2012	15,067,739	31,967,819	801,963	4,837,834	\$ 909,431	53,584,786
2013	16,610,584	36,640,659	926,573	5,275,521	\$ 905,546	60,358,883
2014	17,950,171	40,261,542	1,103,093	5,498,112	\$ 1,066,848	65,879,766
Change 2005-2014	110%	77%	307%	135%	56%	90%

CITY OF CONROE, TEXAS**TABLE C-7****TAXABLE ASSESSED VALUE AND ESTIMATED 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
2005	\$ 1,107,034,770	\$ 658,081,879	\$ 575,711,594	\$ 361,332,939	\$ 1,979,495,304	0.4335
2006	1,365,324,116	694,723,935	588,997,649	483,915,135	2,165,130,565	0.4335
2007	1,412,912,626	767,896,649	835,045,102	554,553,365	2,461,301,012	0.4300
2008	1,661,807,741	851,895,855	886,627,778	617,560,392	2,782,770,982	0.4250
2009	1,948,093,457	1,001,283,950	977,551,693	743,239,121	3,183,689,979	0.4200
2010	2,030,626,191	1,124,367,371	1,101,005,332	828,644,880	3,427,354,014	0.4200
2011	2,167,059,632	1,136,236,430	985,264,053	838,389,460	3,450,170,655	0.4200
2012	2,313,008,691	1,155,513,957	1,076,071,214	913,635,952	3,630,957,910	0.4200
2013	2,433,878,457	1,361,859,836	1,224,422,172	1,017,472,186	4,002,688,279	0.4200
2014	2,554,166,206	1,554,076,046	1,444,595,982	1,230,012,103	4,322,826,131	0.4200

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 LAST TEN FISCAL YEARS

TABLE C-8

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	Willis ISD	Mont. Co. MUD #90	Mont. Co. MUD #92	Mont. Co. MUD #107
2005	0.2235	0.2100	0.4335	0.4963	0.0999	0.1145	1.7325	1.7350	N/A	N/A	N/A
2006	0.2435	0.1900	0.4335	0.4963	0.0850	0.1207	1.7600	1.6020	0.6000	0.6000	N/A
2007	0.2400	0.1900	0.4300	0.4913	0.0781	0.1167	1.5900	1.3060	0.6000	0.6000	0.6000
2008	0.2350	0.1900	0.4250	0.4888	0.0777	0.1144	1.2400	1.3700	0.6000	0.6000	0.6000
2009	0.2300	0.1900	0.4200	0.4838	0.0760	0.1101	1.2700	1.3700	0.6000	0.6000	0.6000
2010	0.2450	0.1750	0.4200	0.4838	0.0755	0.1101	1.2850	1.3700	0.6000	0.6000	0.7000
2011	0.2500	0.1700	0.4200	0.4838	0.0754	0.1176	1.2950	1.3700	0.6000	0.6000	0.7000
2012	0.2500	0.1700	0.4200	0.4838	0.0729	0.1198	1.2900	1.3900	0.6000	0.6000	0.7000
2013	0.2500	0.1700	0.4200	0.4838	0.0727	0.1160	1.2850	1.3900	0.6000	0.6000	0.7000
2014	0.2500	0.1700	0.4200	0.4767	0.0725	0.1081	1.2800	1.3900	0.0000	0.0000	0.7000

Source: Montgomery Central Appraisal District.

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

TABLE C-9

2014 Taxpayer	Type of Business	2013 Assessed Valuation	Percentage of Total Assessed Valuation
Conroe Hospital Corporation	Hospital	\$ 73,829,980	1.84%
McKesson Corporation	Pharmaceuticals	55,536,390	1.39%
Wal-Mart Real Estate Bus. Trust	Retail	47,784,306	1.19%
National Oilwell Varco/TX Oil Tools	Manufacturing	37,612,420	0.94%
Reme Inc	Drilling	36,932,010	0.92%
Conroe Marketplace S C LP	Retail	36,462,540	0.91%
National Oilwell Varco DHT LP	Manufacturing	33,765,450	0.84%
Maverick Tube Texas Works	Manufacturing	33,599,280	0.84%
Entergy Texas, Inc	Electric Utility	31,452,140	0.79%
Western Rim Investors 2010-1 LP	Apartments	31,142,400	0.78%
Total		<u>\$ 418,116,916</u>	<u>10.45%</u>

2005 Taxpayer	Type of Business	2004 Assessed Valuation	Percentage of Total Assessed Valuation
Conroe Hospital Corporation	Hospital	\$ 73,584,080	3.70%
Maverick Tube Texas Works	Manufacturing	31,561,516	1.60%
Consolidated Communications of Tx Co	Communications	29,164,710	1.50%
Conroe Regional Medical Center	Hospital	25,568,349	1.30%
Gulf States Utilities Co	Electric Utility	20,979,820	1.10%
Crown Cork & Seal Co	Manufacturing	20,912,720	1.10%
Town Center Venture LLP	Retail	18,554,890	0.90%
Ball Metal Container Group	Manufacturing	16,164,623	0.80%
Craig Realty Group-Conroe-LP	Retail	15,236,500	0.80%
Western Rim Investors 2002-1 LP	Retail	14,857,080	0.80%
Total		<u>\$ 266,584,288</u>	<u>13.60%</u>

Source: Montgomery Central Appraisal District

CITY OF CONROE, TEXAS**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS****TABLE C-10**

Fiscal Year Ended Sept 30	Total 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
2005	8,575,518	8,405,954	98.00%	149,744	8,555,698	99.77%
2006	9,381,199	9,274,223	98.28%	79,686	9,353,909	99.71%
2007	10,549,673	10,376,943	98.38%	142,340	10,519,283	99.71%
2008	11,813,302	11,716,511	99.18%	71,993	11,788,504	99.79%
2009	13,395,885	13,171,609	98.33%	184,597	13,356,206	99.70%
2010	14,378,880	14,164,088	98.51%	74,576	14,238,664	99.02%
2011	14,452,462	14,222,611	98.41%	122,708	14,345,319	99.26%
2012	15,205,842	14,951,252	98.33%	133,535	15,084,787	99.20%
2013	16,858,196	16,610,584	98.53%	122,091	16,732,675	99.26%
2014	18,076,015	18,010,688	99.64%	-	18,010,688	99.64%

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)

TABLE C-11

	Calendar Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Agriculture										
Forestry & Fishing	\$ -	\$ 124	\$ 218	\$ 287	\$ 2	\$ -	\$ 4	\$ 6	\$ 54	\$ 55
Mining	1,195	2,763	3,928	8,895	11,527	11,892	11,915	6,053	25,385	32,553
Construction	19,625	23,581	36,790	40,017	45,295	28,214	27,992	23,958	33,488	31,336
Manufacturing	49,118	59,229	58,104	70,697	80,117	57,968	55,559	75,498	115,291	141,766
Transportation,										
Communication & Utilities	766	1,748	1,750	3,819	5,877	3,813	4,117	1,524	843	562
Wholesale Trade	82,773	92,273	99,775	110,891	88,029	58,721	56,385	72,428	93,319	113,592
Retail Trade	594,725	558,577	627,361	760,016	798,061	745,719	775,226	786,202	850,416	952,609
Information	12,114	15,260	19,228	39,333	53,842	23,303	23,282	29,425	31,573	35,432
Finance,										
Insurance & Real Estate	21,003	25,599	27,275	36,160	39,862	22,009	20,163	28,683	28,226	37,252
Services	155,549	170,183	179,955	187,367	193,176	198,447	193,343	201,872	218,972	237,869
Other	852	540	5	-	11	-	-	-	-	-
Total	<u>\$ 937,721</u>	<u>\$ 949,877</u>	<u>\$ 1,054,390</u>	<u>\$ 1,257,482</u>	<u>\$ 1,315,799</u>	<u>\$ 1,150,086</u>	<u>\$ 1,167,986</u>	<u>\$ 1,225,649</u>	<u>\$ 1,397,567</u>	<u>\$ 1,583,026</u>
City Direct Sales Tax Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Source: Texas Comptroller of Public Accounts

Notes: Calendar years 2004-2006 reflect the State Comptroller's change of industry codes. Original submission of data based on NAICS codes. Data shown based on SIC codes.

CITY OF CONROE, TEXAS***DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS*****TABLE C-12**

<u>Fiscal Year</u>	<u>City Direct Rate</u>
2005	2.00%
2006	2.00%
2007	2.00%
2008	2.00%
2009	2.00%
2010	2.00%
2011	2.00%
2012	2.00%
2013	2.00%
2014	2.00%

Source: City Finance and Administration Department

CITY OF CONROE, TEXAS

SALES TAX REVENUE PAYERS BY INDUSTRY
FISCAL YEARS 2003 AND 2013
(DOLLARS ARE IN MILLIONS)

TABLE C-13

Tax Remitter	Fiscal Year 2003				Fiscal Year 2013			
	Number of Filers	% of Total	Tax Liability	% of Total	Number of Filers	% of Total	Tax Liability	% of Total
Agriculture, Forestry & Fishing	270	3.90%	\$ 0.05	31.00%	57	0.55%	\$ -	0.00%
Mining	37	0.53%	0.05	26.00%	110	1.05%	0.59	1.90%
Construction	526	7.59%	0.21	1.17%	911	8.72%	0.63	2.04%
Manufacturing	349	5.04%	0.73	4.15%	940	8.99%	2.79	9.03%
Transportation, Communication & Utilities	99	1.43%	0.53	3.01%	87	0.83%	0.13	0.04%
Wholesale Trade	431	6.22%	1.72	9.78%	589	5.63%	2.11	6.83%
Retail Trade	3,503	50.54%	13.14	74.69%	3,600	34.44%	18.65	60.54%
Information	-	0.00%	-	0.00%	130	1.24%	0.68	2.21%
Finance, Insurance & Real Estate	88	1.27%	0.03	18.00%	386	3.69%	0.65	2.27%
Services	1,628	23.49%	1.13	6.45%	3,620	34.63%	4.68	15.14%
Other	-	0.00%	-	0.00%	23	0.22%	-	0.00%
Total	6,931	100.00%	\$ 17.59	100.00%	10,453	100.00%	\$ 30.91	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. Fiscal year 2013 is the most recent year for which data is available.

CITY OF CONROE, TEXAS
**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**
TABLE C-14

Governmental Activities						
Fiscal Year	GO Bonds, CO Bonds & Sales Tax Revenue Bonds ⁽¹⁾	Capital Leases Obligation	Notes	Total Long-Term Debt		
2005	\$ 63,490,815	\$ 1,835,186	\$ 1,428,000	\$ 66,754,001		
2006	62,977,842	3,788,485	1,658,666	68,424,993		
2007	78,918,355	2,518,351	1,788,890	83,225,596		
2008	105,567,233	1,698,375	1,505,666	108,771,274		
2009	112,679,681	1,018,771	1,423,666	115,122,118		
2010	116,322,401	666,467	1,343,000	118,331,868		
2011	142,211,540	617,374	1,256,000	144,084,914		
2012	143,868,156	566,341	1,165,000	145,599,497		
2013	145,034,959	513,293	1,070,000	146,618,252		
2014	172,569,882	458,149	971,000	173,999,031		
Business-type Activities						
Fiscal Year	Revenue Bonds	Capital Leases Obligation	Total Long-Term Debt	Total Primary Government	Percentage of Personal Income	Per Capita
2005	\$ 1,612,071	\$ 105,238	\$ 1,717,309	\$ 68,471,310	8.35%	\$ 1,449
2006	11,828,536	6,387,667	18,216,203	86,641,196	9.97%	1,752
2007	16,865,000	6,634,623	23,499,623	106,725,219	11.16%	2,071
2008	27,479,444	6,082,839	33,562,283	142,333,557	15.09%	2,662
2009	34,434,295	5,517,554	39,951,849	155,073,967	12.83%	2,810
2010	49,811,369	4,980,983	54,792,352	173,124,220	14.51%	3,080
2011	53,963,439	4,610,237	58,573,676	202,658,590	15.39%	3,602
2012	71,718,321	4,224,846	75,943,167	221,542,664	16.86%	3,919
2013	76,694,943	3,824,233	80,519,176	227,137,428	17.14%	3,689
2014	92,995,074	3,407,795	96,402,869	270,401,900	20.40%	3,777

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

*Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
See Table C-19 for personal income and population data.*

CITY OF CONROE, TEXAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

TABLE C-15

Fiscal Year	General Bonded Debt Outstanding			Less: Amounts Available in Debt Service Fund ⁽¹⁾	Total	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificates of Obligation	Total				
2005	\$ 12,130,000	\$ 36,990,000	\$ 49,120,000	\$ 4,101,959	\$ 45,018,041	3.18%	\$ 953
2006	10,650,000	38,805,000	49,455,000	596,287	48,858,713	2.25%	988
2007	22,420,000	44,220,000	66,640,000	4,885,305	61,754,695	3.17%	1,198
2008	20,820,000	58,470,000	79,290,000	356,030	78,933,970	2.82%	1,476
2009	18,490,000	69,365,000	87,855,000	8,598,275	79,256,725	2.62%	1,436
2010	19,040,000	73,480,000	92,520,000	5,114,405	87,405,595	2.55%	1,555
2011	15,950,000	89,410,000	105,360,000	6,293,542	99,066,458	2.87%	1,761
2012	19,570,000	89,775,000	109,345,000	7,028,107	102,316,893	2.81%	1,810
2013	15,475,000	83,000,000	98,475,000	8,342,744	90,132,256	2.25%	1,464
2014	12,440,000	112,490,000	124,930,000	10,632,394	114,297,606	2.64%	1,597

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

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

See Table C-7 for property value data.

Population data can be found on Table C-19.



CITY OF CONROE, TEXAS
DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2014
(DOLLARS IN THOUSANDS)

TABLE C-16

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid with Property Taxes			
Montgomery County	\$ 421,115	12.48%	\$ 52,555
Conroe Independent School District	978,090	17.18%	168,036
Willis Independent School District	66,528	18.45%	12,274
Lone Star College	470,225	3.34%	15,706
MUD #90	7,165	100.00%	7,165
MUD #92	1,745	100.00%	1,745
MUD #107	12,050	100.00%	12,050
Subtotal, Overlapping Debt			\$269,531
City Direct Debt (Net of original issuance discounts and premiums)	131,200		<u>131,200</u>
Total Direct and Overlapping Debt			<u>\$ 400,731</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.

Note: For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using 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.

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

	2005	2006	2007	2008
Assessed Value	\$ 1,979,495,304	\$ 2,165,130,565	\$ 2,461,301,012	\$ 2,782,770,982
Debt Limit <15% of assessed value>	296,924,296	324,769,585	369,195,152	417,415,647
Debt Applicable to Limit:				
Total Bonded Debt	49,120,000	49,455,000	66,640,000	79,290,000
Less: Assets in Debt				
Service Funds available				
for payment of principal	(755,165)	(870,322)	(1,201,318)	(952,326)
Total Net Debt Applicable to Limit	48,364,835	48,584,678	65,438,682	78,337,674
Net Legal Debt Margin	248,559,461	276,184,907	303,756,470	339,077,973
Total Net Debt Applicable to the Debt Limit				
As a Percentage of Debt Limit	16.29%	14.96%	17.72%	18.77%
Total Net Debt Margin as a Percentage				
of Debt Limit	83.71%	85.04%	82.28%	81.23%

TABLE C-17

2009	2010	2011	2012	2013	2014
\$ 3,183,689,979	\$ 3,427,354,014	\$ 3,450,170,655	\$ 3,630,957,910	\$ 4,002,688,279	\$ 4,322,826,131
477,553,497	514,103,102	517,525,598	544,643,687	600,403,242	648,423,920
87,855,000	92,520,000	105,360,000	109,345,000	98,475,000	124,930,000
(4,304,747)	(5,028,864)	(6,441,765)	(7,181,606)	(8,312,617)	(10,632,394)
83,550,253	87,491,136	98,918,235	102,163,394	90,162,383	114,297,606
394,003,244	426,611,966	418,607,363	442,480,293	510,240,859	534,126,314
17.50%	17.02%	19.11%	18.76%	15.02%	17.63%
82.50%	82.98%	80.89%	81.24%	84.98%	82.37%

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

Water and Sewer Revenue Bonds						
Fiscal Year	Utility Service Charge	Less:	Net Available Revenue	Debt Service		Coverage
		Adjusted Operating Expenses ⁽²⁾		Principal	Interest	
2005	\$ 9,718,894	\$8,186,457	\$ 1,532,437	\$ 655,000	\$ 95,479	2.04
2006	11,043,310	10,626,384	416,926	685,000	64,651	0.56
2007	11,298,324	8,354,613	2,943,711	715,000	525,885	2.37
2008	13,767,268	7,139,031	6,628,237	415,000	721,633	5.83
2009	14,200,623	7,598,300	6,602,323	390,000	1,124,066	4.36
2010	15,476,990	7,753,255	7,723,735	745,000	1,431,911	3.55
2011	21,775,264	8,900,768	12,874,496	1,025,000	1,839,729	4.49
2012	20,982,974	8,941,053	12,041,921	1,660,000	2,062,585	3.23
2013	24,277,240	10,516,921	13,760,319	1,910,000	2,676,544	3.00
2014	26,395,316	14,947,138	11,448,178	2,595,000	2,839,499	2.11

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

(1) Sales tax revenue bonds are backed by the 1/2 cent sales tax for economic development.

(2) 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 & Conroe Tower Fund for administrative overhead and transfers to the Revenue Debt Service Reserve Fund. Lease principal and lease interest payments for the Siemens Energy Efficiency upgrade project as well as amounts for Accounts Charged Off are also excluded.

TABLE C-18

Sales Tax Revenue Bonds			
1/2 Cent Sales Tax ⁽¹⁾	Debt Service		Coverage
	Principal	Interest	
\$ 5,295,776	\$ 900,000	\$ 525,720	3.71
6,962,819	940,000	524,417	4.75
6,551,423	985,000	516,757	4.36
7,019,937	1,035,000	753,952	3.92
6,813,124	1,550,000	1,195,671	2.48
6,403,018	1,615,000	1,126,736	2.34
7,116,988	1,690,000	1,054,910	2.59
7,475,443	2,020,000	1,448,912	2.15
9,160,165	2,165,000	1,564,370	2.46
10,065,385	2,395,000	1,644,047	2.49



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

TABLE C-19

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Population	47,258	49,456	51,538	53,472	55,195	56,207	56,257	56,530	61,564	71,592
Personal Income (thousands of dollars)	\$ 819,595	\$ 869,140	\$ 956,700	\$ 943,193	\$1,208,439	\$1,192,937	\$1,317,033	\$1,313,870	\$1,325,350	\$ 1,607,670
Per Capita Personal Income	\$ 17,343	\$ 17,574	\$ 18,563	\$ 17,639	\$ 21,894	\$ 21,224	\$ 23,411	\$ 23,242	\$ 21,528	\$ 22,456
Median Age	28.9	28.9	29.1	29.8	33.0	28.8	33.0	33.0	33.0	33.0
School Enrollment	9,832	10,215	10,594	10,806	11,495	12,229	11,091	11,861	12,518	13,345
Unemployment Rate	4.2%	3.7%	3.7%	4.0%	6.4%	6.7%	6.9%	5.3%	5.1%	3.9%

Sources: Varous school websites, the Conroe Greater Economic Development Council, the Texas State Population Center, and Texas Workforce Commission.

Note: The unemployment rate is determined by the Texas Workforce Commission, and prior periods were adjusted to match the data from the TWC.

CITY OF CONROE, TEXAS

PRINCIPAL EMPLOYERS
LAST NINE FISCAL YEARS

TABLE C-20
1 of 2

Employer	Employees								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Conroe Independent School District	5,130	5,500	5,700	5,842	6,047	6,186	5,954	6,174	6,403
Montgomery County	1,683	1,683	1,743	1,836	1,914	2,019	2,081	2,089	2,089
Conroe Regional Medical Center	1,200	1,070	1,200	1,200	1,200	1,200	1,200	1,250	1,300
National Oilwell Varco - Reed Hycalog	250	926	926	1,145	550	630	630	630	647
City of Conroe	350	453	463	470	479	482	482	493	505
Consolidated Communications of Tx	220	225	-	220	-	-	-	-	433
Wal-Mart	-	-	-	-	300	300	300	370	408
National Oilwell Varco - Fluid Control	-	-	-	-	279	425	425	300	375
Tenaris	-	300	300	-	396	410	410	425	360
Containment Solutions, Inc	-	-	-	-	-	-	-	-	250
Sadler Clinic	-	388	600	600	600	345	-	-	-
Professional Directional	-	-	-	-	-	277	277	319	-
Byrne Medical	-	-	-	-	243	-	-	-	-
Borden Milk Products	190	228	228	248	-	-	-	-	-
Capro, Inc.	-	-	225	225	-	-	-	-	-
McKesson Corporation	-	160	-	163	-	-	-	-	-
Crown Beverage Packaging	150	-	-	150	-	-	-	-	-
Ball Corporation	-	-	-	130	-	-	-	-	-
Dal-Tile	-	175	175	-	-	-	-	-	-
R&M Energy	175	-	175	-	-	-	-	-	-
Maverick Tube	289	-	-	-	-	-	-	-	-
Medivators	-	-	-	-	-	-	201	171	-
Total	9,637	11,108	11,735	12,229	12,008	12,274	11,960	12,221	12,770

Employer	Percentage of Total City Employment								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Conroe Independent School District	23.70%	23.71%	23.93%	22.08%	21.92%	20.68%	22.13%	21.95%	20.56%
Montgomery County	9.05%	7.65%	7.84%	7.54%	7.21%	6.73%	7.74%	7.43%	6.71%
Conroe Regional Medical Center	5.54%	4.61%	5.04%	4.65%	4.38%	4.14%	4.46%	4.44%	4.17%
National Oilwell Varco - Reed Hycalog	1.15%	3.99%	3.89%	4.43%	2.01%	2.17%	2.34%	2.24%	2.08%
City of Conroe	1.62%	1.95%	1.94%	1.82%	1.75%	1.66%	1.79%	1.75%	1.62%
Consolidated Communications of Tx	1.02%	0.97%	0.94%	0.85%	-	-	-	-	1.39%
Wal-Mart	-	-	-	-	1.10%	1.03%	1.12%	1.32%	1.31%
National Oilwell Varco - Fluid Control	-	-	-	-	1.02%	1.46%	1.58%	1.07%	1.20%
Tenaris	-	1.29%	1.26%	-	1.45%	1.41%	1.52%	1.51%	1.16%
Containment Solutions, Inc	-	-	-	-	-	-	-	-	0.80%
Sadler Clinic	-	1.67%	2.52%	2.32%	2.19%	1.19%	-	-	-
Professional Directional	-	-	-	-	-	-	1.03%	1.13%	-
Byrne Medical	-	-	-	-	0.89%	0.95%	-	-	-
Borden Milk Products	0.88%	0.98%	0.96%	0.96%	-	-	-	-	-
Capro, Inc.	-	-	-	0.87%	-	-	-	-	-
McKesson Corporation	-	0.69%	-	0.63%	-	-	-	-	-
Crown Beverage Packaging	0.69%	-	-	0.58%	-	-	-	-	-
Ball Corporation	-	-	-	0.50%	-	-	-	-	-
Dal-Tile	0.00%	0.75%	0.73%	-	-	-	-	-	-
R&M Energy	0.81%	-	0.73%	-	-	-	-	-	-
Maverick Tube	1.34%	-	-	-	-	-	-	-	-
Medivators	-	-	-	-	-	-	0.75%	0.61%	-
Total	45.80%	48.26%	49.78%	47.23%	43.92%	41.42%	44.46%	43.45%	41.00%

Note: Fiscal Year 2006 is the first year this type of data was compiled. No comparative data is available.

CITY OF CONROE, TEXAS

FULL – TIME EQUIVALENT EMPLOYEES BY FUNCTIONS/PROGRAMS

LAST TEN FISCAL YEARS

	<u>2005</u>	<u>2006</u> ⁽¹⁾	<u>2007</u> ⁽²⁾	<u>2008</u> ⁽³⁾	<u>2009</u> ⁽⁴⁾	<u>2010</u> ⁽⁵⁾	<u>2011</u> ⁽⁶⁾	<u>2012</u> ⁽⁷⁾	<u>2013</u> ⁽⁸⁾	<u>2014</u> ⁽⁹⁾
<u>Functions/Programs</u>										
General Government										
Administration	4	3	3	3	3	3	3	2	3	3
Mayor & Council	-	2	2	2	2	2	2	2	2	2
Arts & Communications	1	1	1	1	1	1	1	1	1	-
Downtown Development	1	1	1	1	1	1	1	1	-	-
Legal	3	3	3	3	3	3	3	3	3	3
Municipal Court	7	8	9	9	9	10	10	10	10	10
CDBG Administration	2	2	2	2	2	2	2	2	2	2
Human Resources	4	8	5	5	5	5	5	5	5	6
Finance	8	8	9	10	10	10	10	10	10	10
Transit	-	-	-	-	-	-	-	-	-	1
Information Technology	4	4	5	5	7	7	7	11	11	11
Public Safety										
Police Administration	45	7	5	4	5	5	6	5	7	9
Police Support	-	28	28	30	30	29	28	28	28	12
Police Patrol	55	56	60	65	66	64	63	63	63	99
Police Investigative Services	25	26	26	29	28	28	28	29	29	32
Police Professional Services	-	12	12	11	11	14	14	14	15	-
Police Animal Services	-	-	-	-	-	5	5	5	5	5
Red Light Program	-	-	-	-	-	-	1	1	1	1
Traffic Services	-	-	-	-	-	-	2	2	2	2
Fire	74	86	86	87	87	88	88	88	86	87
Parks										
Parks & Rec Admin	10	11	11	11	13	13	13	2	2	2
Recreation Center	5	5	5	5	5	5	5	5	5	6
Oscar Johnson, Jr. CC	4	4	4	4	-	-	-	-	-	-
Swim Center	6	7	7	7	-	-	-	-	-	-
Aquatic Center	-	-	-	-	7	7	7	7	7	7
Parks Operations	-	-	-	-	-	-	-	11	11	11
Public Works										
Community Development	21	21	23	27	27	26	25	13	15	15
Drainage Construction	7	7	7	7	7	7	7	7	7	7
Streets	26	28	28	28	28	28	28	28	28	28
Signal Maintenance	-	-	-	-	-	-	2	2	3	3
Engineering	-	-	-	-	-	-	-	8	21	21
Building Maintenance	6	6	-	-	-	-	-	-	-	-
Warehouse Purchasing	3	4	5	5	5	5	5	5	5	5
Conroe Industrial Development	-	-	-	-	-	-	-	-	5	4
Conroe Tower	1	1	1	1	1	1	1	1	1	1
Hotel/Motel Occupancy Tax	-	-	-	-	-	2	2	3	3	4
Component Unit										
Oscar Johnson, Jr. CC	-	-	-	-	4	4	4	4	4	4

TABLE C-21

	<u>2005</u>	<u>2006</u> ⁽¹⁾	<u>2007</u> ⁽²⁾	<u>2008</u> ⁽³⁾	<u>2009</u> ⁽⁴⁾	<u>2010</u> ⁽⁵⁾	<u>2011</u> ⁽⁶⁾	<u>2012</u> ⁽⁷⁾	<u>2013</u> ⁽⁸⁾	<u>2014</u> ⁽⁹⁾
Water & Sewer										
Utilities/Meter Readers	11	12	9	9	9	9	9	9	9	9
Public Works	4	5	3	3	5	6	6	5	5	6
Water Conservation	-	-	-	-	-	-	-	-	1	1
Water	13	15	15	15	15	15	15	15	15	15
Wastewater Treatment	15	15	14	11	11	11	11	11	11	10
Sewer	15	18	18	18	20	20	20	20	20	20
Pump & Motor Maint.	-	6	6	7	7	7	7	7	7	6
Project Engineering	12	12	12	12	12	12	13	13	-	-
Project Construction	5	17	17	17	17	17	17	17	17	17
Fleet Services	8	7	7	7	7	7	6	6	7	8
Self Funded Insurance	-	1	1	1	1	1	1	1	1	-
Total	<u>405</u>	<u>457</u>	<u>450</u>	<u>462</u>	<u>471</u>	<u>480</u>	<u>483</u>	<u>482</u>	<u>493</u>	<u>505</u>

Source: City Finance Office.

Notes:

- (1) In FY 2006, the Mayor & Council Dept. was added to the General Government function.
Self Funded Insurance was added.
- (2) In FY 2007, the Building Maintenance Dept. was renamed Pump & Motor Maintenance and moved from the Public Works function and added to the Water & Sewer function.
- (3) In FY 2008, Oscar Johnson, Jr. Community Center (OJCC) was reported as a discretely presented component unit in the CAFR.
- (4) In FY 2009, Oscar Johnson, Jr. Community Center (OJCC) was removed from the Parks function.
Swim Center was renamed to Aquatic Center.
- (5) In FY 2010, Police Animal Services was added to the Public Safety function.
Hotel/Motel Occupancy Tax was added.
- (6) In FY 2011, Red Light Cameras and Traffic Services were added to the Public Safety function.
Signal Maintenance was added to the Public Works function.
- (7) In FY 2012, Parks Operations and Engineering were added.
- (8) In FY 2013, the following changes were made:
Downtown Development was moved to the Conroe Industrial Development Corporation (CIDC) Fund.
Engineering and Project Engineering were combined.
Water Conservation was added.
- (9) In FY 2014, the following changes were made:
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.
The secretary position previously in Waste Water Treatment Plant was moved to Public Works.

CITY OF CONROE, TEXAS

OPERATING INDICATORS BY FUNCTIONS/PROGRAMS

LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009
Functions/Programs					
General Government					
Building Permits Issued	890	1,027	850	682	546
Building Inspections Conducted	20,067	24,934	24,537	19,362	18,377
Police					
Physical Arrests	3,982	3,561	4,178	4,146	4,049
Parking Violations	4,424	4,988	5,425	1,473	1,922
Traffic Violations	13,489	10,791	17,079	15,429	15,671
Fire					
Emergency Responses	4,424	4,069	3,644	5,383	5,063
Fires Extinguished	318	378	172	257	244
Inspections	1,087	674	1,236	1,143	2,655
Refuse Collection					
Refuse Collected (tons per day) (a)	68.20	67.40	65.00	50.44	55.04
Recyclables Collected (tons per day) (a)	0.20	0.24	0.35	0.58	1.73
Other Public Works					
Street Resurfacing (miles)	-	-	11.00	5.83	2.50
Potholes Repaired (b)	N/A	N/A	N/A	N/A	N/A
Parks and Recreation					
Athletic Field Permits Issued	250	316	460	402	285
Community Center Admissions	467,519	476,122	384,340	390,000	339,000
Water					
New Connections (c)	3,632	4,139	768	441	557
Water Main Breaks	600	800	735	861	726
Average Daily Consumption (thousands of gallons)	6,890	8,306	7,389	8,730	9,182
Peak Monthly Consumption (thousands of gallons)	460,262	305,349	286,000	374,576	399,575
Wastewater					
Average Daily Sewage Treatment (thousands of gallons)	4,900	5,500	6,792	6,609	6,800
Transit					
Total Route Miles	3,312	8,670	6,948	8,874	7,440
Passenger	3,348	16,740	13,680	12,617	12,240

Source: Various City Departments

Notes:

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

(b) No operating indicators are available for Potholes Repaired for the Other Public Works function prior to 2012.

(c) Estimate was utilized for FY2012.

TABLE C-22

2010	2011	2012	2013	2014
645	489	520	789	1,443
16,950	15,317	14,957	16,995	17,871
4,163	3,915	4,313	4,758	4,502
2,485	3,113	4,554	2,972	3,724
13,865	26,673	27,181	15,482	16,142
5,425	6,111	6,417	7,124	7,083
180	320	133	129	222
2,863	2,724	1,675	1,017	1,778
58.07	38.00	37.50	58.00	41.00
0.61	9.48	12.10	16.00	10.00
1.50	5.63	2.20	5.10	9.00
N/A	N/A	550	582	415
288	326	297	304	290
298,261	307,662	366,045	424,640	353,024
387	743	456	703	915
770	888	800	775	692
8,554	11,291	9,893	9,652	9,189
384,058	500,038	395,510	393,936	377,559
7,000	7,000	7,000	7,000	7,200
8,100	7,140	8,330	11,219	12,240
13,140	12,175	12,222	14,020	14,232

CITY OF CONROE, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTIONS/PROGRAMS

LAST TEN FISCAL YEARS

<u>Functions/Programs</u>	Fiscal Year			
	2005	2006	2007	2008
Police				
Stations	1	1	1	1
Zone Offices	-	-	-	1
Patrol Units	45	51	49	45
Fire Stations	4	4	4	5
Refuse Collection				
Collection trucks	4	4	5	6
Other Public Works				
Streets (miles)	218.60	218.60	220.00	225.00
Highways (miles) (a)	N/A	N/A	N/A	N/A
Streetlights (b)	N/A	N/A	N/A	N/A
Traffic Signals	3	4	5	5
Parks and Recreation				
Acreage	345.70	345.70	347.50	350.00
Playgrounds	32	32	32	34
Baseball/Softball Diamonds	31	31	31	31
Soccer/Football Fields	10	10	10	10
Community Centers	3	3	3	3
Water (d)				
Water Mains (miles)	305.35	309.53	314.01	318.09
Fire Hydrants	1,819	2,300	2,700	2,800
Storage Capacity (thousands of gallons)	7,490	7,490	7,490	8,490
Wastewater (d)				
Sanitary Sewers (miles)	329.95	333.67	337.59	340.61
Storm Sewers (miles) (c)	20.892	23.691	26.340	26.340
Treatment capacity (thousands of gallons)	10,000	10,000	10,000	10,000
Transit				
Vans	2	4	4	4

Source: Various City Departments

Notes:

- (a) No capital asset indicators are available for Highways for the Other Public Works function.
All highways are owned and maintained by TxDOT.
- (b) No capital asset indicators are available for Streetlights for the Other Public Works function prior to 2010.
- (c) Data shown as miles of storm sewers are estimates only. Data is currently being compiled for retroactive infrastructure reporting.
- (d) Estimates were utilized for FY2010.

TABLE C-23

Fiscal Year					
2009	2010	2011	2012	2013	2014
1	1	1	1	1	1
1	1	1	1	1	1
46	46	48	46	55	56
5	5	5	5	5	5
8	8	8	8	8	9
240.00	248.00	268.00	276.00	270.00	270.00
N/A	N/A	N/A	N/A	N/A	N/A
N/A	3,200	3,200	3,518	3,530	3,550
5	6	6	80	82	102
350.00	354.00	354.00	407.00	407.00	407.00
34	17	18	19	19	19
35	28	25	27	27	27
13	18	21	18	18	18
3	4	4	4	4	4
334.72	340.61	342.44	367.00	403.00	403.00
2,955	2,996	3,009	3,009	3,009	3,335
9,490	9,490	11,490	11,490	11,490	11,490
355.92	357.65	360.21	389.00	391.00	368.00
36.564	40.162	40.280	41.720	42.000	42.953
10,000	10,000	10,000	10,000	10,000	10,000
4	4	4	4	4	4

CITY OF CONROE, TEXAS

WATER WORKS SYSTEM – TOP TEN WATER AND SEWER USERS (IN GALLONS) AS OF SEPTEMBER 30, 2014

TABLE C-24

Customer	Fiscal Year 2014 Water Consumption	Fiscal Year 2014 Water Revenues	Percent of Total 2014 Water Revenues
US Filter Corporation-Siemens	112,247,000	\$277,363	2.6%
Borden Inc.	109,855,000	262,938	2.5
The Geo Group-Joe Corely Detention Center	52,369,000	132,651	1.3
R & M Energy Systems	39,975,000	104,828	1.0
Conroe Regional Medical Center	38,730,000	121,975	1.2
Ball Metal Container Group	32,614,000	90,117	0.9
Crown Cork & Seal	32,411,000	88,142	0.8
Reedhycalog L.P.	23,625,000	79,759	0.8
KC RiverPointe LP	18,835,000	54,369	0.5
Montgomery County MUD #42	16,810,000	48,603	0.5

Customer	Fiscal Year 2014 Sewer Consumption	Fiscal Year 2014 Sewer Revenues	Percent of Total 2014 Sewer Revenues
US Filter Siemens	112,247,000	\$286,388	3.5%
Borden Inc.	109,855,000	275,304	3.4
The Geo Group-Joe Corely Detention Center	52,263,000	133,430	1.6
City of Willis	33,589,000	39,793	0.5
Conroe Regional Medical Center	32,864,000	47,247	0.6
Crown Cork & Seal	32,411,000	82,187	1.0
Ball Metal Container Group	31,702,000	85,685	1.1
Reedhycalog L.P.	22,268,000	66,109	0.8
Municipal Utility District (MUD) 42	22,029,000	56,024	0.7
KC RiverPointe LP	18,835,000	48,461	0.6

CITY OF CONROE, TEXAS

WATER AND SEWER RATES

AS OF SEPTEMBER 30, 2014

TABLE C-25

Minimum Monthly Base Charge By Meter Size

Meter Size	Minimum Base Charge
5/8 Inch*	\$ 10.00
1 Inch	15.00
1.5 Inch	20.00
2 Inch	25.00
3 Inch	30.00
4 Inch	35.00
6 Inch	40.00
8 Inch	45.00
10 Inch	50.00

* 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 \$2.10 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, water service 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	Sanitary Sewer Rate
Minimum 0 - 3,000 gallons	Base Charge	\$ 20.90
Per thousand gallons		2.55
3,001 - 10,000 gallons, per thousand	\$ 2.51	
10,001 - 15,000 gallons, per thousand	3.08	
15,001 - 25,000 gallons, per thousand	3.66	
25,001 - 35,000 gallons, per thousand	4.18	
35,001 gallons and over	7.32	
Maximum Charge at 10,000 gallons		38.75

Non-Residential Rates Inside City Limits

Usage	Water Rate	Sanitary Sewer Rate
Minimum 0 - 3,000 gallons	Base Charge	\$ 20.90
Per thousand gallons		2.55
3,001 - 10,000 gallons, per thousand	\$ 2.61	
10,001 - 15,000 gallons, per thousand	3.08	
15,001 - 25,000 gallons, per thousand	3.66	
25,001 - 35,000 gallons, per thousand	4.18	
35,001 - 100,000 gallons, per thousand	7.32	
100,001 gallons and over	2.40	

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

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



