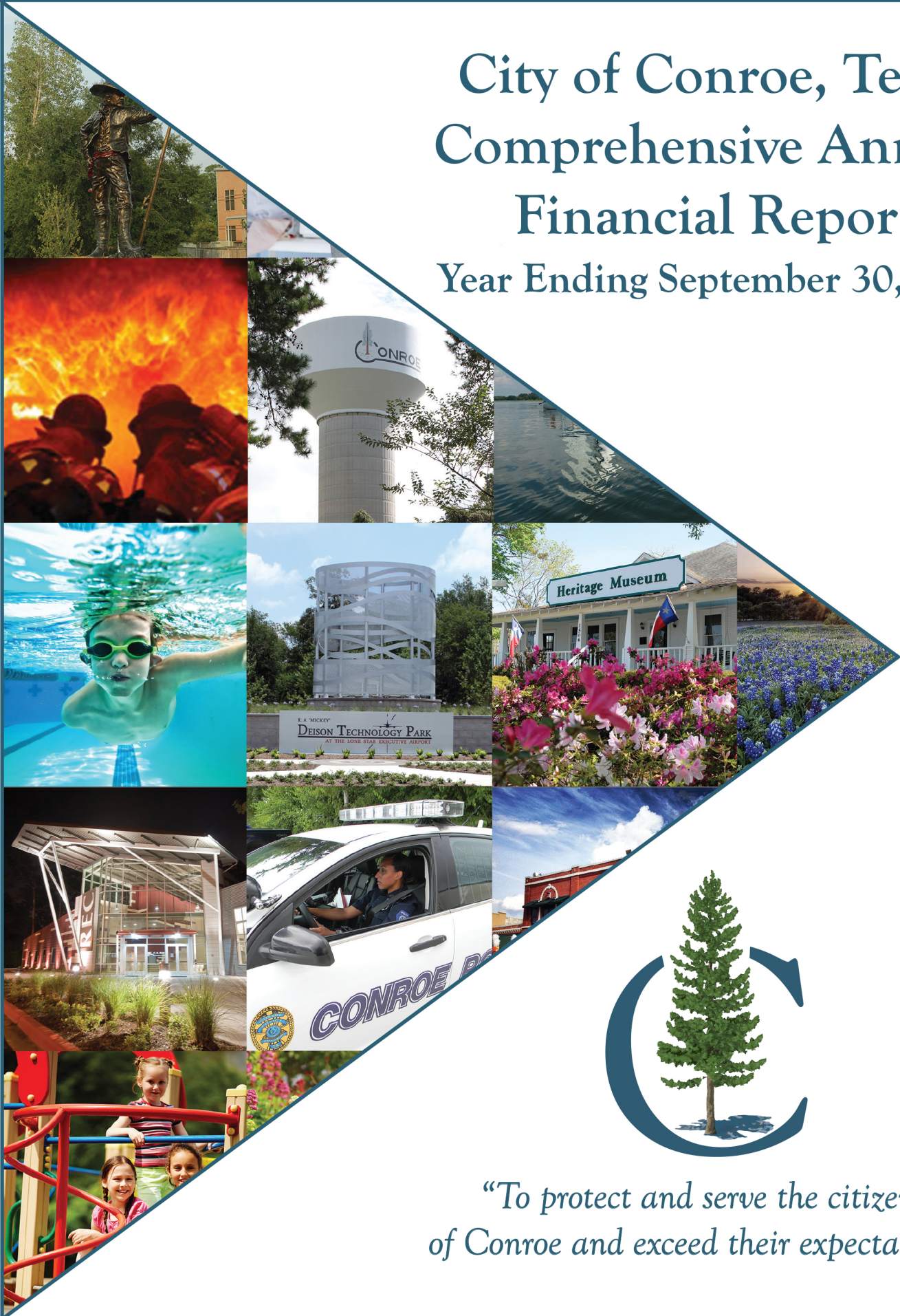


City of Conroe, Texas Comprehensive Annual Financial Report Year Ending September 30, 2017



*"To 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, 2017

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, 2017

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March 7, 2018

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, 2017, 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.

I. PROFILE OF THE GOVERNMENT

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

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

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

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

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

The 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 and encumbered in the new fiscal year.

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

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

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

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

LOCAL ECONOMY

Because of the strength of the regional and local economy, Conroe continues to experience growth in residential, commercial, and light industrial development. Conroe's estimated population for 2018 is 82,275.

The tax roll certified by the Montgomery Central Appraisal District for 2017 (FY17-18) increased by \$429,877,666 or 6.0%. New improvements accounted for approximately \$252,653,574 of this amount. Newly annexed property added approximately \$2,480 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 \$816,508,992 or 12.9%.

Sales tax revenue is the largest revenue source for the City. Excluding the CIDC's portion, the City's sales tax revenue totaled \$32,151,158 for the fiscal year ending September 30, 2017. This amount represents an increase of \$871,011, or 2.8%, from the prior fiscal year.

The City issued 1,439 building permits for properties & improvements valued at \$426,450,230. This included 878 building permits for single family housing starts totaling \$165,452,086. The average single family home value, exclusive of land, was \$188,442. The City reported a total labor force of 33,158 with an unemployment rate of 4.2% as of September 2017. These data are compiled by Labor Market & Career Information (LMCI.com).

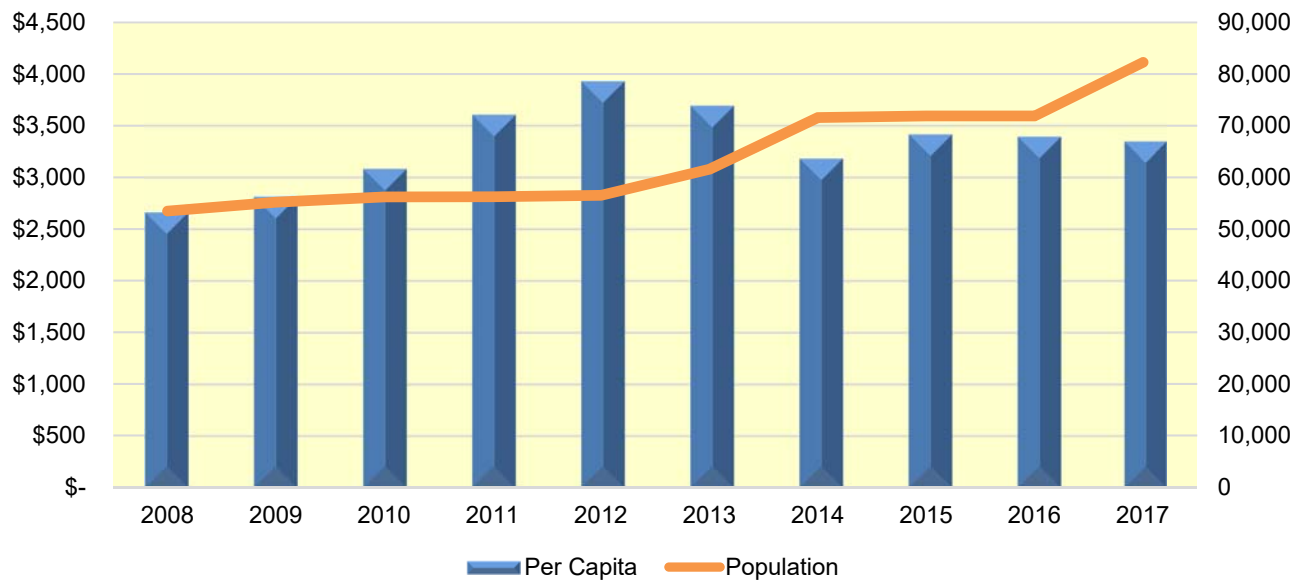
LONG-TERM FINANCIAL PLANNING

The \$22,508,420 unassigned fund balance in the General Fund is the equivalent of 125 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, 2022, in the current budget. As a result of the multi-year review, the City has been able to maintain its property tax rate of \$0.4175 per \$100 of value for FY 16-17.

Outstanding debt per capita decreased from \$3,392 in 2016 to \$3,346 in 2017. The current ratio of net general bonded debt to assessed value of all taxable property is 1.96%. 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.

Population Growth to Outstanding Debt Per Capita



In addition, the City has recognized the long-term financial implications of its pension and retiree health benefits. Regarding pensions, the City funds the full contribution rate to the Texas Municipal Retirement System to ensure the long-term sustainability of the plan. For retiree health care, the City 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. The City funded 100% of the actuarially determined contribution (ADC). In the past, one hundred (100) percent of the effective premiums were paid by the City, while 50% is committed by policy to be paid into the trust fund. The remaining 50% is considered and reviewed annually by City Council.

MAJOR INITIATIVES

The City has several projects slated to begin or be completed in FY2018, including: Longmire Road Widening, MP Clarke Road, and other roadway projects, traffic signals, sidewalk and pedestrian access projects, Dean Towery Service Center repairs, Fire Station #1, Fire Department Training Facility, park and recreation facilities (including the acquisition of land), Sign Maintenance and Operations Building, and City-wide waterworks and sewer system improvements, a new treatment plant, and water wells and storage tanks. These will be partially or fully funded by the \$41,700,000, Series 2017A & Series 2017B Certificates of Obligation issued in September 2017.

The City of Conroe Transportation division has achieved continued growth in year three (FY16-17) of the new public transportation system, Conroe Connection Transit (CCT). The bus system, which consists of two (2) bus routes and a complementary ADA paratransit component, has demonstrated a steady climb in ridership and exemplary service. The department also successfully administers the county's urbanized area Section 5310 Grant Program. This Federal Transit Administration (FTA) program continues to remain competitive for the allocation of federal funds to support demand response services to seniors and persons with disabilities.

Major transportation projects include the following:

- New commuter bus service at the Conroe Park & Ride.
- Recipient of FY17 State Public Transportation Appropriations for transit operations reimbursement.
- Construction in progress of the IH-45 & SH-105 Access Management improvements.

The City is a participant in the San Jacinto River Authority (SJRA) Groundwater Reduction Plan (GRP). The SJRA constructed a surface water treatment facility and transmission system to provide treated surface water to the City. The transmission system was interconnected to the City's water system, and the City began receiving surface water in December 2015.

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.

In December 2017, the City Council approved Ordinances for annexation of four parcels of areas known as Saddle and Surrey, Lake Lorraine, Pine Lake, and White Oak Ranch. These areas will add approximately 444 acres and 618 residents to the City of Conroe. These annexations will increase the City's taxable value for property taxes and other revenues; however, the City will provide police, fire, solid waste collections and other municipal services.

In August 2017, Hurricane Harvey impacted the City of Conroe. Generally, the rainfall from the hurricane caused localized flooding in the areas of Conroe below the Lake Conroe dam. On October 12, 2017, the City Council approved a resolution for the Montgomery Central Appraisal District to reappraise the properties damaged due to the hurricane pursuant to Texas Property Tax Code, Section

23.02. If property damaged in a disaster is reappraised as provided by State law, the taxes owed on the property will be prorated for the year in which the disaster occurred. If reappraisals of property result in lower values, the City's FY 17-18 property tax levy would be lowered as well. Because the flooding was limited to certain areas, staff estimates that the reappraisals will have a minimal impact on the City's FY 17-18 property tax levy; however, the actual financial impact to the City is unknown at this time.

Hurricane Harvey also caused extensive damage to the City's wastewater treatment plant and firearms training facility. The cost of repairs and mitigation to the wastewater treatment plant are estimated to be approximately \$10M to \$13M. The City also incurred costs to keep the plant functioning while damaged. The estimated costs to repair, restore, and mitigate the firearms training facility are unknown at this time. The City is coordinating with its insurance provider, TML, as well as the Federal Emergency Management Agency (FEMA), to receive reimbursements of these costs. It is estimated that TML will reimburse the costs for repair and restoration, and FEMA will reimburse up to 90% of costs associated with mitigating property against future flooding. However, the actual financial impact to the City is unknown at this time.

At the end of the fiscal year, transfers from the General Fund and the Water and Sewer Fund were made to the Self-Funded Insurance Fund to cover the deficit net position in the fund. In addition to the transfer, the City increased employer contribution for employee insurance. The fund reports a negative net position in the current year, but this is due to the City's OPEB liability of \$3,526,846 without this liability the City would recognize a net position of \$1.

The City has economic development agreements with Conroe Municipal Management District #1 regarding the development of the old Boy Scout property formerly known as Camp Strake. The mixed use development is called Grand Central Park, and it includes commercial and residential development. In 2017, the developer began installing public infrastructure and constructing single family residences, and in 2018, commercial establishments opened including a new Kroger Marketplace. As the development grows in assessed valuation and generates sales tax, the City will reimburse the district for the public infrastructure according to the development agreements in place.

AWARDS AND ACKNOWLEDGEMENTS

CAFR 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, 2016. This was the eleventh 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 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 & Administration Department. I express my appreciation to all members of the Department who assisted and contributed to its preparation. I also thank the Mayor, members of the City Council, and City Administrator for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

PAFR Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for the Popular Annual Financial Reporting Award Program (PAFR) for the fiscal year ended September 30, 2016. This was the second year that the City has achieved this prestigious award. State and local governments must be able to extract information from their comprehensive annual financial report to produce a high quality popular annual

financial report specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance.

Independent Audit. The City Charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the City by an independent certified public accountant. The accounting firm of Weaver and Tidwell, LLP, was selected by the City Council. This requirement has been fulfilled, and the auditors' opinion is included in this report. Weaver and Tidwell, LLP, has issued an unmodified ("clean") opinion of the City's financial statements for the year ended September 30, 2017. 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**

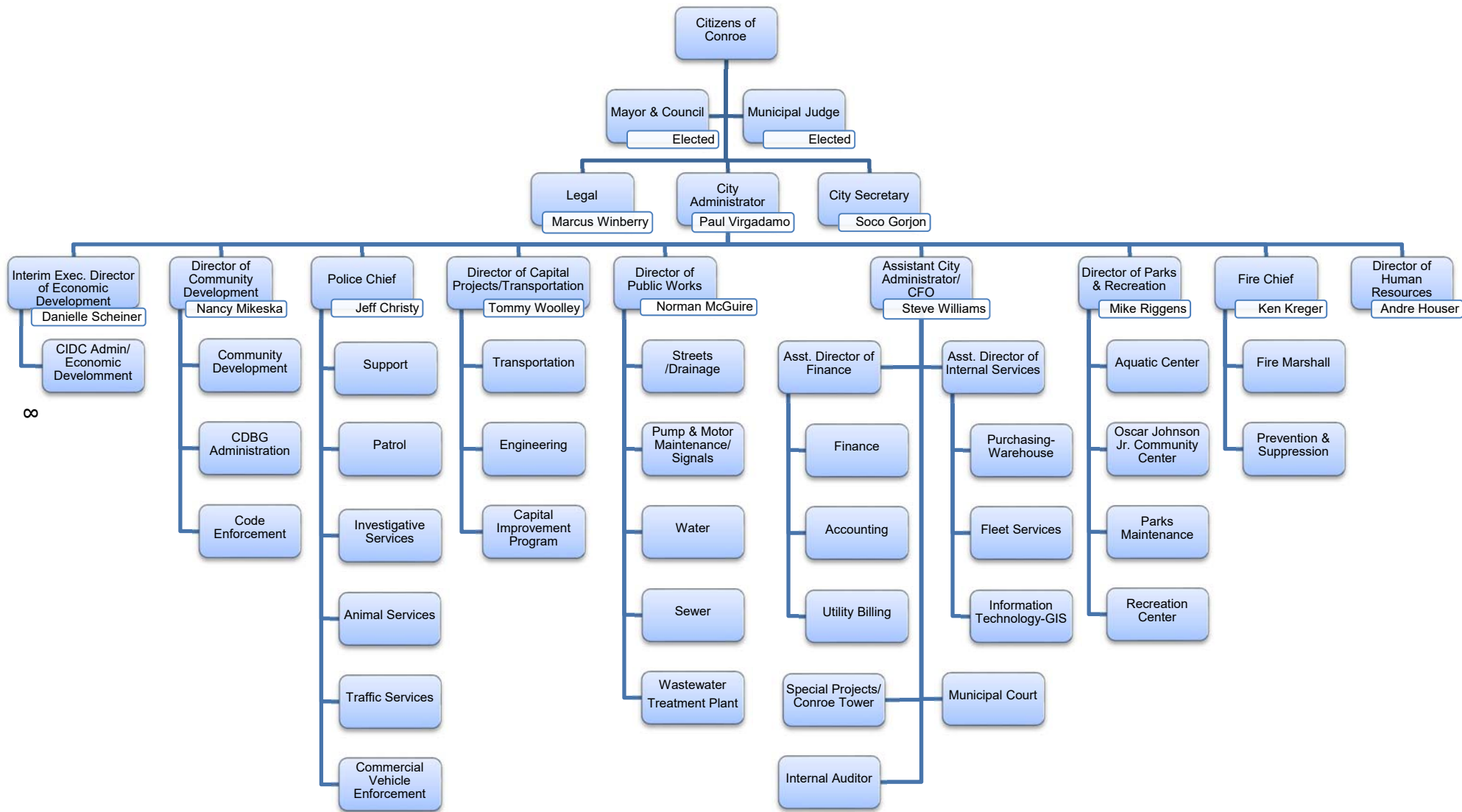
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morrell

Executive Director/CEO

City of Conroe, Texas Organization Chart



City of Conroe, Texas
Listing of City Officials
September 30, 2017

Elected Officials

Mayor	Toby Powell
Councilman Place 1	Duane Ham
Councilman Place 2	Seth Gibson
Councilman Place 3 - Mayor Pro Tem	Duke W. Coon
Councilman Place 4	Guy Martin
Councilman Place 5	Gil Snider
Municipal Court Judge	Mike Davis

Appointed Officials

City Administrator	Paul Virgadamo, Jr
City Secretary	Soco Gorjon
City Attorney	Marcus Winberry
Assistant City Administrator/Chief Financial Officer	Steve Williams
Interim Police Chief	Jeff Christy
Fire Chief	Ken Kreger
Director of Parks and Recreation	Mike Riggins
Director of Capital Projects and Transportation	Tommy Woolley
Director of Public Works	Norman McGuire
Director of Human Resources	Andre Houser
Executive Director of Conroe Industrial Development Corporation	Danielle Schneider
Director of Community Development	Nancy Mikeska





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Conroe, Texas (the City), as of and for the year ended September 30, 2017, 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

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

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

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

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 units, each major fund, and the aggregate remaining fund information of the City of Conroe, Texas, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note XIV to the financial statements, the financial statements have been restated to reclassify the Fleet Services internal service fund as a governmental activities instead of a business-type activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 by us and the other auditors. In our opinion, the Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2018 on our consideration of the City'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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
March 2, 2018

CITY OF CONROE, TEXAS

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, 2017. Please read it in conjunction with the City's transmittal letter in the preceding section (introductory) and the basic financial statements following this section.

FINANCIAL HIGHLIGHTS

Government-wide

The total government-wide assets and deferred outflows of resources of the City of Conroe exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$175,335,070. This is an increase of \$4,212,838. The majority of the increase is attributable to property tax revenues due to an increase in property tax values from growth in residential and commercial properties.

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

- (1) Net investment in capital assets of \$156,595,096 includes land and easements, construction in progress, buildings and improvements, machinery and equipment, and infrastructure, net of accumulated depreciation, and is reduced by outstanding debt, net of unspent proceeds, related to the purchase or construction of capital assets.
- (2) Net position of \$17,165,330 is restricted by constraints imposed from outside the City for debt obligations.
- (3) Unrestricted net position of \$1,574,644 represents the portion available to meet ongoing obligations.

Governmental Fund Financial Statements

- As of September 30, 2017, the City of Conroe's governmental funds reported combined ending fund balances of \$61,493,191, an increase of \$5,755,721 in comparison with the prior year. Approximately 37 percent of this total amount, \$22,508,420, is available for spending at the government's discretion (unassigned fund balance). The remaining fund balance consists of \$157,675 classified as nonspendable, \$31,180,787 classified as restricted, \$2,274,337 classified as committed, and \$5,371,972 is classified as assigned.
- The General Fund is used to account for the general operations of the City. At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$22,508,420, or 35 percent of total General Fund expenditures. The General Fund had a nonspendable fund balance of \$157,675, restricted fund balance of \$1,597,350, and assigned fund balance of \$5,371,972 at September 30, 2017.
- The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bonds, contractual obligations, and certificates of obligation. The entire fund balance of \$11,569,373 is restricted to meet these obligations.
- The Streets CIP Fund and the Facilities CIP Fund are capital project funds used to account for the acquisition and construction of City capital projects. The primary revenue source for these funds are the proceeds from the sale of bonds. The fund balances of \$9,541,914 and \$2,945,372, respectively, are restricted to for the designated capital projects.
- The nonmajor governmental funds had total combined fund balances of \$7,801,115 at September 30, 2017. Of this amount, \$2,532,690 is restricted for capital project funds, \$2,994,088 is restricted for special revenue funds, and \$2,274,337 is committed.

Long-Term Debt

The City of Conroe issues debt to finance an ongoing capital improvement program. During FY16-17, the City issued \$41,700,000 in certificates of obligation bonds. Note VII to the financial statements provides details of long-term obligations.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

CITY OF CONROE, TEXAS

Management's Discussion and Analysis (Unaudited)

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

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

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

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

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

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

The government-wide financial statements include not only the City itself but also component units: the Oscar Johnson, Jr. Community Center and the Conroe Industrial Development Corporation (CIDC). Financial information for the component units is reported separately from the financial information presented for the primary government.

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

The City has the following kinds of funds:

Governmental funds— Governmental funds are used to account for the majority of the City's activities, which are essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term 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 31 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

CITY OF CONROE, TEXAS

Management's Discussion and Analysis (Unaudited)

Fund Balances for the General Fund, Debt Service Fund, Streets CIP Fund, and Facilities CIP 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 utilities, 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 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.

Notes to the Basic Financial Statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 42 of this report.

Required Supplementary Information presents certain required information concerning the City's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found beginning on page 79 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities deferred inflows of resources by \$175,335,070 for fiscal year 2017 and \$171,122,232 for fiscal year 2016. Revenues exceeded expenses during the current fiscal year, increasing net position by \$4,212,838.

CITY OF CONROE, TEXAS

Management's Discussion and Analysis (Unaudited)

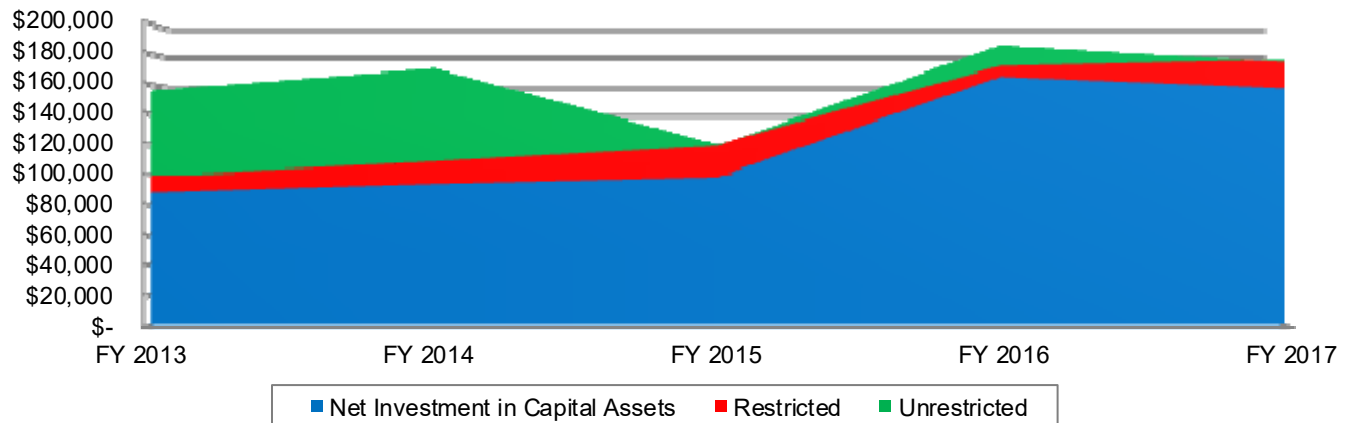
Condensed Statement of Net Position

(amounts in thousands)

Primary Government

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 71,223	\$ 66,004	\$ 48,579	\$ 30,168	\$ 119,802	\$ 96,172
Capital Assets	230,503	221,710	162,957	161,524	393,460	383,234
Total Assets	301,726	287,714	211,536	191,692	513,262	479,406
Deferred Outflows of Resources	11,484	12,530	1,330	2,005	12,814	14,535
Current and Other Liabilities	8,084	11,581	4,014	111,093	12,098	122,674
Long-Term Liabilities	208,529	191,202	128,840	7,006	337,369	198,208
Total Liabilities	216,613	202,783	132,854	118,099	349,467	320,882
Deferred Inflows of Resources	1,202	1,801	72	136	1,274	1,937
NetPosition:						
Net Investment in Capital Assets	96,191	97,564	60,404	66,592	156,595	164,156
Restricted	11,386	15,434	5,779	5,455	17,165	20,889
Unrestricted	(12,182)	(17,338)	13,757	3,415	1,575	(13,923)
Total Net Position	\$ 95,395	\$ 95,660	\$ 79,940	\$ 75,462	\$ 175,335	\$ 171,122

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



Note: There was a change in methodology in the calculation of net position in FY 2015.

The largest portion of the City's net position, \$156,595,096 (89%), reflects its net investment in capital assets (land, improvements, buildings, infrastructure, vehicles, machinery and equipment), less any related outstanding debt used to acquire those assets. The primary use of these capital assets is to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$17,165,330 (10%), is restricted for debt service. Another portion of the City's net position is the unrestricted net position of \$1,574,644 which is available to meet the City's ongoing unrestricted obligations to citizens and creditors.

CITY OF CONROE, TEXAS

Management's Discussion and Analysis (Unaudited)

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

Condensed Statement of Activities (amounts in thousands) Primary Government						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 7,698	\$ 6,895	\$ 35,026	\$ 35,332	\$ 42,724	\$ 42,227
Operating Grants and Contributions	4,151	4,175	698	-	4,849	4,175
Capital Grants and Contributions	12	156	2,006	131	2,018	287
General Revenues:						
Property Taxes	30,262	26,473	-	-	30,262	26,473
In Lieu of Taxes	777	682	-	-	777	682
Gross Receipts Taxes	6,323	6,206	-	-	6,323	6,206
Sales and Other Taxes	32,151	31,280	-	-	32,151	31,280
Hotel Occupancy Taxes	1,163	1,221	-	-	1,163	1,221
Mixed Beverage Taxes	289	299	-	-	289	299
Miscellaneous	2,871	3,446	339	307	3,210	3,753
Donations	52	47	-	-	52	47
Grants and Contributions Not						
Restricted to Specific Programs	1,612	1,019	-	5,005	1,612	6,024
Investment Earnings	518	291	200	109	718	400
Net Change in Fair Value of Investments	(120)	7	(7)	(2)	(127)	5
Total Revenues	87,759	82,197	38,262	40,882	126,021	123,079
Expenses:						
General Government	16,692	18,032	-	-	16,692	18,032
Finance	2,154	2,093	-	-	2,154	2,093
Public Safety	41,127	38,530	-	-	41,127	38,530
Community Development	2,035	-	-	-	2,035	-
Parks	8,353	8,249	-	-	8,353	8,249
Public Works	13,579	14,264	-	-	13,579	14,264
Interest and Fiscal Charges	4,953	4,603	-	-	4,953	4,603
Water and Sewer	-	-	32,915	30,903	32,915	30,903
Fleet Services	-	-	-	1,690	-	1,690
Total Expenses	88,893	85,771	32,915	32,593	121,808	118,364
Excess (Deficiency) before Transfers	(1,134)	(3,574)	5,347	8,289	4,213	4,715
Transfers	241	(381)	(241)	381	-	-
Change in Net Position	(893)	(3,955)	5,106	8,670	4,213	4,715
Net Position - Beginning (restated)	96,288	57,366	74,834	61,807	171,122	119,173
Prior Period Adjustment	-	42,249	-	4,985	-	47,234
Net Position - Ending	\$ 95,395	\$ 95,660	\$ 79,940	\$ 75,462	\$ 175,335	\$ 171,122

CITY OF CONROE, TEXAS

Management's Discussion and Analysis (Unaudited)

Program Revenues and Expenses - Governmental Activities



Revenues

For fiscal year ended September 30, 2017, revenues for the primary government totaled \$126,021,099. The revenues are categorized by activity type: governmental activities totaled \$87,759,172 and business-type activities totaled \$38,261,927.

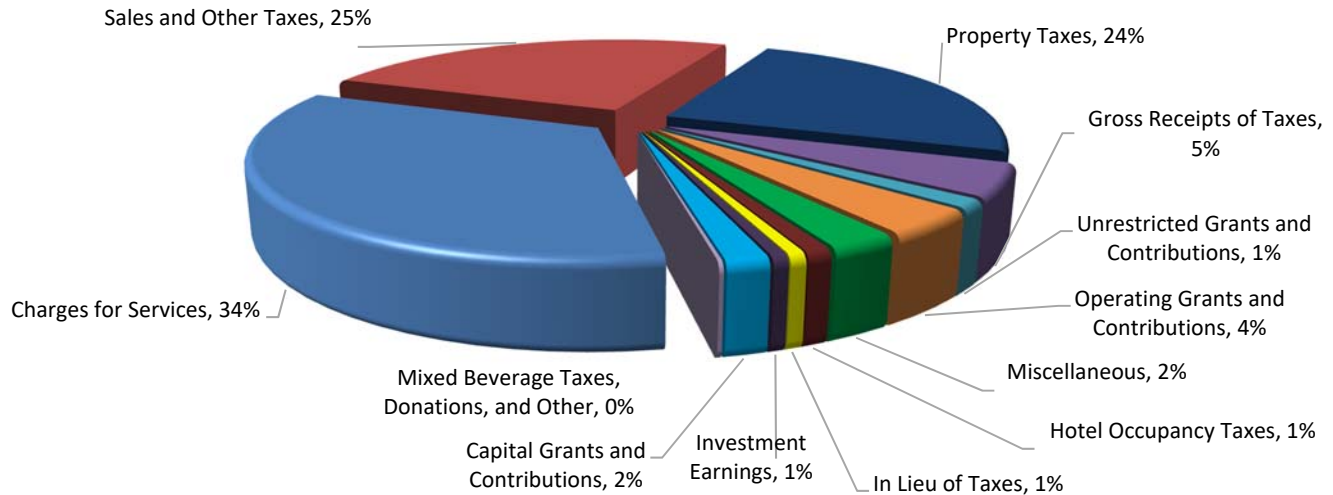
Program revenues are derived from the program itself and reduce the cost of the function to the City. Total program revenues were \$49,590,570 or 40% of total revenues, which increased \$2,902,011 compared to the prior year. The largest portion of program revenues is Charges for Services of \$42,723,557, which is 34% of total revenues. Of that amount, \$7,697,686 is from governmental activities, which includes fees collected by Municipal Court, Police, Parks, and Public Works departments. The business-type Charges for Services of \$35,025,871 are derived from water and sewer charges. The other portions of program revenues are Operating Grants and Contributions of \$4,848,898 (4%) and Capital Grants and Contributions of \$2,018,115 (2%).

General revenues are revenues that cannot be assigned to a specific function. They consist of Sales and Other Taxes of \$32,151,158, one of the largest revenue sources for governmental activities and 25% of total revenues. Property Taxes of \$30,262,334 or 24% of total revenues, which is a \$3.8M increase from prior year Property Taxes of \$26,473,354. Also, Gross Receipts Taxes of \$6,323,185 (5%), Grants and Contributions Not Restricted to Specific Programs of \$1,611,619 (1%), Miscellaneous revenues of \$3,209,505 (2%), Hotel Occupancy Taxes of \$1,163,561 (1%), In Lieu of Taxes of \$776,838 (1%), and Investment Earnings of \$718,372 (1%). The remaining revenue categories are all less than 1% of total revenues: Mixed Beverage Taxes of \$288,852, Donations of \$51,750, and Net Change in Fair Value of Investments of (\$126,645).

CITY OF CONROE, TEXAS

Management's Discussion and Analysis (Unaudited)

REVENUES BY SOURCE



Expenses

For fiscal year ended September 30, 2017, expenses for the primary government totaled \$121,808,261. These expenses are divided by activity type: governmental activities of \$88,893,122 and business-type activities of \$32,915,139.

The City's largest governmental activities function is Public Safety. The main components of this function are the Police and Fire departments. Total expenses for this function were \$41,127,109 or 34% of total expenses. The expenses can be primarily attributed to salaries and vehicle maintenance.

The Water and Sewer business-type activities function expenses were \$32,915,139 or 27% of total expenses. These expenses enable the City to provide water and sewer services to the citizens.

General Government governmental activities function expenses were \$16,691,463 or 14% of total expenses. This is a decrease of \$1,341,163 from the prior fiscal year which is due to a reclassification of expenditure categories at the fund level to better identify the programmatic function of the expenditures.

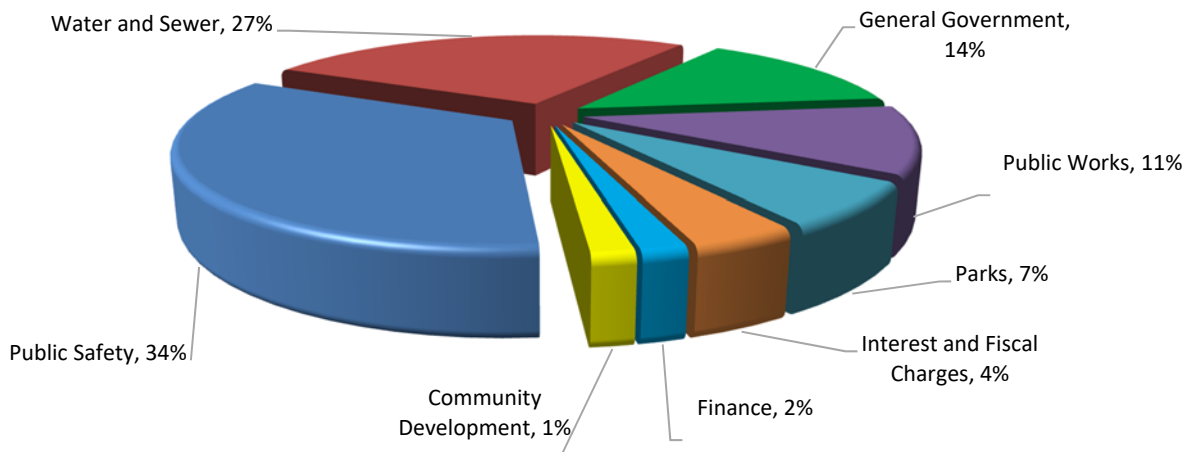
The Public Works governmental activities function had expenses of \$13,578,466 or 11% of total expenses. These services include: street maintenance, drainage maintenance, signal maintenance, and engineering. In prior years, Community Development was part of the Public Works category, but it was broken out in the current year. Community Development had expenses of \$2,035,327 or 1%.

The remaining governmental activities functions are Parks with expenses of \$8,353,387 or 7%, Interest and Fiscal Charges with expenses of \$4,953,104 or 4%, and Finance with expenses of \$2,154,266 or 2%.

CITY OF CONROE, TEXAS

Management's Discussion and Analysis (Unaudited)

EXPENSES BY FUNCTION



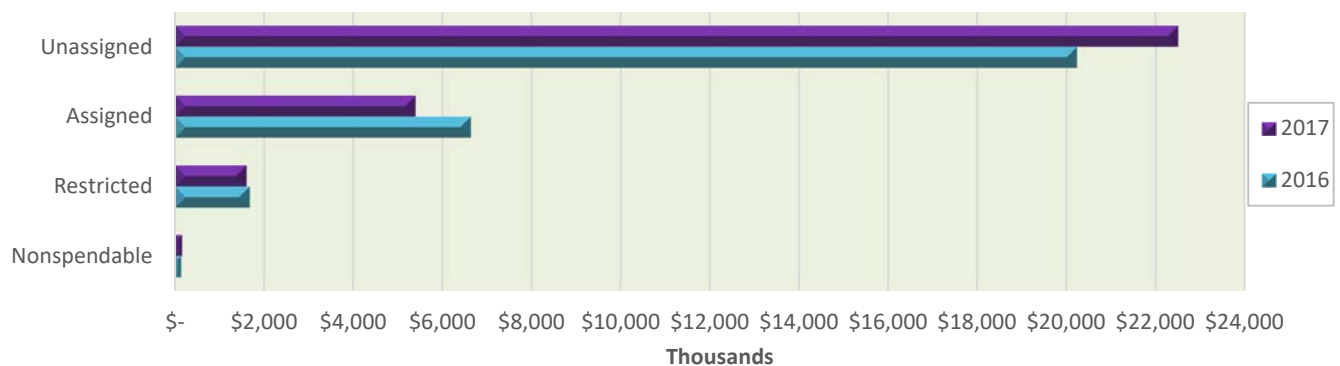
FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

Governmental Funds

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

The **General Fund** is the chief operating fund of the City. At the end of the current year, its unassigned fund balance was \$22,508,420, while the total fund balance reached \$29,635,417. The General Fund total fund balance increased \$983,722 due to increased property tax revenues. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned and total fund balance to its expenditures. Unassigned fund balance was \$22,508,420, or 35% of total General Fund expenditures. The General Fund also had nonspendable amounts of \$39,984 for inventories and \$117,691 for prepaid items; restricted amounts of \$24,980 for Severance Pay 2% Sinking Fund, \$904,793 for Seized Assets, \$353,663 for Red Light Cameras and, \$313,914 for the State Cable Franchise 1% PEG fee; and assigned amounts of \$296,658 for Tree Mitigation, \$4,057,409 for vehicle and equipment replacement, and \$1,017,905 for General Fund-Balance Appropriations at year end.

General Fund Components of Fund Balance



CITY OF CONROE, TEXAS

Management's Discussion and Analysis (Unaudited)

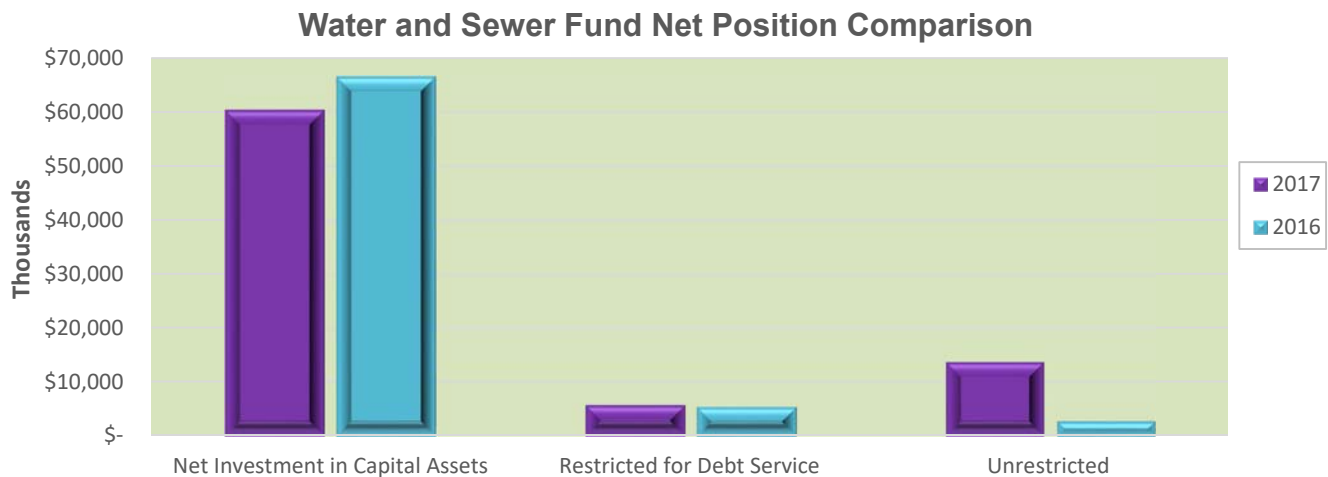
The **Debt Service Fund** ended the fiscal year with a total fund balance of \$11,569,373 compared to \$11,356,765 at the end of fiscal year 2016. This fund balance is restricted for the payment of debt. This increase was due to an increase in transfers from other funds to cover debt payments.

The **Streets CIP Fund** had a fund balance of \$9,541,914 at September 30, 2017. This is an increase over the prior year due to issuance of new debt that was unspent at year end. All of this fund balance is restricted for these planned capital projects.

The **Facilities CIP Fund** had a fund balance of \$2,945,372 at September 30, 2017, which is a decrease from the prior year due to planned spending on capital projects. All of this fund balance is restricted for these planned capital projects.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the **Water and Sewer Fund** at the end of the year amounted to \$13,757,251. The total increase in net position of \$5,105,943 was largely due from an increased customer base and water and sewer rate increases.



General Fund Budgetary Highlights

During the year, there was a \$4,189,530 increase in appropriations between the original and final amended budget. This increase is primarily due to adjustments for new police vehicles, disaster pay for Hurricane Harvey, and a transfer to cover the Self-Funded Insurance Fund deficit.

Actual General Fund revenues exceeded budgeted revenues by \$3,643,217 during the year. This increase is primarily due to increased sales tax collections, licenses and permit fees, and Miscellaneous Revenues.

Total expenditures were lower than budgeted amounts by \$2,159,405 for the fiscal year. This decrease is mainly due to less expenditures for capital outlay and personnel costs than were expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets, net of accumulated depreciation, for its governmental and business-type activities as of September 30, 2017, was \$393,460,129, an increase of \$10,226,311 from capital assets reported September 30, 2016 of \$383,233,818. These capital assets include land and easements, construction in progress, buildings and improvements, machinery and equipment, and infrastructure.

CITY OF CONROE, TEXAS

Management's Discussion and Analysis (Unaudited)

	Capital Assets					
	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and Easements	\$ 15,394,045	\$ 14,678,035	\$ 1,969,344	\$ 1,957,409	\$ 17,363,389	\$ 16,635,444
Construction in Progress	49,416,734	48,747,273	29,393,361	58,488,845	78,810,095	107,236,118
Buildings and Improvements	71,700,126	71,700,126	1,973,847	1,973,847	73,673,973	73,673,973
Machinery and Equipment	34,768,702	31,931,590	10,482,668	9,841,565	45,251,370	41,773,155
Infrastructure	171,552,975	156,321,736	211,031,904	176,640,458	382,584,879	332,962,194
	342,832,582	323,378,760	254,851,124	248,902,124	597,683,706	572,280,884
Accumulated Depreciation	(112,329,421)	(101,688,627)	(91,894,156)	(87,378,439)	(204,223,577)	(189,067,066)
Total Net Position	\$230,503,161	\$221,690,133	\$162,956,968	\$161,523,685	\$393,460,129	\$383,213,818

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

Long-Term Obligations

At year-end the City had \$337,368,429 in long-term obligations outstanding, of which \$272,280,918 is bonded debt. During the year, the City issued \$45,931,413 in Certificates of Obligation Bonds. The City's Standard & Poor's and Moody's Investor Service, Inc. credit ratings, respectively, for Water and Wastewater Revenue Bonds remained unchanged at AA and Aa2, and General Obligation Bonds also remained unchanged at AA and Aa2.

	Long-Term Obligations					
	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Bonds Payable, net	\$151,254,904	\$138,640,600	\$121,026,014	\$101,531,935	\$272,280,918	\$240,172,535
Customer Deposits	-	-	727,856	611,260	727,856	611,260
Capital Leases	279,301	341,241	2,057,162	2,524,923	2,336,463	2,866,164
Notes Payable	648,002	761,002	-	-	648,002	761,002
Health Claims Liability	556,467	542,204	-	-	556,467	542,204
OPEB Liability	3,526,846	3,528,532	-	-	3,526,846	3,528,532
Net Pension Liability/TMRS	23,281,651	20,417,299	4,238,031	5,758,726	27,519,682	26,176,025
Net Pension Liability/Fire R/R	19,316,952	18,764,327	-	-	19,316,952	18,764,327
Severance Payable	1,248,975	968,794	-	-	1,248,975	968,794
Compensated Absences	8,415,716	7,237,878	790,552	666,524	9,206,268	7,904,402
Total	\$208,528,814	\$191,201,877	\$128,839,615	\$111,093,368	\$337,368,429	\$302,295,245

More detailed information about the City's long-term obligations is presented in Note VII of the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- Appraised value used for the FY17-18 budget preparation is up \$429,877,666, or 6.0%, from FY16-17.
- Sales tax revenue for the City was conservatively estimated with 2% increase for FY17-18. This was based on the local economy improving in the wake of stabilizing oil prices.
- Spending in the General Fund decreases in the FY17-18 budget from \$72,830,615 to \$71,368,314. This is a 2.0% decrease.

These indicators were taken into account when adopting the General Fund budget for FY17-18. Amounts available for appropriation in the General Fund budget are \$67,744,573, an increase of 0.9% over the final FY16-17 budget of \$67,141,880. Property taxes will increase, due to higher assessed values, annexations, and new construction. The City will use these increases in revenues to finance new programs, as well as those currently offered.

CITY OF CONROE, TEXAS

Management's Discussion and Analysis (Unaudited)

If these estimates are realized, the City's budgetary General Fund fund balance is expected to decrease by approximately \$304,565 at the close of FY17-18. The decrease in the General Fund's fund balance is due to personnel costs with the addition of staff for the new Fire Station #7 and anticipated increases for health insurance benefits and merit raises. Capital expenditures are budgeted at \$312,660 in FY17-18.

SAN JACINTO RIVER AUTHORITY GROUNDWATER REDUCTION PLAN

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

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, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Oscar Johnson, Jr Community Center	Conroe Industrial Development Corporation
ASSETS					
Cash and Cash Equivalents	\$ 1,915,878	\$ 29,992	\$ 1,945,870	\$ -	\$ 606,947
Investments	58,916,898	42,855,228	101,772,126	-	24,640,983
Receivables (net of allowances for uncollectibles):					
Property Taxes	772,303	-	772,303	-	-
Gross Receipts Tax	910,612	-	910,612	-	-
Accounts	257,890	5,070,316	5,328,206	-	-
Interest	74,272	6,483	80,755	-	27,879
Other	806,169	1,499	807,668	-	912,710
Due from Other Governments	7,230,386	-	7,230,386	-	-
Due from Primary Government	-	-	-	-	1,807,596
Prepaid Items	260,786	-	260,786	-	-
Inventories	77,658	615,352	693,010	-	-
Land Held for Resale	-	-	-	-	22,482,088
Capital Assets:					
Land and Easements	15,394,045	1,969,344	17,363,389	108,770	-
Construction in Progress	49,416,734	29,393,361	78,810,095	-	-
Buildings and Improvements	71,700,126	1,973,847	73,673,973	1,421,618	-
Machinery and Equipment	34,768,702	10,482,668	45,251,370	240,063	-
Infrastructure	171,552,975	211,031,904	382,584,879	-	-
Less Accumulated Depreciation	(112,329,421)	(91,894,156)	(204,223,577)	(786,848)	-
Total Capital Assets (net of depreciation)	230,503,161	162,956,968	393,460,129	983,603	-
TOTAL ASSETS	301,726,013	211,535,838	513,261,851	983,603	50,478,203
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charge on Refunding	2,262,483	-	2,262,483	-	1,407,331
Deferred Outflows for Pensions	9,221,690	1,330,140	10,551,830	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCE	11,484,173	1,330,140	12,814,313	-	1,407,331
LIABILITIES					
Current Liabilities:					
Accounts Payable and Other Current Liabilities	4,484,724	2,586,562	7,071,286	226,877	23,616
Payable to Component Unit	1,807,596	-	1,807,596	-	-
Unearned Revenue	1,391,414	-	1,391,414	-	-
Accrued Interest Payable	400,643	1,427,979	1,828,622	-	53,657
Noncurrent Liabilities:					
Due within One Year	9,215,086	5,207,052	14,422,138	-	2,145,000
Due in More Than One Year	199,313,728	123,632,563	322,946,291	-	34,019,400
TOTAL LIABILITIES	216,613,191	132,854,156	349,467,347	226,877	36,241,673
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows for Pensions	1,202,280	71,467	1,273,747	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,202,280	71,467	1,273,747	-	-
NET POSITION					
Net Investment in Capital Assets	96,191,181	60,403,915	156,595,096	983,603	-
Restricted for:					
Debt Service	11,386,141	5,779,189	17,165,330	-	3,359,386
Unrestricted	(12,182,607)	13,757,251	1,574,644	(226,877)	12,284,475
TOTAL NET POSITION	\$ 95,394,715	\$ 79,940,355	\$ 175,335,070	\$ 756,726	\$ 15,643,861

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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 16,691,463	\$ 3,637,237	\$ 2,486,525	\$ 12,377
Finance	2,154,266	-	-	-
Public Safety	41,127,109	1,781,480	1,053,099	-
Community Development	2,035,327	-	611,708	-
Parks	8,353,387	1,161,772	-	-
Public Works	13,578,466	1,117,197	-	-
Debt Service:				
Interest and Fiscal Charges	4,953,104	-	-	-
Total Governmental Activities	88,893,122	7,697,686	4,151,332	12,377
Business-type Activities:				
Water and Sewer	32,915,139	35,025,871	697,566	2,005,738
Total Business-type Activities	32,915,139	35,025,871	697,566	2,005,738
Total Primary Government	\$121,808,261	\$42,723,557	\$ 4,848,898	\$ 2,018,115
COMPONENT UNITS:				
Oscar Johnson, Jr. Community Center	\$ 1,352,294	\$ 732,342	\$ 565,688	\$ -
Conroe Industrial Development Corporation	\$ 5,101,322	\$ -	\$ -	\$ -

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
 Investment Earnings
 Net Change in Fair Value of Investments

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning (Restated, Note XIV)

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 Units	
Governmental Activities	Business-type Activities	Total	Oscar Johnson Jr. Community Center	Conroe Industrial Development Corporation
\$ (10,555,324)	\$ -	\$ (10,555,324)	\$ -	\$ -
(2,154,266)	-	(2,154,266)	-	-
(38,292,530)	-	(38,292,530)	-	-
(1,423,619)	-	(1,423,619)	-	-
(7,191,615)	-	(7,191,615)	-	-
(12,461,269)	-	(12,461,269)	-	-
(4,953,104)	-	(4,953,104)	-	-
<u>(77,031,727)</u>	<u>-</u>	<u>(77,031,727)</u>	<u>-</u>	<u>-</u>
-	4,814,036	4,814,036	-	-
-	4,814,036	4,814,036	-	-
<u>(77,031,727)</u>	<u>4,814,036</u>	<u>(72,217,691)</u>	<u>-</u>	<u>-</u>
			(54,264)	(5,101,322)
30,262,334	-	30,262,334	-	-
776,838	-	776,838	-	-
6,323,185	-	6,323,185	-	-
32,151,158	-	32,151,158	-	10,717,053
1,163,561	-	1,163,561	-	-
288,852	-	288,852	-	-
2,870,562	338,943	3,209,505	40	2,841,631
51,750	-	51,750	6,854	-
1,611,619	-	1,611,619	-	-
517,778	200,594	718,372	-	158,641
(119,860)	(6,785)	(126,645)	-	(22,530)
240,845	(240,845)	-	-	-
<u>76,138,622</u>	<u>291,907</u>	<u>76,430,529</u>	<u>6,894</u>	<u>13,694,795</u>
(893,105)	5,105,943	4,212,838	(47,370)	8,593,473
96,287,820	74,834,412	171,122,232	804,096	7,050,388
<u>\$ 95,394,715</u>	<u>\$ 79,940,355</u>	<u>\$ 175,335,070</u>	<u>\$ 756,726</u>	<u>\$ 15,643,861</u>

CITY OF CONROE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	Debt Service Fund
ASSETS		
Cash and Cash Equivalents	\$ 265,903	\$ -
Investments	25,905,327	11,527,037
Receivable (Net of Allowances for Uncollectibles):		
Property Taxes, net	541,088	231,215
Gross Receipts Tax	910,612	-
Accounts	-	-
Interest	44,992	28,532
Other	356,150	-
Due from Other Funds	-	-
Due from Other Governments	7,230,386	-
Prepaid Items	117,691	-
Inventories	39,984	-
TOTAL ASSETS	\$ 35,412,133	\$ 11,786,784
LIABILITIES		
Accounts Payable	\$ 751,674	\$ -
Other Payables	1,326,837	-
Retainage Payable	-	-
Due to Other Funds	-	-
Due to Component Unit	1,807,596	-
Customer Deposits	-	-
Unearned Revenue	1,388,570	-
TOTAL LIABILITIES	5,274,677	-
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue-Property Taxes	502,039	217,411
TOTAL DEFERRED INFLOWS OF RESOURCES	502,039	217,411
FUND BALANCES		
Nonspendable:		
Prepaid Items	117,691	-
Inventories	39,984	-
Restricted for:		
Severance Pay 2% Sinking Fund	24,980	-
Seized Assets	904,793	-
Red Light Cameras	353,663	-
State Cable Franchise 1% PEG Fee	313,914	-
Debt Service	-	11,569,373
Capital Project Funds	-	-
Special Revenue Funds	-	-
Committed for:		
TIRZ #2-Property Tax Receipts	-	-
TIRZ #3-Property Tax Receipts	-	-
Conroe Tower-Lease Income	-	-
Owen Theatre-Ticket Sales	-	-
Woodlands Township Reg. Participation	-	-
Assigned to:		
Tree Mitigation	296,658	-
Equipment Replacement	4,057,409	-
Fund Balance Appropriations	1,017,905	-
Unassigned	22,508,420	-
TOTAL FUND BALANCES	29,635,417	11,569,373
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 35,412,133	\$ 11,786,784

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

Streets CIP Fund	Facilities CIP Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,436,544	\$ 1,702,447
10,704,789	3,905,667	6,100,338	58,143,158
-	-	-	772,303
-	-	-	910,612
-	-	254,441	254,441
-	103	592	74,219
-	-	242,565	598,715
-	-	195,904	195,904
-	-	-	7,230,386
-	-	-	117,691
-	-	-	39,984
<u>\$ 10,704,789</u>	<u>\$ 3,905,770</u>	<u>\$ 8,230,384</u>	<u>\$ 70,039,860</u>
\$ 904,817	\$ 608,591	\$ 104,477	\$ 2,369,559
-	-	10,885	1,337,722
258,058	351,807	105,892	715,757
-	-	195,904	195,904
-	-	-	1,807,596
-	-	9,267	9,267
-	-	2,844	1,391,414
<u>1,162,875</u>	<u>960,398</u>	<u>429,269</u>	<u>7,827,219</u>
-	-	-	719,450
-	-	-	719,450
-	-	-	117,691
-	-	-	39,984
-	-	-	24,980
-	-	-	904,793
-	-	-	353,663
-	-	-	313,914
-	-	-	11,569,373
9,541,914	2,945,372	2,532,690	15,019,976
-	-	2,994,088	2,994,088
-	-	142	142
-	-	1,817,868	1,817,868
-	-	213,004	213,004
-	-	49,055	49,055
-	-	194,268	194,268
-	-	-	296,658
-	-	-	4,057,409
-	-	-	1,017,905
-	-	-	22,508,420
<u>9,541,914</u>	<u>2,945,372</u>	<u>7,801,115</u>	<u>61,493,191</u>
<u>\$ 10,704,789</u>	<u>\$ 3,905,770</u>	<u>\$ 8,230,384</u>	<u>\$ 70,039,860</u>



CITY OF CONROE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION SEPTEMBER 30, 2017

Total Fund Balances - Governmental Funds \$ 61,493,191

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	\$ 342,832,582	
Accumulated Depreciation of Governmental Capital Assets	<u>(112,329,421)</u>	230,503,161

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. 719,450

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	\$ (142,235,000)	
Premiums/Discounts on Bonds Payable	(9,019,904)	
Deferred Charge on Refunding	2,262,483	
Accrued Interest on Bonds	(400,643)	
Capital Lease Payable	(279,301)	
Notes Payable	(648,002)	
Net Pension Liability - TMRS	(22,648,698)	
Net Pension Liability - Firefighters' Retirement	(19,316,952)	
Deferred Outflows for Pensions	9,023,033	
Deferred Inflows for Pensions	(1,191,606)	
Severance Benefits	(1,248,975)	
Compensated Absences	<u>(8,333,046)</u>	(194,036,611)

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

Internal service fund net position is (excluding capital assets): (3,284,476)

Total Net Position - Governmental Activities \$ 95,394,715

CITY OF CONROE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Debt Service Fund
REVENUES		
Taxes	\$ 60,199,961	\$ 9,033,286
Licenses and Permits	3,236,949	-
Charges for Sales and Services	2,328,436	-
Lease Income	143,640	-
Fines and Forfeitures	1,609,202	-
Intergovernmental	2,717,426	-
Investment Income	277,016	110,440
Net Change in Fair Value of Investments	(103,064)	(16,396)
Penalties and Interest	290,916	161,859
Miscellaneous Revenue	1,207,926	893,288
TOTAL REVENUES	71,908,408	10,182,477
EXPENDITURES		
Current:		
General Government		
Administration	1,177,647	-
Legal	599,764	-
Municipal Court	1,149,093	-
Building Operations	-	-
Warehouse/Purchasing	351,178	-
Information Technology	2,312,419	-
Transportation	346,531	-
Human Resources	808,674	-
Culture-Recreation	-	-
Non-Departmental	4,875,731	-
Finance	1,979,328	-
Public Safety		
Police	18,753,251	-
Fire	14,009,878	-
Community Development	2,016,087	-
Parks		
Parks and Recreation Administration	803,898	-
Recreation Center	1,371,129	-
Aquatic Center	1,416,251	-
Parks Operations	1,600,180	-
Public Works		
Drainage Maintenance	893,650	-
Streets	4,328,320	-
Signal Maintenance	946,206	-
Engineering	2,645,443	-
Debt Service:		
Principal Retirement	61,940	8,855,000
Interest and Fiscal Charges	13,238	4,740,154
Bond Issuance Costs	-	270,944
Capital Outlay	2,522,639	-
TOTAL EXPENDITURES	64,982,475	13,866,098
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,925,933	(3,683,621)
OTHER FINANCING SOURCES (USES)		
Bonds Issued	-	-
Premium on Bonds Issued	-	-
Transfers In	215,809	3,896,229
Transfers Out	(6,158,020)	-
TOTAL OTHER FINANCING SOURCES (USES)	(5,942,211)	3,896,229
Net Change in Fund Balances	983,722	212,608
Fund Balances at Beginning of Year	28,651,695	11,356,765
FUND BALANCES AT END OF YEAR	\$ 29,635,417	\$ 11,569,373

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

Streets CIP Fund	Facilities CIP Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,163,561	\$ 70,396,808
-	-	-	3,236,949
-	-	-	2,328,436
-	-	253,258	396,898
-	-	126,201	1,735,403
-	-	3,057,902	5,775,328
38,000	43,839	45,004	514,299
-	-	(400)	(119,860)
-	-	866	453,641
536,555	-	607,502	3,245,271
574,555	43,839	5,253,894	87,963,173
-	-	-	1,177,647
-	-	-	599,764
-	-	14,582	1,163,675
-	510,008	571,961	1,081,969
-	-	-	351,178
-	-	-	2,312,419
-	-	770,106	1,116,637
-	-	-	808,674
-	-	948,898	948,898
-	-	739,726	5,615,457
-	-	-	1,979,328
-	-	487	18,753,738
-	-	-	14,009,878
-	-	410,174	2,426,261
-	-	-	803,898
-	-	-	1,371,129
-	-	-	1,416,251
-	-	12,852	1,613,032
-	-	-	893,650
10,371	-	-	4,338,691
-	-	-	946,206
-	-	-	2,645,443
-	-	113,000	9,029,940
-	-	42,999	4,796,391
-	-	-	270,944
6,953,297	7,817,480	3,252,440	20,545,856
6,963,668	8,327,488	6,877,225	101,016,954
(6,389,113)	(8,283,649)	(1,623,331)	(13,053,781)
10,784,402	6,529,401	2,796,197	20,110,000
994,895	602,358	257,958	1,855,211
-	-	2,976,915	7,088,953
(730,000)	(125,000)	(3,231,642)	(10,244,662)
11,049,297	7,006,759	2,799,428	18,809,502
4,660,184	(1,276,890)	1,176,097	5,755,721
4,881,730	4,222,262	6,625,018	55,737,470
\$ 9,541,914	\$ 2,945,372	\$ 7,801,115	\$ 61,493,191

CITY OF CONROE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2017

Total Net Change in Fund Balances - Governmental Funds \$ 5,755,721

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 Outlay Expenditures	\$ 20,545,856	
Depreciation Expense	<u>(11,521,447)</u>	9,024,409

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position. (289,404)

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. 116,345

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

Debt issued:		
Bonds	\$ (20,110,000)	
Bond Premiums	(1,855,211)	
Repayments:		
To Paying Agent for Bond Principal	8,855,000	
Capital Lease Principal	61,940	
Notes	<u>113,000</u>	(12,935,271)

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

Accrued Interest Bonds Payable	\$ (186,489)	
Amortization of Bond Premium/Discount	495,907	
Amortization of Deferred Amount on Refunding	(204,137)	
Compensated Absences	(1,095,168)	
Severance Liability	(280,181)	
Net Pension Liability - Firefighters' Retirement (including deferred amounts)	(1,082,781)	
Net Pension Liability - TMRS (including deferred amounts)	<u>(2,131,711)</u>	(4,484,560)

Internal service funds are used by the City. The net revenue of the internal service funds are reported with governmental activities. 1,919,655

Change in Net Position - Governmental Activities \$ (893,105)

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

CITY OF CONROE, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 59,197,942	\$ 59,197,942	\$ 60,199,961	\$ 1,002,019
Licenses and Permits	2,494,176	2,494,176	3,236,949	742,773
Charges for Sales and Services	2,050,212	2,050,212	2,328,436	278,224
Lease Income	200,640	200,640	143,640	(57,000)
Fines and Forfeitures	1,895,519	1,895,519	1,609,202	(286,317)
Intergovernmental	2,054,927	2,094,927	2,717,426	622,499
Investment Income	105,418	105,418	277,016	171,598
Net Change in Fair Value of Investments	-	-	(103,064)	(103,064)
Penalties and Interest	108,414	108,414	290,916	182,502
Miscellaneous Revenue	99,930	117,943	1,207,926	1,089,983
TOTAL REVENUES	68,207,178	68,265,191	71,908,408	3,643,217
EXPENDITURES				
Current:				
General Government				
Administration	1,096,541	1,182,210	1,177,647	4,563
Legal	616,558	616,558	599,764	16,794
Municipal Court	1,313,346	1,313,346	1,149,093	164,253
Warehouse/Purchasing	366,772	366,772	351,178	15,594
Information Technology	2,319,552	2,341,552	2,312,419	29,133
Transportation	565,579	565,579	346,531	219,048
Human Resources	920,630	921,213	808,674	112,539
Non-Departmental	5,332,194	5,351,120	4,875,731	475,389
Finance	1,869,506	1,885,525	1,979,328	(93,803)
Public Safety				
Police	18,301,906	18,590,199	18,753,251	(163,052)
Fire	14,217,068	14,369,358	14,009,878	359,480
Community Development	2,012,051	2,048,324	2,016,087	32,237
Parks				
Parks and Recreation Administration	806,654	806,654	803,898	2,756
Recreation Center	1,263,635	1,263,635	1,371,129	(107,494)
Aquatic Center	1,420,388	1,420,388	1,416,251	4,137
Parks Operations	1,803,613	1,806,500	1,600,180	206,320
Public Works				
Drainage Maintenance	906,900	910,575	893,650	16,925
Streets	4,128,184	4,274,996	4,328,320	(53,324)
Signal Maintenance	1,043,223	1,200,770	946,206	254,564
Engineering	2,662,927	2,802,927	2,645,443	157,484
Debt Service:				
Principal Retirement	61,940	61,940	61,940	-
Interest and Fiscal Charges	13,238	13,238	13,238	-
Capital Outlay	2,559,227	3,028,501	2,522,639	505,862
TOTAL EXPENDITURES	65,601,632	67,141,880	64,982,475	2,159,405
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,605,546	1,123,311	6,925,933	5,802,622
OTHER FINANCING SOURCES (USES)				
Transfers In	1,427,058	1,459,150	215,809	(1,243,341)
Transfers Out	(4,661,926)	(7,401,313)	(6,158,020)	1,243,293
TOTAL OTHER FINANCING SOURCES (USES)	(3,234,868)	(5,942,163)	(5,942,211)	(48)
Net Change in Fund Balance	(629,322)	(4,818,852)	983,722	5,802,574
Fund Balance at Beginning of Year	28,651,695	28,651,695	28,651,695	-
FUND BALANCE AT END OF YEAR	\$ 28,022,373	\$ 23,832,843	\$ 29,635,417	\$ 5,802,574

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

CITY OF CONROE, TEXAS, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

SEPTEMBER 30, 2017

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 29,992	\$ 213,431
Investments	42,855,228	773,740
Receivables (Net of Allowances for Uncollectibles):		
Accounts	5,070,316	3,449
Interest	6,483	53
Other	1,499	207,454
Prepaid Items	-	143,095
Inventories	615,352	37,674
Total Current Assets	48,578,870	1,378,896
Noncurrent Assets:		
Capital Assets (Net of Accumulated Depreciation)	162,956,968	164,654
Total Noncurrent Assets	162,956,968	164,654
TOTAL ASSETS	211,535,838	1,543,550
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows for Pensions	1,330,140	198,657
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,330,140	198,657
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,500,655	37,777
Other Payables	1,058,400	14,642
Retainage Payable	27,507	-
Health Claims Liability	-	556,467
Accrued Interest Payable	1,427,979	-
Customer Deposits	327,535	-
Compensated Absences	18,280	3,121
Capital Lease	486,237	-
Revenue Bonds Payable	4,375,000	-
Total Current Liabilities	9,221,593	612,007
Noncurrent Liabilities, net of current portion		
Customer Deposits	400,321	-
Compensated Absences	772,272	79,549
Capital Lease	1,570,925	-
OPEB Liability	-	3,526,846
Net Pension Liability	4,238,031	632,953
Revenue Bonds, Net	116,651,014	-
Total Noncurrent Liabilities	123,632,563	4,239,348
TOTAL LIABILITIES	132,854,156	4,851,355
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows for Pensions	71,467	10,674
TOTAL DEFERRED INFLOWS OF RESOURCES	71,467	10,674
NET POSITION		
Net Investment in Capital Assets	60,403,915	164,654
Restricted for Debt Service	5,779,189	-
Unrestricted	13,757,251	(3,284,476)
TOTAL NET POSITION	\$ 79,940,355	\$ (3,119,822)

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

CITY OF CONROE, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES		
Charges for Sales and Services	\$ 35,025,871	\$ 11,946,856
TOTAL OPERATING REVENUES	35,025,871	11,946,856
OPERATING EXPENSES		
Public Works	13,905,842	-
Utility Billing and Collection	881,734	-
Water Production	3,429,866	-
Sewage Treatment	4,463,863	-
Pump and Motor Maintenance	1,261,674	-
Fleet Services	-	2,250,206
General Government	-	11,155,864
Depreciation	4,973,315	21,164
TOTAL OPERATING EXPENSES	28,916,294	13,427,234
Operating Income (Loss)	6,109,577	(1,480,378)
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental	2,703,304	-
Investment Income	200,594	3,479
Net Change in Fair Value of Investments	(6,785)	-
Other Income	338,943	-
Interest Expense	(3,998,845)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(762,789)	3,479
Income (Loss) Before Transfers	5,346,788	(1,476,899)
Transfers In	481,159	3,405,192
Transfers Out	(722,004)	(8,638)
NET TRANSFERS	(240,845)	3,396,554
Change in Net Position	5,105,943	1,919,655
Net Position at Beginning of Year	74,834,412	(5,146,108)
Prior Period Adjustment (see Note XIV)	-	106,631
NET POSITION AT END OF YEAR	\$ 79,940,355	\$ (3,119,822)

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, 2017

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 34,169,057	\$ 12,311,971
Payments to Employees	(5,413,687)	(713,422)
Payments to Vendors	(22,850,868)	(14,517,560)
Net Cash Provided by (Used for) Operating Activities	<u>5,904,502</u>	<u>(2,919,011)</u>
Cash Flows from Non-Capital Financing Activities:		
Transfers From Other Funds	481,159	3,405,192
Transfers To Other Funds	(722,004)	(8,638)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(240,845)</u>	<u>3,396,554</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets	(6,406,598)	(79,187)
Intergovernmental Reimbursements	2,703,304	-
Principal Paid	(4,939,883)	-
Interest Paid	(4,025,722)	-
Proceeds from Capital Debt	23,966,202	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>11,297,303</u>	<u>(79,187)</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(19,199,011)	(188,367)
Proceeds from Sale and Maturities of Investments	1,235,000	-
Interest and Dividends on Investments	195,612	3,442
Net Cash Provided by (Used for) Investing Activities	<u>(17,768,399)</u>	<u>(184,925)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(807,439)	213,431
Cash and Cash Equivalents at Beginning of Year	837,431	-
Cash and Cash Equivalents at End of Year	<u>\$ 29,992</u>	<u>\$ 213,431</u>
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by (Used for) Operating Activities:		
Operating Income (Loss)	\$ 6,109,577	\$ (1,480,378)
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
Provided by (Used for) Operating Activities:		
Depreciation	4,973,315	21,164
Other Non-Operating Income	338,943	-
Changes in Assets and Liabilities:		
Decrease (Increase) in Receivables	(481,153)	(85,123)
Decrease (Increase) from External Parties	-	450,238
Decrease (Increase) in Prepaid Items	-	(143,095)
Decrease (Increase) in Inventories	18,291	9,735
Increase (Decrease) in Payables	(3,593,418)	(2,177,727)
Increase (Decrease) in Compensated Absences	163,807	42,891
Increase (Decrease) of Customer Deposits	116,595	-
Increase (Decrease) in Unearned Revenue	(831,199)	-
Increase (Decrease) in OPEB Liability	-	(1,686)
Increase (Decrease) in Net Pension Liability (including deferred amounts)	(910,256)	444,970
Net Cash Provided by (Used for) Operating Activities	<u>\$ 5,904,502</u>	<u>\$ (2,919,011)</u>

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

CITY OF CONROE, TEXAS

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

SEPTEMBER 30, 2017

	City of Conroe OPEB Trust Fund
ASSETS	
Cash and Cash Equivalents	\$ 283,854
Investments (Fair Value)	5,352,806
Receivables (Net of Allowances for Uncollectibles):	
Other	51
TOTAL ASSETS	5,636,711
LIABILITIES	
Payable to External Parties	190,515
TOTAL LIABILITIES	190,515
NET POSITION	
Assets Held in Trust for OPEB	5,446,196
TOTAL NET POSITION	\$ 5,446,196

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

CITY OF CONROE, TEXAS*STATEMENT OF CHANGES IN NET POSITION**FIDUCIARY FUNDS**SEPTEMBER 30, 2017*

	City of Conroe OPEB Trust Fund
ADDITIONS	
Contributions:	
Employer Contributions	\$ 1,906,490
Investment Earnings:	
Investment Income	165,632
Net Change in Fair Value of Investment	291,450
TOTAL ADDITIONS	<u>2,363,572</u>
DEDUCTIONS	
Benefits and Refunds Paid to Members and Beneficiaries	922,438
TOTAL DEDUCTIONS	<u>922,438</u>
Change in Net Position	1,441,134
Net Position at Beginning of the Year	4,005,062
NET POSITION AT END OF YEAR	<u><u>\$ 5,446,196</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, 2017

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The City's 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 codification, include whether:

- the organization is legally separate
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

DISCRETE COMPONENT UNITS

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

Oscar Johnson, Jr. Community Center Volunteers, Inc. 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.

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

B. Basis of Presentation, Basis of Accounting

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

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property and sales taxes. Property tax revenues and revenues received from Federal and State governments 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.

All proprietary funds, including the enterprise and internal service funds, and fiduciary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when they are incurred. These funds are accounted for using the economic resources measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included in the funds' statement of net position. Proprietary funds distinguish operating revenues and expenses from non-operating items. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its maintenance of City vehicles and for costs of providing health, dental, and vision insurance to the City's employees, retirees, and dependents. The fiduciary funds financial statements reflect the City's OPEB trust fund.

The accounts of the City are organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

expenditures/expenses. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means to which spending activities are controlled. Funds are classified into three categories: Governmental, Proprietary, and Fiduciary. The major funds of the City are noted within each category.

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

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

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

The *Streets CIP Fund* is a capital projects fund used to account for the acquisition and construction of street and roadway capital projects. The principal resources of the fund are proceeds from the sale of bonds.

The *Facilities CIP Fund* 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.

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

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

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

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

C. Implementation of New Standards

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

GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* ("GASB 74"), replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. GASB 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The plan implemented GASB 74.

GASB Statement 77, *Tax Abatement Disclosures* ("GASB 77"), has the objective to provide essential information about tax abatement programs to assist financial statement users to better assess: 1) sources and uses of financial resources; 2) compliance with finance related legal or contractual requirements; and 3) financial position and economic conditions. Implementation of GASB 77 is reflected in Note XIII.

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

GASB Statement 80, *Blending Requirements for Certain Component Units* ("GASB 80"), clarifies the financial statement presentation requirements for certain component units which are incorporated as not-for-profit entities. Implementation of GASB 80 did not have an impact on the City's financial disclosures.

GASB Statement 82, *Pension Issues* ("GASB 82"), addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendment to Certain Provisions of GASB Statements 6 and 68*. Specifically, this Statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, deviations from the guidance of the Actuarial Standards Board, and the classification of payments made by employers to satisfy employee (plan members) contribution requirements. Implementation of GASB 82 did not have an impact on the City's financial disclosures.

D. Cash and Investments

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

The City, as a reporting entity, considers demand deposits to be cash equivalents.

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

E. Property Taxes

Property taxes attach as an enforceable lien on property on February 1. Taxes are levied and become payable on October 1. The Montgomery County Tax Assessor-Collector is responsible for billing and collecting City property taxes. City property tax revenues are recognized when levied to the extent that they result in current receivables. However, not all outstanding property taxes are expected to be collected within one year of the financial statements. The combined current tax rate to finance general governmental services and payment of principal and interest on long-term debt for the year ended September 30, 2017, was \$0.4175 per \$100, allocated \$0.2925 for the General Fund and \$0.1250 for the Debt Service Fund. The tax rate for the year ended September 30, 2016, was \$0.4200 per \$100, which was allocated \$0.2750 to the General Fund and \$0.1450 to the Debt Service Fund.

F. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

G. Land Held for Resale

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

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

H. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. A capitalization threshold of \$5,000 is used.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized cost of the assets constructed. During the year ended September 30, 2017, no interest was capitalized by the City.

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

I. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The components of the deferred outflows of resources and deferred inflows of resources in the government-wide and fund level financial statements are as follows:

	<u>Statement of Net Position</u>		<u>Balance Sheet - Governmental Funds</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>General Fund</u>	<u>Debt Service Fund</u>
Deferred Outflows of Resources				
Pension Activities - TMRS	\$ 4,509,525	\$ 820,883	\$ -	\$ -
Contributions After the Measurement Date - TMRS	2,797,606	509,257	-	-
Pension Activities - CFFR&RF	1,914,559	-	-	-
Charges on Refundings	2,262,483	-	-	-
Total Deferred Outflows of Resources	<u>\$ 11,484,173</u>	<u>\$ 1,330,140</u>	<u>\$ -</u>	<u>\$ -</u>
Deferred Inflows of Resources				
Pension Activities - TMRS	\$ 392,606	\$ 71,467	\$ -	\$ -
Pension Activities - CFFR&RF	809,674	-	-	-
Unavailable Property Taxes	-	-	502,039	217,411
Total Deferred Inflows of Resources	<u>\$ 1,202,280</u>	<u>\$ 71,467</u>	<u>\$ 502,039</u>	<u>\$ 217,411</u>

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- City contributions after the measurement date are recognized in the subsequent year.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

J. Compensated Absences

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

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

K. 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.

L. 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.

M. Net Position and Fund Balances

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

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

In the fund financial statements, governmental funds report fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which the amounts in the respective governmental funds can be spent. The City reports the following classifications of fund balance:

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

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

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

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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.

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.

N. 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, Firearms Training Facility and Woodlands Township Regional Participation. Capital project funds and grant 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 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 Assistant City Administrator/CFO may, at any time with the consent of the City Administrator, transfer any unencumbered appropriation from one line item to another line item within the same department, provided however, that no unencumbered appropriation may be transferred from one department or fund to another except upon the express approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriation) is the department level.

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

b. Excess of Expenditures Over Appropriations

For the year ended September 30, 2017, expenditures exceeded appropriations in the following departments (the legal level of budgetary control):

- (1) Finance department of the General Fund by \$93,803. These over expenditures were funded by revenues collected during the fiscal year.
- (2) Police department of the General Fund by \$163,052. These over expenditures were funded by revenues collected during the fiscal year.
- (3) Recreation Center division of the General Fund by \$107,494. These over expenditures were funded by revenues collected during the fiscal year.
- (4) Streets department of the General Fund by \$53,324. These over expenditures were funded by under spending within the department's capital budget.

O. Pensions

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

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

P. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders/contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Encumbrances are reported in the financial statements as restricted, committed, or assigned for specific purposes in the governmental funds. As of September 30, 2017, significant encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in:	
	Restricted	Assigned
	Fund Balance	Fund Balance
General Fund	\$ -	\$ 43,796
Streets CIP Fund	9,116,908	-
Facilities CIP Fund	1,075,358	-
Nonmajor Governmental	2,364,019	-
Total Encumbrances	<u>\$ 12,556,285</u>	<u>\$ 43,796</u>

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

II. Compliance and Accountability

Deficit Fund Balance or Fund Net Position of Individual Funds

The Self-Funded Insurance Fund had a deficit fund net position of \$3,526,845 at September 30, 2017. Exclusive of the City's OPEB liability of \$3,526,846, the City would recognize a positive net position of \$1.

III. Deposits and Investments

Primary Government:

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

The custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not insured or collateralized. The City's deposits are not exposed to custodial credit risk since all deposits are covered by FDIC insurance or pledged securities held for safekeeping and trust with the City's and the depository bank's agent bank. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Investments: The City's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. City policy limits credit risk by authorizing the following investments: 1) Obligations of the United States of America, its agencies and instrumentalities; 2) Certificates of Deposit issued by a bank or broker approved by the City Council and organized under Texas law, the laws of another state, or federal law, that has its main office or a branch office in Texas, or by a savings and loan association or a savings bank organized under Texas law, the laws of another state, or federal law, that has its main office or a branch office in Texas and that is guaranteed or insured by the Federal Deposit Insurance or its successor or secured by obligations in a manner and amount provided by law for deposits of the City; 3) Fully collateralized direct repurchase agreements with a defined termination date secured by a combination of cash and obligations of the United States, its agencies or instrumentalities. These shall be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City. 4) No-Load Money Market Mutual funds that are: a) Registered and regulated by the Securities and Exchange Commission; b) Provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940; c) Complies with federal SEC Rule 2a-7; d) Continuously rated AAA by at least one nationally recognized rating service; and e) Mark its portfolio to market daily; 5) Local government investment pools, which: a) Meet the requirements of Chapter 2256.016 of the Public Funds Investment Act; b) Are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service; c) Seek to maintain a \$1.00 net asset value, and; d) Are authorized by resolution or ordinance by the City Council; 6) Obligations of the State of Texas or its agencies and instrumentalities; 7) Obligations of States, Agencies, Counties, Cities, and other political subdivisions of any State rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; 8) Commercial Paper that has a stated final maturity of 270 days or fewer from the date of its issuance and is rated A-1, P-1, or equivalent rating by at least two nationally recognized credit rating agencies; 9) Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; 10) Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or by the explicit full faith and credit of the United States. Investment of City funds in any instrument or security not authorized for investment is prohibited.

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

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

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

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Percentage of Total Investments	Weighted Average Maturity (Years)	Credit Risk
Governmental Activities:					
Measured at Amortized Cost:					
TexPool	\$ 7,013,493	\$ -	11.90%	0.09	AAAm
Measured at Net Asset Value (NAV):					
TexSTAR	13,054,621	-	22.16%	0.07	AAAm
Texas CLASS	15,166,704	-	25.74%	0.15	AAAm
Texas CLASS Government	2,012,067	-	3.42%	0.04	AAAm
Money Market Mutual Fund	25,199	-	0.04%	0.00	Not Rated
U.S. Government	17,944,970	17,944,970	30.46%	1.28	AA+
Municipal Bonds	3,699,844	3,699,844	6.28%	0.58	AA-,AA,Aa2,AAA
Total Governmental Activities	<u>\$ 58,916,898</u>	<u>\$ 21,644,814</u>	<u>100.00%</u>		
Governmental Portfolio Weighted Average Maturity				0.49	
Business-type Activities:					
Measured at Amortized Cost:					
TexPool	\$ 19,953,583	\$ -	46.56%	0.09	AAAm
Measured at Net Asset Value (NAV):					
TexSTAR	9,245,170	-	21.57%	0.07	AAAm
Texas CLASS	8,401,177	-	19.60%	0.15	AAAm
Texas CLASS Government	2,006,792	-	4.68%	0.04	AAAm
U.S. Government	2,997,680	2,997,680	7.00%	0.61	AA+
Municipal Bonds	250,825	250,825	0.59%	0.75	AA-
Total Business-type Activities	<u>\$ 42,855,228</u>	<u>\$ 3,248,505</u>	<u>100.00%</u>		
Business-type Portfolio Weighter Average Maturity				0.14	
Fiduciary Fund					
Mutual Funds - Cash	\$ 164,072	\$ 164,072	3.06%	-	Not Rated
Mutual Funds - Fixed Income	2,480,432	2,480,432	46.34%	7.34	Not Rated
Mutual Funds - Equity	2,708,302	2,708,302	50.60%	N/A	Not Rated
Total Fiduciary Fund	<u>\$ 5,352,806</u>	<u>\$ 5,352,806</u>	<u>100.00%</u>		

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

Texpool, an investment pool, is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pool transacts at a net asset value of \$1.00 per share, has a weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. Texpool has a redemption notice

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period of one day and no maximum transaction amounts. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity.

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

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

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

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

Interest rate risk: Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The City monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the City reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio and by holding securities to maturity.

Credit risk: For fiscal year 2017, the City invested in various investment types. The credit rating for those investments are noted in the preceding table. In compliance with the City's Investment Policy, as of September, 30, 2017, the City minimized credit risk 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 that were rated AAAm by Standard and Poor's;
- Purchasing investments in obligations of the United States of America, its agencies or instrumentalities;
- Purchasing commercial paper investments that were rates 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 – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City is not exposed to custodial risk due to securities are held by the City's 3rd party safekeeping agent.

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Discretely Presented Component Unit:

The Conroe Industrial Development Corporation's investment balances, weighted average maturity, and credit risk of such investments are as follows:

Component Unit	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Percentage of Total Investments	Weighted Average Maturity (Years)	Credit Risk
Measured at Amortized Cost:					
TexPool	\$ 1,150,420	\$ -	4.67%	0.09	AAAm
Measured at Net Asset Value (NAV):					
TexSTAR	1,859,512	-	7.55%	0.07	AAAm
Texas CLASS	10,883,456	-	44.17%	0.15	AAAm
Texas CLASS Government	2,012,067	-	8.16%	0.04	AAAm
U.S. Government	7,980,200	7,980,200	32.39%	1.16	AA+
Municipal Bonds	755,328	755,328	3.06%	0.53	Aa2, AAA
Total Value	<u>\$ 24,640,983</u>	<u>\$ 8,735,528</u>	<u>100.00%</u>		
Portfolio Weighted Average Maturity				0.47	

Interest rate risk: Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The CIDC monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the CIDC reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio and by holding securities to maturity.

Credit risk: For fiscal year 2017, the CIDC invested in various investments. The credit ratings for these investments are noted in the preceding table.

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

IV. Receivables

The City reports in various funds receivables for amounts to be received from taxes, customers, and interest. A breakdown of these receivables at September 30, 2017 is as follows:

Receivables:	General Fund	Debt Service Fund	Facilities CIP Fund	Nonmajor Governmental	Water and Sewer Fund	Internal Service Funds	Component Units
Property Taxes	\$ 587,567	\$ 251,078	\$ -	\$ -	\$ -	\$ -	\$ -
Gross Receipts Tax	910,612	-	-	-	-	-	-
Accounts	-	-	-	254,441	5,155,316	3,449	-
Interest	44,992	28,532	103	592	6,483	53	27,879
Other	356,150	-	-	242,565	1,499	207,454	912,710
Gross Receivables	1,899,321	279,610	103	497,598	5,163,298	210,956	940,589
Less: Allowance for Uncollectables	(46,479)	(19,863)	-	-	(85,000)	-	-
Net Receivables	<u>\$ 1,852,842</u>	<u>\$ 259,747</u>	<u>\$ 103</u>	<u>\$ 497,598</u>	<u>\$ 5,078,298</u>	<u>\$ 210,956</u>	<u>\$ 940,589</u>

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Due from other governments of \$7,230,386 consists of monies due from the State of Texas for sales tax revenues.

V. Interfund Balances and Transfers

A. Due To and From Other Funds

Interfund balances consist of short-term lending/borrowing arrangements that are the result of normal transactions between funds and will be liquidated in the subsequent fiscal year. Balances between governmental funds are eliminated in the government-wide financial statements.

A summary of interfund receivables and payables at September 30, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	\$ 195,904
Total All Funds		<u>\$ 195,904</u>

B. Transfers To and From Other Funds

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

Transfers between funds during the year were as follows:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Water and Sewer	\$ 481,159	Administration costs
General Fund	Nonmajor Governmental	339,843	Increase in TIRZ #2 property tax value
General Fund	Nonmajor Governmental	2,195,664	Increase in TIRZ #3 property tax value
General Fund	Nonmajor Governmental	161,692	In lieu of rent for Conroe Tower
General Fund	Nonmajor Governmental	225,818	Fund balance reclass to new funds
General Fund	Internal Service	2,753,844	Self-funded insurance
Streets CIP Fund	Debt Service	730,000	CIP project close-out
Facilities CIP Fund	Debt Service	125,000	CIP project close-out
Water and Sewer	General Fund	16,758	Prior year grant funds reclassification
Water and Sewer	Nonmajor Governmental	53,898	In lieu of rent for Conroe Tower
Water and Sewer	Internal Service	651,348	Self-funded insurance
Nonmajor Governmental	General Fund	45,785	Administration cost reimbursement
Nonmajor Governmental	General Fund	2,253	To fund vehicle & equipment purchases
Nonmajor Governmental	General Fund	25,703	Fund balance reclass to new funds
Nonmajor Governmental	General Fund	15,000	Municipal Court security officer
Nonmajor Governmental	General Fund	101,672	Administration cost reimbursement
Nonmajor Governmental	Debt Service	650,000	CIP project close-out
Nonmajor Governmental	Debt Service	2,391,229	TIRZ #3 principal & interest requirements
Internal Service	General Fund	8,638	To fund vehicle & equipment purchases
		<u>\$ 10,975,304</u>	

VI. Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

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Governmental Activities:	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Land and Easements	\$ 14,678,035	\$ 109,220	\$ -	\$ 606,790	\$ 15,394,045
Construction in Progress	48,747,273	17,539,524	-	(16,870,063)	49,416,734
Total Capital Assets Not Depreciated	63,425,308	17,648,744	-	(16,263,273)	64,810,779
Buildings and Improvements	71,700,126	-	-	-	71,700,126
Machinery and Equipment	31,931,590	2,976,299	(1,171,221)	1,032,034	34,768,702
Infrastructure	156,321,736	-	-	15,231,239	171,552,975
	259,953,452	2,976,299	(1,171,221)	16,263,273	278,021,803
Less Accumulated Depreciation for:					
Buildings and Improvements	(28,292,619)	(3,092,604)	-	-	(31,385,223)
Machinery and Equipment	(16,792,908)	(2,969,091)	881,817	-	(18,880,182)
Infrastructure	(56,583,100)	(5,480,916)	-	-	(62,064,016)
	(101,668,627)	(11,542,611)	881,817	-	(112,329,421)
Total Capital Assets being Depreciated, net	158,284,825	(8,566,312)	(289,404)	16,263,273	165,692,382
Governmental Activities Capital Assets, net	\$221,710,133	\$ 9,082,432	\$ (289,404)	\$ -	\$230,503,161

Business-Type Activities:	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Land and Easements	\$ 1,957,409	\$ 11,935	\$ -	\$ -	\$ 1,969,344
Construction in Progress	58,488,845	5,942,537	-	(35,038,021)	29,393,361
Total Capital Assets Not Depreciated	60,446,254	5,954,472	-	(35,038,021)	31,362,705
Buildings and Improvements	1,973,847	-	-	-	1,973,847
Machinery and Equipment	9,841,565	661,796	(667,268)	646,575	10,482,668
Infrastructure	176,640,458	-	-	34,391,446	211,031,904
	188,455,870	661,796	(667,268)	35,038,021	223,488,419
Less Accumulated Depreciation for:					
Buildings and Improvements	(464,498)	(74,924)	-	-	(539,422)
Machinery and Equipment	(4,047,668)	(651,632)	457,598	-	(4,241,702)
Infrastructure	(82,866,273)	(4,246,759)	-	-	(87,113,032)
	(87,378,439)	(4,973,315)	457,598	-	(91,894,156)
Total Capital Assets being Depreciated, net	101,077,431	(4,311,519)	(209,670)	35,038,021	131,594,263
Governmental Activities Capital Assets, net	\$161,523,685	\$ 1,642,953	\$ (209,670)	\$ -	\$162,956,968

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 1,072,196
Finance	85,035
Public Safety	4,694,160
Parks	2,810,343
Public Works	2,880,877
	<u>\$ 11,542,611</u>
Business-type Activities:	
Water and Sewer	\$ 4,973,315
	<u>\$ 4,973,315</u>

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The City has active construction projects as of September 30, 2017. Total accumulated commitments for ongoing capital projects are composed of the following:

	Spent-to-Date	Remaining Commitment
Water and Sewer	\$ 522,627	\$ 11,548,882
Streets CIP Fund	3,118,559	3,463,259
Facilities CIP Fund	6,684,322	1,763,910
Transportation CIP Fund	794,034	328,860
Parks CIP Fund	764,373	112,686
Signals CIP Fund	1,245,300	574,348
Totals	<u>\$ 13,129,215</u>	<u>\$ 17,791,945</u>

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

Discrete Component Units:

	Beginning Balance	Additions	Deletions	Tranfers	Ending Balance
Oscar Johnson Jr. Community Center					
Land and Easements	\$ 108,770	\$ -	\$ -	\$ -	\$ 108,770
Total Capital Assets Not Depreciated	108,770	-	-	-	108,770
Buildings and Improvements	1,421,618	-	-	-	1,421,618
Machinery and Equipment	226,003	14,060	-	-	240,063
	1,647,621	14,060	-	-	1,661,681
Less Accumulated Depreciation for:					
Buildings and Improvements	(604,754)	(42,330)	-	-	(647,084)
Machinery and Equipment	(122,247)	(17,517)	-	-	(139,764)
	(727,001)	(59,847)	-	-	(786,848)
Total Capital Assets being Depreciated, net	920,620	(45,787)	-	-	874,833
Oscar Johnson Jr. Community Center Capital Assets, net	<u>\$ 1,029,390</u>	<u>\$ (45,787)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 983,603</u>

Depreciation expense of \$59,847 was charged to the Oscar Johnson Jr. Community Center.

VII. Long-Term Obligations

The City issues certificates of obligation bonds and revenue bonds to provide funds for the construction and renovation of facilities, parks, streets, signals, drainage, transportation, and water and sewer improvements. Bonds have been issued for both governmental and business-type activities.

Long-term debt also includes the City's accrued liability for compensated absences, severance payable, notes payable, health claims, OPEB, net pension liabilities, 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. Water and sewer revenue bonds are secured by water and sewer enterprise fund revenues. Payments are recorded in the Debt Service Fund and Water & Sewer Fund, respectively.

On September 21, 2017, the City issued \$20,110,000 in Certificates of Obligation, Series 2017A to fund the design, planning, acquisition, construction, equipping, expansion, repair, renovation, and/or rehabilitation of certain public works. Series 2017A had a premium of \$1,855,211, an annual interest rate of 2% to 5%, interest accrues semiannually and the bonds mature in 2037.

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On September 21, 2017, the City issued \$21,590,000 in Certificates of Obligation, Series 2017B to fund the design, planning, acquisition, construction, equipping, expansion, repair, renovation, and/or rehabilitation of water and sewer capital projects. Series 2017B had a premium of \$2,376,202, an annual interest rate of 2% to 5%, interest accrues semiannually and the bonds mature in 2038. While secured by the City's ad valorem taxes, the City intends to pay debt service on this series from surplus net revenue of the City's water and sewer system to the extent such revenues are available in any year.

A. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2017, are as follows:

	Beginning			Ending	Amounts
Governmental Activities:	Balance	Increases	Decreases	Balance	Due Within
					One Year
Refunding Bonds	\$ 40,365,000	\$ -	\$ (2,450,000)	\$ 37,915,000	\$ 1,020,000
Certificates of Obligation	90,615,000	20,110,000	(6,405,000)	104,320,000	7,305,000
Unamortized Premiums	7,660,600	1,855,211	(495,907)	9,019,904	-
Total Bonds Payable	138,640,600	21,965,211	(9,350,907)	151,254,904	8,325,000
Capital Leases	341,241	-	(61,940)	279,301	64,387
Notes Payable	761,002	-	(113,000)	648,002	118,000
Health Claims Liability	542,204	8,867,366	(8,853,103)	556,467	556,467
OPEB Liability	3,528,532	1,904,804	(1,906,490)	3,526,846	-
Net Pension Liability/TMRS	20,417,299	17,511,519	(14,647,167)	23,281,651	-
Net Pension Liability/Fire R/R	18,764,327	2,359,036	(1,806,411)	19,316,952	-
Severance Payable	968,794	280,181	-	1,248,975	-
Compensated Absences	7,237,878	1,309,612	(131,774)	8,415,716	151,232
Total Governmental Activities	\$ 191,201,877	\$ 54,197,729	\$ (36,870,792)	\$ 208,528,814	\$ 9,215,086

	Beginning			Ending	Amounts
Business-type Activities:	Balance	Increases	Decreases	Balance	Due Within
					One Year
Revenue Bonds	\$ 97,440,000	\$ -	\$ (4,240,000)	\$ 93,200,000	\$ 4,375,000
Certificates of Obligation	-	21,590,000	-	21,590,000	-
Unamortized Premiums	4,218,170	2,376,202	(240,625)	6,353,747	-
Unamortized Discounts	(126,235)	-	8,502	(117,733)	-
Total Bonds Payable	101,531,935	23,966,202	(4,472,123)	121,026,014	4,375,000
Customer Deposits	611,260	322,696	(206,100)	727,856	327,535
Capital Leases	2,524,923	-	(467,761)	2,057,162	486,237
Net Pension Liability/TMRS	5,758,726	2,870,969	(4,391,664)	4,238,031	-
Compensated Absences	666,524	165,854	(41,826)	790,552	18,280
Total Business-type Activities	\$ 111,093,368	\$ 27,325,721	\$ (9,579,474)	\$ 128,839,615	\$ 5,207,052

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

Liability	Activity Type	Fund
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 Liability/TMRS	Governmental	General
Net Pension Liability/TMRS	Business-type	Water and Sewer
Net Pension Liability/Fire R/R	Governmental	General

A summary of the long-term bonded debt of the City at September 30, 2017 is presented below:

Refunding Bonds	Rate	Issue Date	Amount of Original Issue	Maturity Date	Outstanding
Refunding Bonds, Series 2012	2.00-3.00%	2012	7,560,000	2023	\$ 4,780,000
Refunding Bonds, Series 2015	2.00-5.00%	2015	33,370,000	2030	33,135,000
Total Refunding Bonds Payable					<u>\$ 37,915,000</u>
Contractual and					
Certificates of Obligation					
Series 2005	4.33%	2005	\$ 3,865,000	2030	\$ 3,440,000
Series 2007	4.25-4.40%	2007	10,820,000	2018	595,000
Series 2008	3.50-4.00%	2008	17,100,000	2018	905,000
Series 2009	2.00-4.25%	2009	12,750,000	2030	9,605,000
Series 2010	2.00-4.00%	2010	9,270,000	2030	7,440,000
Series 2011	1.875-5.00%	2011	18,235,000	2031	15,660,000
Series 2012	2.00-3.125%	2012	8,970,000	2032	3,030,000
Series 2014	2.00-5.00%	2014	31,100,000	2034	29,760,000
Series 2015	2.00-4.00%	2015	8,795,000	2035	5,500,000
Series 2016	2.00-4.00%	2016	11,275,000	2036	8,275,000
Series 2017A	2.00-5.00%	2017	20,110,000	2037	20,110,000
Series 2017B	2.00-5.00%	2017	21,590,000	2038	21,590,000
Total Certificates of Obligations Payable					<u>\$ 125,910,000</u>
Revenue Bonds					
Waterworks and Sewer System					
Bonds, Series 2006	4.375-5.00%	2006	\$ 10,850,000	2030	\$ 7,925,000
Bonds, Series 2007	4.25-6.00%	2007	5,700,000	2030	4,170,000
Bonds, Series 2008	3.50-5.00%	2008	11,225,000	2030	8,185,000
Bonds, Series 2009	3.00-4.375%	2009	7,350,000	2030	5,475,000
Bonds, Series 2010	2.00-4.00%	2010	15,715,000	2031	11,965,000
Bonds, Series 2011	1.75-4.25%	2011	5,160,000	2032	4,140,000
Bonds, Series 2012	1.75-5.00%	2012	18,130,000	2032	15,525,000
Bonds, Series 2013	2.00-4.25%	2013	6,790,000	2033	6,010,000
Bonds, Series 2014	2.00-5.00%	2014	17,130,000	2035	15,900,000
Bonds, Series 2015	2.00-5.00%	2015	14,400,000	2035	13,905,000
Total Revenue Bonds					<u>\$ 93,200,000</u>

In prior years, the City defeased certain outstanding general obligation capital improvement bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments

CITY OF CONROE, TEXAS
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on the old bonds. Accordingly, the trust accounts and the liability for the defeased bonds are not included in the City's financial statements. As of September 30, 2017, the City had no outstanding defeased obligations.

Discrete Component Unit:

The Conroe Industrial Development Corporation (CIDC) has issued Sales Tax Revenue bonds to purchase land and construct streets, drainage, and water and sewer improvements in the Conroe Park North Industrial Park and Deison Technology Park. Principal and interest payments on the Sales Tax Revenue bonds are secured by 4B sales and use taxes.

Long-term obligations of the CIDC include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Sales Tax Revenue Bonds	\$ 36,130,000	\$ -	\$ (1,240,000)	\$ 34,890,000	\$ 2,145,000
Unamortized Premiums	1,359,360	-	(84,960)	1,274,400	-
Total Bonds Payable	<u>\$ 37,489,360</u>	<u>\$ -</u>	<u>\$ (1,324,960)</u>	<u>\$ 36,164,400</u>	<u>\$ 2,145,000</u>

A summary of the long-term bonded debt of the CIDC at September 30, 2017 is presented below:

Sales Tax Revenue Bonds	Rate	Issue Date	Amount of Original Issue	Maturity Date	Outstanding
Series 2012 CIDC	2.00-5.00%	2012	\$ 25,385,000	2032	\$ 21,460,000
Series 2016 Refunding CIDC, Taxable	2.90%	2016	13,815,000	2030	13,430,000
Total Sales Tax Revenue Bonds Payable					<u>\$ 34,890,000</u>

At September 30, 2017, the following outstanding bonds are considered defeased:

2011 Sales Tax Revenue Bonds (maturing 2017-2030, callable September 21, 2020)	<u>\$ 12,225,000</u>
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The CIDC and IRS entered into a Closing Agreement on Final Determination Covering Specific Matters dated March 31, 2016 (the "Closing Agreement"). In the Closing Agreement, the CIDC has agreed to redeem on September 1, 2021, \$8,360,000 of the Series 2012 bonds maturing on and after September 1, 2022. Amounts to be used for such redemption will be deposited with the paying agent for the Series 2012 Bonds by September 1, 2021, and at least 30 days prior to September 1, 2021, the paying agent will give notice of the specific bonds to be redeemed as provided in the bond resolution authorizing the Series 2012 Bonds. More information regarding this issue can be found in the CIDC Event Disclosure Filing dated April 7, 2016 at www.emma.msrb.org.

Arbitrage Rebate:

In accordance with the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Rebate arbitrage is the excess of the amount earned on investments purchased with bond proceeds over the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. Rebateable arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary of the bond issue and upon final redemption of all outstanding bonds of the issue. The City did not have arbitrage liability as of September 30, 2017.

CITY OF CONROE, TEXAS
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B. Debt Service Requirements

Primary Government:

Debt service requirements on long-term debt at September 30, 2017, are as follows:

Fiscal Year	Governmental Activities - Bonded Debt		
	Principal	Interest	Total
2018	\$ 8,325,000	\$ 5,212,241	\$ 13,537,241
2019	6,990,000	5,039,330	12,029,330
2020	7,210,000	4,839,380	12,049,380
2021	7,425,000	4,621,805	12,046,805
2022	7,670,000	4,378,955	12,048,955
2023	7,955,000	4,091,342	12,046,342
2024	8,295,000	3,752,838	12,047,838
2025	8,665,000	3,382,206	12,047,206
2026	9,030,000	3,016,496	12,046,496
2027	9,370,000	2,679,179	12,049,179
2028	9,725,000	2,321,264	12,046,264
2029	10,100,000	1,947,785	12,047,785
2030	10,490,000	1,557,935	12,047,935
2031	6,130,000	1,216,122	7,346,122
2032	5,380,000	961,619	6,341,619
2033	5,630,000	713,850	6,343,850
2034	5,890,000	452,075	6,342,075
2035	3,085,000	256,500	3,341,500
2036	2,700,000	140,800	2,840,800
2037	2,170,000	43,400	2,213,400
	<u>\$ 142,235,000</u>	<u>\$ 50,625,122</u>	<u>\$ 192,860,122</u>

Fiscal Year	Governmental Activities - Notes Payable		
	Principal	Interest	Total
2018	\$ 118,000	\$ 36,833	\$ 154,833
2019	123,000	30,289	153,289
2020	129,000	23,369	152,369
2021	135,000	16,039	151,039
2022	143,002	8,284	151,286
	<u>\$ 648,002</u>	<u>\$ 114,814</u>	<u>\$ 762,816</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, 2017**

Fiscal Year	Business-type Activities - Bonded Debt		
	Principal	Interest	Total
2018	\$ 4,375,000	\$ 4,213,988	\$ 8,588,988
2019	5,280,000	4,344,985	9,624,985
2020	5,460,000	4,174,546	9,634,546
2021	5,650,000	3,989,051	9,639,051
2022	5,845,000	3,782,495	9,627,495
2023	6,080,000	3,547,816	9,627,816
2024	6,360,000	3,273,214	9,633,214
2025	6,635,000	2,994,855	9,629,855
2026	6,915,000	2,723,724	9,638,724
2027	7,195,000	2,433,030	9,628,030
2028	7,495,000	2,132,221	9,627,221
2029	7,805,000	1,824,784	9,629,784
2030	8,135,000	1,502,812	9,637,812
2031	8,470,000	1,160,128	9,630,128
2032	5,135,000	878,162	6,013,162
2033	4,970,000	674,478	5,644,478
2034	3,905,000	485,019	4,390,019
2035	3,595,000	312,725	3,907,725
2036	2,455,000	175,450	2,630,450
2037	1,485,000	91,500	1,576,500
2038	1,545,000	30,900	1,575,900
	<u>\$ 114,790,000</u>	<u>\$ 44,745,883</u>	<u>\$ 159,535,883</u>

Component Unit requirements on long-term debt for component unit CIDC at September 30, 2017, are as follows:

Fiscal Year	Discrete Component Unit - CIDC - Bonded Debt		
	Principal	Interest	Total
2018	\$ 2,145,000	\$ 1,214,001	\$ 3,359,001
2019	2,220,000	1,137,771	3,357,771
2020	2,310,000	1,045,567	3,355,567
2021	2,410,000	949,386	3,359,386
2022	2,505,000	848,836	3,353,836
2023	2,610,000	747,661	3,357,661
2024	2,700,000	654,261	3,354,261
2025	2,800,000	557,592	3,357,592
2026	2,895,000	457,306	3,352,306
2027	2,985,000	371,546	3,356,546
2028	3,075,000	283,121	3,358,121
2029	2,095,000	192,031	2,287,031
2030	2,160,000	129,173	2,289,173
2031	975,000	64,350	1,039,350
2032	1,005,000	32,663	1,037,663
	<u>\$ 34,890,000</u>	<u>\$ 8,685,265</u>	<u>\$ 43,575,265</u>

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C. Capital Leases

Primary Government:

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2017, are as follows:

Year Ending September 30:	Governmental Activities	Business-type Activities
2018	\$ 75,178	\$ 567,735
2019	75,179	567,736
2020	75,178	567,736
2021	81,268	561,646
Total Minimum Lease Payments	306,803	2,264,853
Less: amount representing interest	(27,502)	(207,691)
Present Value of Minimum Lease Payments	<u>\$ 279,301</u>	<u>\$ 2,057,162</u>

The net amount of capital assets (machinery, equipment and improvements) acquired through governmental activities capital leases is \$415,902 and acquired through business-type activities capital leases is \$4,090,871 as of September 30, 2017.

This year, \$231,997 was included in depreciation expense for the assets acquired through the capital lease with Siemens Financial Services, Inc. The related accumulated depreciation is as follows:

	Governmental Activities	Business-type Activities
Machinery & Equipment	\$ -	\$ 2,212,869
Less: Accumulated Depreciation	-	(743,769)
Total	<u>\$ -</u>	<u>\$ 1,469,100</u>
Improvements	\$ 838,793	\$ 4,121,560
Less: Accumulated Depreciation	(422,891)	(1,499,789)
Total	<u>\$ 415,902</u>	<u>\$ 2,621,771</u>

VIII. Risk Management

A. Health Care Coverage

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

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

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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, 2017, 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.

Changes in the health claims for the two fiscal years ended September 30, 2017 and 2016 are as follows:

	2017	2016
Health Claim Liability, Beginning of the Year	\$ 542,204	\$ 527,897
Current-year Claims and Changes in Estimates	8,867,366	8,641,650
Claim Payments	(8,853,103)	(8,627,343)
Health Claim Liability, End of the Year	<u>\$ 556,467</u>	<u>\$ 542,204</u>

B. Workers' Compensation and Property and Liability Insurance

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2017, the City purchased workers compensation and property and liability insurance at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its insurance coverages. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. There were no significant reductions in insurance coverages in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

IX. Other Post Employment Benefits

A. Retiree Health Benefit

1) Plan Description

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

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

2) Eligibility

- (1) Years of service and age at retirement must equal 80 (Rule of 80).
 - Years of service will be cumulative
- (2) Must have been employed by the City immediately prior to retirement.

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- (3) Must have been enrolled in the insurance program(s) three (3) years prior to retirement.
 - Dependents must have been enrolled one (1) year prior to the employee's retirement.
- (4) Must be receiving a pension either from Texas Municipal Retirement System (TMRS) or Conroe Fire Fighters' Relief and Retirement Fund (CFFR&RF).

3) 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).

4) Premiums

- (1) A minimum of fifty (50) percent of the actuarially determined contribution (ADC) cost will be paid by the City in the OPEB trust.
- (2) Payment of any remaining ADC 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).

5) Miscellaneous

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

6) Exception

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

7) Death-in-Service Retirement Benefits

Surviving spouses of active employees are allowed COBRA coverage only.

8) Benefits for Spouses of Retired Employees

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

9) 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 one post 65 retiree who is covered under special agreements.

CITY OF CONROE, TEXAS

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- (2) As of the valuation date, December 31, 2014, there were 11 grandfathered retirees who have their Medicare Part B premiums paid for by the City. No other current or future retirees will have their Part B premiums reimbursed by the City. The Part B premiums were \$104.90 per month as of the valuation date.

10) Dental and Vision Coverage

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.

11) Life Insurance Coverage

The City provides a \$7,500 life insurance benefit for retirees. The life insurance benefit extends past age 65. As of December 31, 2016, there were four retirees who accrued a life insurance benefit of \$12,500.

12) Monthly Unsubsidized Retiree Premiums Effective October 1, 2016

Benefit	Retiree Only	Spouse
Medical - OAP	\$ 668	\$ 171
Medical - HDHP	583	144
Medical - Kelsey	550	104
Dental	36	19
Vision	4	8

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

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

For the year ended September 30, 2017, the City funded 100% of the normal cost and the pay-go amount totaling \$1,906,490 in an irrevocable trust, and reported it in a fiduciary fund in the financial statements. Withdrawals in the amount of \$899,621 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.

13) 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.

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Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	30 Years - Closed Payroll
Asset Valuation Method	Market Value
Investment Rate of Return	6.5%, net of expense
Payroll Growth	1.5%
Health Care Trends	RP 2000 Combined Healthy Mortality Table for males and females projected to the year 2003 by scale AA, with a 5 year setback for both males and females.
Inflation Rate	3%

Annual OPEB Cost:	2017	2016	2015
Annual Required Contribution (ARC)	\$ 1,906,489	\$ 1,745,112	\$ 1,710,645
Interest on Prior Year Net OPEB Obligation	229,355	229,220	213,342
Adjustment to the ARC	(231,040)	(227,154)	(208,196)
Annual OPEB Cost	1,904,804	1,747,178	1,715,791
Employer Contributions	(1,906,490)	(1,745,112)	(1,471,512)
Increase in OPEB Obligation	(1,686)	2,066	244,279
Net OPEB Obligation, October 1	3,528,532	3,526,466	3,282,187
Net OPEB Obligation, September 30	<u>\$ 3,526,846</u>	<u>\$ 3,528,532</u>	<u>\$ 3,526,466</u>
Percentage of Annual OPEB Cost Contributed	100.09%	99.88%	85.76%

14) Funding Progress

As of December 31, 2014, the most recent actuarial valuation date, the plan was 12.02% funded. The actuarial accrued liability for benefits was \$20,298,277, and the actuarial value of assets was \$2,438,972, resulting in an unfunded actuarial liability (UAAL) of \$17,859,305. The covered payroll (annual payroll of active employees covered by the plan) was \$27,555,055, and the ratio of UAAL to the covered payroll was 64.81%.

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.

X. Pension Plans

A. Plan Descriptions

Texas Municipal Retirement System (TMRS): The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Conroe Fire Fighters' Relief and Retirement Fund (CFFR&RF): The City participates in funding a contributory, defined benefit retirement plan for civil service fire fighters, Conroe Fire Fighters' Relief and Retirement Fund. The Fund was established in accordance with the provisions of H.B. 258 passed by the Texas State Legislature in 1937, with the purpose of providing pension benefits to volunteer, part-time and full-time fire fighters. The Fund is administered in accordance with State laws by the members of the Fund's Pension Board of Trustees. The fund is a governmental plan under section 414(d) of the Internal Revenue Code of 1986, as amended, and is established and maintained by the City for its employees as a single-employer defined benefit pension plan covering paid firefighters of the City for the purpose of providing retirement, death, disability, and withdrawal benefits. The fiscal year of the pension fund ends December 31. The most recently available financial statements of the pension fund is for the year ended December 31, 2016.

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

B. Benefits Provided

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

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

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

	Plan Year 2016	Plan Year 2015
Employee Deposit Rate	7%	7%
Retirement Eligibility	5 Yrs/Age 60, 20 Yrs/Any Age	5 Yrs/Age 60, 20 Yrs/Any Age
Matching Ratio (City to Employee)	2 to 1	2 to 1
Years Required for Vesting	5	5
Service Retirement Eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

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

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years, the firefighter will receive a benefit ranging from 50% to 100% of the normal retirement benefit as described above. All other firefighters will be eligible upon the completion of 20 years of service.

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

The amount of the FORWARD DROP benefit equals a service retirement annuity calculated as of the date the firefighter enters DROP plus a DROP lump sum. The DROP lump sum equals the accumulated annuity payments and firefighter contributions from the DROP entry date until the earlier of termination or seven years.

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

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

Plan provisions for the Fund were as follows:

	Plan Year 2016	Plan Year 2015
Employee Deposit Rate	13.24%	13.24%
Matching Ratio (City to Employee)	15%	15%
Years Required for Vesting	20	20
Service Retirement Eligibility (expressed as age/years of service)	50/20	50/20
Annuity Increase (to retirees)	Not automatic; may provide ad hoc increases	Not automatic; may provide ad hoc increases

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

	TMRS	CFFR&RF
Inactive Employees or Beneficiaries Currently Receiving Benefits	168	29
Inactive Employees Entitled to But Not Yet Receiving Benefits	154	5
Active Employees	415	111
Totals	737	145

C. Contributions

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

Employees for the City of Conroe, Texas, were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.06% and 16.35% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$4,333,658, and were equal to the required contributions.

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Conroe Fire Fighters' Relief and Retirement Fund: Contributions to the Fund are based on the TLFFRA requirements rather than an actuarially determined rate. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each paid firefighter. The funding policy of the Fund requires contributions from both the City and the firefighters. The City's contribution rate is currently 15% of member payroll with each active member contributing 13.24% of plan compensation. The City's contribution rate is set by and subject to change by ordinance; subject to the minimum rate with TLFFRA. The City's contributions to the Fund for the year ended September 30, 2017 were \$1,248,980, and were equal to the required contributions.

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

D. Net Pension Liability

TMRS: The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Provision Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Conroe Fire Fighters' Relief and Retirement Fund: The Total Pension Liability, Net Pension Liability, and the associated sensitivity information provided are derived from the results of the December 31, 2015, valuation. The Total Pension Liability was rolled-forward from the 2015 valuation date to the fiscal year ending September 30, 2017, using generally accepted actuarial principles.

Actuarial Assumptions:

TMRS: The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary Increases	3.00% per year
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by an additional factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. These assumptions apply to both the Pension Trust and the Supplemental Death Benefits Fund as applicable.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Conroe Fire Fighters' Relief and Retirement Fund: The Total Pension Liability, Net Pension Liability, and the associated sensitivity information provided are derived from the results of the December 31, 2015, valuation. The Total Pension Liability was rolled-forward from the 2015 valuation date to the fiscal year ending September 30, 2017, using generally accepted actuarial principles. A full experience study is not available due to the size of the fund.

CITY OF CONROE, TEXAS

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SEPTEMBER 30, 2017

Actuarial Cost Method	Entry Age Normal
Amortization Method	Open period, level percentage of pay
Asset Valuation Method	The fair value of assets plus 20% of the unrecognized gains and losses from each of the past four years. The resulting value is further limited to be no less than 90% and no greater than 110% of the fair value of assets.
Investment Rate of Return	7.75% per annum (net of expenses)
Salary Scale	5.50% per annum plus a merit/promotion component
General Inflation Rate	4.00% per annum
Interest on Employee Contributions	2.5% per annum
Contribution Rates	Rates in effect are assumed to remain constant for future years.
Mortality Rates	RP-2014 combined healthy tables for blue collar males and females with adjustment backwards to 2006 using Scale MP-2014 and projected with Scale MP-2015.
Termination Rates	0% to 6%

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation assumed at 2.5%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of December 31, 2015, (see the discussion of the pension plan's investment policy for more details) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity	6.5%
Fixed Income	4.0%
Real Estate	5.0%
Cash	0.0%

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

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

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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TMRS:

Discount Rate:

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2015	\$ 119,323,621	\$ 93,147,597	\$ 26,176,024
Changes for the Year:			
Service Cost	4,454,682	-	4,454,682
Interest	8,039,127	-	8,039,127
Differences Between Expected and Actual Experience	1,168,367	-	1,168,367
Changes of Assumptions	-	-	-
Contributions - Employer	-	4,247,873	(4,247,873)
Contributions - Employee	-	1,848,416	(1,848,416)
Net Investment Income	-	6,297,154	(6,297,154)
Benefit Payments, Including Refunds of Employee Contributions	(4,905,554)	(4,905,554)	-
Administrative Expense	-	(71,095)	71,095
Other Changes	-	(3,830)	3,830
Net Changes	8,756,622	7,412,964	1,343,658
Balances at 12/31/2016	\$ 128,080,243	\$ 100,560,561	\$ 27,519,682

Conroe Fire Fighters' Relief and Retirement Fund: The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the City contributions would equal 15.00% of payroll and that member contributions would equal 13.24% of payroll. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension investments was applied to all period of benefit payments to determine the total pension liability. The Net Pension Liability amounts shown below were measured as of the City's fiscal year end. The Total Pension Liability used to calculate the Net Pension Liability and certain sensitivity information was based on the December 31, 2015, actuarial valuation. The Total Pension Liability was rolled forward to the fiscal year end measurement dates using generally accepted actuarial principles.

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 9/30/2016	\$ 40,672,875	\$ 21,908,548	\$ 18,764,327
Changes for the Year:			
Service Cost	1,714,987	-	1,714,987
Interest	3,080,627	-	3,080,627
Differences Between Expected and Actual Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions - Employer	-	1,386,732	(1,386,732)
Contributions - Employee	-	1,049,846	(1,049,846)
Net Investment Income	-	1,891,994	(1,891,994)
Benefit Payments	(1,847,016)	(1,847,016)	-
Refunds	(33,786)	(33,786)	-
Administrative Expense	-	(85,583)	85,583
Assumption Changes	-	-	-
Net Changes	2,914,812	2,362,187	552,625
Balances at 9/30/2017	\$ 43,587,687	\$ 24,270,735	\$ 19,316,952

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 47,391,680	\$ 27,519,682	\$ 11,376,910

Conroe Fire Fighters' Relief and Retirement Fund: The following presents the net pension liability, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease in Discount Rate (6.75%)	Discount Rate (7.75%)	1% Increase in Discount Rate (8.75%)
CFFR&RF Net Pension Liability	\$ 25,418,193	\$ 19,316,952	\$ 14,294,435

Pension Plan Fiduciary Net Position:

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

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

CITY OF CONROE, TEXAS**NOTES TO THE FINANCIAL STATEMENTS****SEPTEMBER 30, 2017****E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

TMRS: For the year ended September 30, 2017, the City recognized pension expense of \$6,007,185. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 1,143,131	\$ 264,637
Change in actuarial assumption	-	191,683
Difference between projected and actual investment earnings	4,187,277	7,753
Contributions subsequent to the measurement date	3,306,863	-
Totals	<u>\$ 8,637,271</u>	<u>\$ 464,073</u>

\$3,306,863 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2018	\$ 1,574,330
2019	1,574,332
2020	1,405,928
2021	211,353
2022	100,392
Total	<u>\$ 4,866,335</u>

Conroe Fire Fighters' Relief and Retirement Fund: For the year ended September 30, 2017, the City should recognize a pension expense of \$2,469,513. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 1,523,455	\$ -
Change in actuarial assumption	-	809,674
Difference between projected and actual investment earnings	391,104	-
Totals	<u>\$ 1,914,559</u>	<u>\$ 809,674</u>

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

<u>Year Ended September 30:</u>	
2018	\$ 353,954
2019	353,954
2020	(73,665)
2021	34,057
2022	69,299
Thereafter	367,286
Total	<u>\$ 1,104,885</u>

XI. Commitments and Contingencies

A. Contingencies

The City participates in a number of federal and state financial assistance programs. Although the City's grant programs have been audited in accordance with the provisions of the Single Audit Act through September 30, 2017, these programs are subject to financial and compliance audits by the granting agencies. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

The City of Conroe is a participant in the San Jacinto River Authority (SJRA) Groundwater Reduction Plan (GRP). The SJRA has constructed a surface water treatment facility and transmission system to provide treated surface water to the City. Based on the agreement between the City and the SJRA, the City pays the SJRA for groundwater pumped from the Jasper aquifer and for treated surface water from Lake Conroe. During FY 15-16, the SJRA notified the City of their intent to increase rates effective September 1, 2016. The groundwater pumpage rate was increased by \$0.18 from \$2.32 to \$2.50 per 1,000 gallons, and the surface water rate was increased by \$0.18 from \$2.51 to \$2.69 per 1,000 gallons. On August 16, 2016, the City Council adopted a resolution refusing to pay the proposed increase in SJRA fees. The SJRA filed suit in Travis County for an expedited declaratory judgement confirming the validity of the GRP Contracts and the SJRA's legal authority to enforce the GRP Contract terms, including the fiscal year 2017 GRP Rates. On September 1, 2017, the groundwater pumpage rate was increased by \$0.14 from \$2.50 to \$2.64 per 1,000 gallons, and the surface water rate was increased by \$0.14 from \$2.69 to \$2.83 per 1,000 gallons. This City continues to withhold the payment of this increase. The City's financial statements include a liability of \$826,865 for the portion of the increased SJRA rates that the City has refused to pay, as well as any applicable penalties and interest, while the litigation is pending.

The Lone Star Groundwater Conservation District (LSGCD) charges a groundwater allocation fee through the San Jacinto River Authority (SJRA). For 2017, the LSGCD increased the fee from \$0.06 to \$0.075 per 1,000 gallons. On February 23, 2017, the City Council voted to withhold payment of the 2017 increase. For 2018, the LSGCD increased the fee to \$0.105 per 1,000 gallons. On January 11, 2018, the City Council voted to withhold payment of the fee increase implemented on January 1, 2018. The City's financial statements include a liability in the amount of \$12,831 for the portion of the increased rates that the City has refused to pay, as well as any applicable penalties and interest.

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.

B. 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

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

salary until future years. The deferred compensation is not available to employees until termination of employment, retirement, death or unforeseeable emergency.

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

XII. 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.

XIII. Tax Abatements

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

The City has four categories of economic development agreements:

Property Tax Abatements – Tax abatements under Local Government Code 43.0751 authorized the City to enter into a Strategic Partnership Agreement for the creation of a Municipal Utility District (MUD) for full purpose annexation. These agreements authorize the City to pay the districts an amount equal to the ad valorem taxes generated from the City's tax levy. Property taxes abated under this program were \$25,341 in fiscal year 2017.

General Economic Development – The City enters into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. The agreements may rebate a flat amount or percentage of sales tax received by the City. For fiscal year 2017, the City rebated \$39,348 in sales tax.

Tax Abatements – Tax abatements under Chapter 312 of the Texas Tax Code allow the City to create tax tax abatement agreements with applicants that promise large scale investments. These investments create new jobs and expand the City's tax base. The City agrees to grant the owner an abatement of the City ad valorem taxes on the certified appraised value. Property taxes abated under this program were \$339,703 in fiscal year 2017.

Tourism Promotion – The City entered into an agreement to dedicate Hotel Occupancy Tax revenue for the promotion of tourism and the convention and hotel industry. Hotel Occupancy Tax abated under this program is \$394,084 during fiscal year 2017.

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

The CIDC has one type of economic development agreements:

Tax Abatements – Tax abatements under Chapter 312 of the Texas Tax Code allow the Conroe Industrial Development Corporation to enter into development incentive agreements with businesses that relocate or expand their business in Conroe. These businesses create new jobs and add additional property value resulting from the business expansion. These organizations are reimbursed a portion of the property taxes they pay to Montgomery County and the City of Conroe. Taxes abated under this program were \$1,165,755 in fiscal year 2017.

XIV. Prior Period Adjustment and Restatement

The prior period adjustment of \$106,631 in the Fleet Services internal service fund was for the capital assets that had been recorded with the governmental activities on the statement of net position, but not recorded on the fund level statements of the proprietary fund.

The beginning net position of the statement of activities was restated between the governmental activities and business-type activities for the portion of the Fleet Services internal service fund that had been recorded with business-type in previous years, but after analysis should be recorded in the governmental activities column.

	Governmental Activities	Business-type Activities
Beginning Net Position	\$ 95,659,888	\$ 75,462,344
Adjustment for Fleet Services	627,932	(627,932)
Beginning Net Position, Restated	<u>\$ 96,287,820</u>	<u>\$ 74,834,412</u>

XV. Recent Accounting Pronouncements

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), changes the focus of accounting of postemployment benefits other than pensions from how much it costs to adequately fund the benefits over time to a point-in-time liability that is reflected on the employer's financial statements for any actuarially unfunded portion of benefits earned to date. GASB 75 will be implemented by the City in fiscal year 2018 and the impact has not yet been determined.

GASB Statement 81, *Irrevocable Split-Interest Agreements* ("GASB 81"), establishes recognition and measurement requirements for irrevocable split-interest agreements. GASB 81 will be implemented by the City in fiscal year 2018 and the impact has not yet been determined.

GASB Statement 83, *Certain Asset Retirement Obligations* ("GASB 83"), addresses accounting and financial reporting for certain asset retirement obligations (AROs), establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. This statement requires that recognition occur when the liability is both incurred and reasonably estimable. GASB 83 will be implemented by the City in fiscal year 2019 and the impact has not yet been determined.

GASB Statement 84, *Fiduciary Activities* ("GASB 84"), establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. GASB 84 will be implemented by the City in fiscal year 2020 and the impact has not yet been determined.

GASB Statement 85, *Omnibus 2017* ("GASB 85"), addresses practice issues that have been identified during implementation and application of certain GASB Statements. GASB 85 will be implemented by the City in fiscal year 2018 and the impact has not yet been determined.

CITY OF CONROE, TEXAS**NOTES TO THE FINANCIAL STATEMENTS****SEPTEMBER 30, 2017**

GASB Statement 86, *Certain Debt Extinguishment Issues* ("GASB 86"), is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. Also, this statement improves accounting and financial reporting for prepaid insurance on debt that is extinguished and the notes to the financial statements for debt that is defeased in substance. GASB 86 will be implemented by the City in 2018 and the impact has not yet been determined.

GASB Statement 87, *Leases* ("GASB 87"), increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB 87 will be implemented by the City in 2021 and the impact has not yet been determined.

CITY OF CONROE, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS (OPEB)
YEAR ENDED SEPTEMBER 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	\$ 1,535,927	\$ 14,851,911	\$ 13,315,984	10.3%	\$ 21,528,653	61.85%
12/31/13	1,944,901	19,268,678	17,323,777	10.1%	24,668,464	70.23%
12/31/14	2,438,972	20,298,277	17,859,305	12.0%	27,555,055	64.81%

See accompanying notes to required supplementary information.

CITY OF CONROE, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

LAST TEN FISCAL YEARS**

	Year Ended December 31,		
	2014	2015	2016
Total Pension Liability			
Service cost	\$ 3,488,323	\$ 4,033,744	\$ 4,454,682
Interest	7,342,819	7,807,423	8,039,127
Differences between expected and actual experience	(577,351)	302,517	1,168,367
Change of assumptions	-	(307,855)	-
Benefit payments, including refunds of employee contributions	(3,718,726)	(4,059,893)	(4,905,554)
Net Change in Total Pension Liability	6,535,065	7,775,936	8,756,622
Total Pension Liability - Beginning	105,012,620	111,547,685	119,323,621
Total Pension Liability - Ending (a)	\$111,547,685	\$119,323,621	\$128,080,243
Plan Fiduciary Net Position			
Contributions - Employer	\$ 3,975,261	\$ 4,102,398	\$ 4,247,873
Contributions - Employee	1,625,218	1,742,976	1,848,416
Net Investment Income	4,842,663	134,753	6,297,154
Benefit payments, including refunds of employee contributions	(3,718,726)	(4,059,893)	(4,905,554)
Administrative expense	(50,554)	(82,069)	(71,095)
Other	(4,156)	(4,054)	(3,830)
Net Change in Plan Fiduciary Net Position	6,669,706	1,834,111	7,412,964
Plan Fiduciary Net Position - Beginning	84,643,780	91,313,486	93,147,597
Plan Fiduciary Net Position - Ending (b)	\$ 91,313,486	\$ 93,147,597	\$100,560,561
Net Pension Liability - Ending (a) - (b)	20,234,199	26,176,024	27,519,682
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.86%	78.06%	78.51%
Covered Employee Payroll	\$ 23,217,402	\$ 24,899,652	\$ 26,405,939
Net Pension Liability as a Percentage of Covered Employee Payroll	87.15%	105.13%	104.22%

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

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

See accompanying notes to the required supplementary information.

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

Year Ending September 30	Actuarially Determined Contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a % of covered employee payroll
2015	\$ 4,057,674	\$ 4,057,674	\$ -	\$ 24,365,506	16.7%
2016	4,393,653	4,393,653	-	27,183,590	16.2%
2017	4,333,658	4,333,658	-	26,618,956	16.3%

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

See accompanying notes to the required supplementary information.

CITY OF CONROE, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

CONROE FIRE FIGHTERS' RELIEF AND RETIREMENT FUND

LAST TEN FISCAL YEARS*

	Year Ended September 30,		
	2015	2016	2017
Total Pension Liability			
Service cost	\$ 1,310,699	\$ 1,591,635	\$ 1,714,987
Interest	2,703,863	2,803,599	3,080,627
Difference between expected and actual experience	-	1,819,271	-
Changes in assumptions	-	(966,892)	-
Benefit payments, including refunds of member contributions	(1,333,500)	(1,500,407)	(1,880,802)
Net Change in Total Pension Liability	2,681,062	3,747,206	2,914,812
Total Pension Liability - Beginning	34,244,607	36,925,669	40,672,875
Total Pension Liability - Ending (a)	\$ 36,925,669	\$ 40,672,875	\$ 43,587,687
Plan Fiduciary Net Position			
Contributions - employer	\$ 1,102,093	\$ 1,194,547	\$ 1,386,732
Contributions - member	972,779	1,054,387	1,049,846
Net Investment Income	(626,136)	2,052,206	1,891,994
Benefit payments, including refunds of member contributions	(1,333,500)	(1,500,407)	(1,880,802)
Administrative expense	(99,850)	(96,019)	(85,583)
Net Change in Plan Fiduciary Net Position	15,386	2,704,714	2,362,187
Plan Fiduciary Net Position - Beginning	19,188,448	19,203,834	21,908,548
Plan Fiduciary Net Position - Ending (b)	\$ 19,203,834	\$ 21,908,548	\$ 24,270,735
Net Pension Liability - Ending (a) - (b)	\$ 17,721,835	\$ 18,764,327	\$ 19,316,952
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	52.01%	53.87%	55.68%
Covered-Employee Payroll	\$ 7,347,278	\$ 8,401,284	\$ 8,326,520
Net Pension Liability as a Percentage of Covered Employee Payroll	241.20%	223.35%	231.99%

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

See accompanying notes to the required supplementary information.

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

Year Ending September 30	Actuarially Determined Contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a % of covered employee payroll
2015	\$ 1,102,093	\$ 1,102,093	\$ -	\$ 7,347,278	15.0%
2016	1,260,195	1,260,195	-	8,401,284	15.0%
2017	1,248,980	1,248,980	-	8,326,520	15.0%

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

See accompanying notes to the required supplementary information.

CITY OF CONROE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

OPEB AND PENSIONS

SEPTEMBER 30, 2017

A. OPEB

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	30 years - Closed Payroll
Asset Valuation Method	Market Value
Inflation	3.00%
Salary Increases	1.50%
Investment Rate of Return	6.50%, net of expenses
Retirement Age	Years of service and age at retirement must equal 80 (Rule of 80). Exceptions can be found in the summary of benefits.
Mortality	Healthy Retirees: RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. Disabled Retirees: RP2000 Disabled Retiree Mortality Table for males and females; multiplied by 80%. Mortality rates were adjusted as described above to include margin for future mortality improvement. No provision is currently made for future improvements in disabled mortality after the measurement date. Active Members: RP2000 Combined Healthy Mortality Table for males and females projected to year 2003 by Scale AA, with a 5 year setback for both males and females. Mortality rates were adjusted as described above to include margin for future mortality improvements.

B. Pensions

TMRS:

Valuation date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	10-year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.00% per year
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2016 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other information:

Notes: There were no benefit changes during the year.

CITY OF CONROE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

OPEB AND PENSIONS

SEPTEMBER 30, 2017

Conroe Fire Fighters' Relief and Retirement Fund:

Valuation date: December 31, 2015, the total pension liability was rolled forward to the fiscal year end.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Open period, level percentage of pay
Asset Valuation Method	The fair value of assets plus 20% of the unrecognized gains and losses from each of the past four years. The resulting value is further limited to be no less than 90% and no greater than 110% of the fair value of assets.
Investment Rate of Return	7.75% per annum (net of expenses)
Salary Scale	5.50% per annum plus a merit/promotion component
General Inflation Rate	4.00% per annum
Interest on Employee Contributions	2.5% per annum
Contribution Rates	Rates in effect are assumed to remain constant for future years
Mortality Rates	RP-2014 combined healthy tables for blue collar males and females with adjustment backwards to 2006 using Scale MP-2014 and projected with scale MP-2015.
Termination Rates	0% to 6%



CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 999,761	\$ 436,783	\$ 1,436,544
Investments	2,348,331	3,752,007	6,100,338
Receivables (Net of Allowances for Uncollectibles):			
Accounts	254,441	-	254,441
Interest	148	444	592
Other	122,867	119,698	242,565
Due from Other Funds	-	195,904	195,904
TOTAL ASSETS	\$ 3,725,548	\$ 4,504,836	\$ 8,230,384
LIABILITIES			
Accounts Payable	\$ 56,233	\$ 48,244	\$ 104,477
Other Payables	10,885	-	10,885
Retainage Payable	-	105,892	105,892
Due to Other Funds	195,904	-	195,904
Customer Deposits	9,267	-	9,267
Unearned Revenue	2,844	-	2,844
TOTAL LIABILITIES	275,133	154,136	429,269
FUND BALANCES			
Restricted for:			
Capital Project Funds	-	2,532,690	2,532,690
Special Revenue Funds	2,994,088	-	2,994,088
Committed for:			
TIRZ #2-Property Tax Receipts	-	142	142
TIRZ #3-Property Tax Receipts	-	1,817,868	1,817,868
Conroe Tower-Lease Income	213,004	-	213,004
Owen Theatre-Ticket Sales	49,055	-	49,055
Woodlands Township Reg. Participation	194,268	-	194,268
TOTAL FUND BALANCES	3,450,415	4,350,700	7,801,115
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,725,548	\$ 4,504,836	\$ 8,230,384

CITY OF CONROE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 1,163,561	\$ -	\$ 1,163,561
Lease Income	253,258	-	253,258
Fines and Forfeitures	126,201	-	126,201
Intergovernmental	1,461,439	1,596,463	3,057,902
Investment Income	24,813	20,191	45,004
Net Change in Fair Value of Investments	-	(400)	(400)
Penalties and Interest	866	-	866
Miscellaneous Revenue	568,712	38,790	607,502
TOTAL REVENUES	3,598,850	1,655,044	5,253,894
EXPENDITURES			
Current:			
General Government			
Municipal Court	14,582	-	14,582
Building Operations	571,961	-	571,961
Transportation	770,106	-	770,106
Culture-Recreation	948,898	-	948,898
Non-Departmental	399,883	339,843	739,726
Police	-	487	487
Community Development	410,174	-	410,174
Parks			
Parks Operations	-	12,852	12,852
Debt Service:			
Principal Retirement	113,000	-	113,000
Interest and Fiscal Charges	42,999	-	42,999
Capital Outlay	-	3,252,440	3,252,440
TOTAL EXPENDITURES	3,271,603	3,605,622	6,877,225
Excess (Deficiency) of Revenues Over (Under) Expenditures	327,247	(1,950,578)	(1,623,331)
OTHER FINANCING SOURCES (USES)			
Bonds Issued	-	2,796,197	2,796,197
Premium on Bonds Issued	-	257,958	257,958
Transfers In	441,408	2,535,507	2,976,915
Transfers Out	(190,413)	(3,041,229)	(3,231,642)
TOTAL OTHER FINANCING SOURCES (USES)	250,995	2,548,433	2,799,428
Net Change in Fund Balances	578,242	597,855	1,176,097
Fund Balances at Beginning of Year	2,872,173	3,752,845	6,625,018
FUND BALANCES AT END OF YEAR	\$ 3,450,415	\$ 4,350,700	\$ 7,801,115

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

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

Public Improvement District “PID” Assessments – This fund accounts for the revenues and expenditures of various public improvement districts.

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

Conroe Tower – This fund accounts for rentals and expenditures related to the maintenance of the Conroe Tower building.

Owen Theatre – This fund accounts for the maintenance of the Owen Theatre building and the revenues are generated from the charges to patrons who attend the programs.

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

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

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

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

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

Municipal Court Juvenile Case Manager – This fund was authorized under Texas Code of Criminal Procedure, Article 102.0174 and provides for a fee to be assessed to defendants convicted of fine-only misdemeanor offenses in a justice court, county court, or county court at law. The funds may only be used for the salary and benefits of a juvenile case manager.

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

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

Transportation Grants – These funds (Section 5307, Section 5310, and State funded) were established to account for the transportation grant programs applicable to the City.

CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2017

	Hotel/Motel Occupancy Tax Fund	Public Improvement District "PID" Assessments	Community Development Block Grant Entitlement	The Conroe Tower
ASSETS				
Cash and Cash Equivalents	\$ 396,216	\$ 28,868	\$ -	\$ 23
Investments	2,061,785	-	-	238,101
Receivables (Net of Allowances for Uncollectibles):				
Accounts	139,062	-	-	3,674
Interest	69	-	-	-
Other	-	2,326	120,541	-
TOTAL ASSETS	<u>\$ 2,597,132</u>	<u>\$ 31,194</u>	<u>\$ 120,541</u>	<u>\$ 241,798</u>
LIABILITIES				
Accounts Payable	\$ 360	\$ -	\$ -	\$ 17,243
Other Payables	8,351	-	-	2,534
Due to Other Funds	-	-	117,727	-
Customer Deposits	-	-	-	9,017
Unearned Revenue	-	2,844	-	-
TOTAL LIABILITIES	<u>8,711</u>	<u>2,844</u>	<u>117,727</u>	<u>28,794</u>
FUND BALANCES				
Restricted for:				
Special Revenue Funds	2,588,421	28,350	2,814	-
Committed for:				
Conroe Tower-Lease Income	-	-	-	213,004
Owen Theatre-Ticket Sales	-	-	-	-
Woodlands Township Reg. Participation	-	-	-	-
TOTAL FUND BALANCES	<u>2,588,421</u>	<u>28,350</u>	<u>2,814</u>	<u>213,004</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,597,132</u>	<u>\$ 31,194</u>	<u>\$ 120,541</u>	<u>\$ 241,798</u>

Owen Theatre	Woodlands Township Regional Participation	Longmire Creek Estates PID	Wedgewood Falls PID	Municipal Court Technology Fund	Municipal Court Building Security Fund
\$ 856	\$ 194,235	\$ 44,642	\$ 102,532	\$ 15,658	\$ 4,841
48,445	-	-	-	-	-
-	-	-	-	-	-
4	33	-	-	3	1
-	-	-	-	-	-
<u>\$ 49,305</u>	<u>\$ 194,268</u>	<u>\$ 44,642</u>	<u>\$ 102,532</u>	<u>\$ 15,661</u>	<u>\$ 4,842</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
250	-	-	-	-	-
-	-	-	-	-	-
<u>250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	44,642	102,532	15,661	4,842
-	-	-	-	-	-
49,055	-	-	-	-	-
-	194,268	-	-	-	-
<u>49,055</u>	<u>194,268</u>	<u>44,642</u>	<u>102,532</u>	<u>15,661</u>	<u>4,842</u>
<u>\$ 49,305</u>	<u>\$ 194,268</u>	<u>\$ 44,642</u>	<u>\$ 102,532</u>	<u>\$ 15,661</u>	<u>\$ 4,842</u>

Continued

CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2017

	Municipal Court Juvenile Case Manager	Municipal Court Efficiency Fee	Municipal Court Truancy Prevention	FY13 Section 5307 Grant
ASSETS				
Cash and Cash Equivalents	\$ 20,321	\$ 177,014	\$ 9,453	\$ -
Investments	-	-	-	-
Receivables (Net of Allowances for Uncollectibles):				
Accounts	-	-	-	-
Interest	4	32	2	-
Other	-	-	-	-
TOTAL ASSETS	<u>\$ 20,325</u>	<u>\$ 177,046</u>	<u>\$ 9,455</u>	<u>\$ -</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Other Payables	-	-	-	-
Due to Other Funds	-	-	-	-
Customer Deposits	-	-	-	-
Unearned Revenue	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for:				
Special Revenue Funds	20,325	177,046	9,455	-
Committed for:				
Conroe Tower-Lease Income	-	-	-	-
Owen Theatre-Ticket Sales	-	-	-	-
Woodlands Township Reg. Participation	-	-	-	-
TOTAL FUND BALANCES	<u>20,325</u>	<u>177,046</u>	<u>9,455</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,325</u>	<u>\$ 177,046</u>	<u>\$ 9,455</u>	<u>\$ -</u>

FY14 Section 5307 Grant	FY15 Section 5307 Grant	FY13-14 Section 5310 Grant	FY15-16 Section 5310 Grant	FY16 Section 5307 Grant	State Public Transportation Grant	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,102	\$ 999,761
-	-	-	-	-	-	2,348,331
14,774	37,743	-	32,092	27,096	-	254,441
-	-	-	-	-	-	148
-	-	-	-	-	-	122,867
<u>\$ 14,774</u>	<u>\$ 37,743</u>	<u>\$ -</u>	<u>\$ 32,092</u>	<u>\$ 27,096</u>	<u>\$ 5,102</u>	<u>\$ 3,725,548</u>
\$ -	\$ 23,634	\$ -	\$ -	\$ 9,894	\$ 5,102	\$ 56,233
-	-	-	-	-	-	10,885
14,774	14,109	-	32,092	17,202	-	195,904
-	-	-	-	-	-	9,267
-	-	-	-	-	-	2,844
<u>14,774</u>	<u>37,743</u>	<u>-</u>	<u>32,092</u>	<u>27,096</u>	<u>5,102</u>	<u>275,133</u>
-	-	-	-	-	-	2,994,088
-	-	-	-	-	-	213,004
-	-	-	-	-	-	49,055
-	-	-	-	-	-	194,268
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,450,415</u>
<u>\$ 14,774</u>	<u>\$ 37,743</u>	<u>\$ -</u>	<u>\$ 32,092</u>	<u>\$ 27,096</u>	<u>\$ 5,102</u>	<u>\$ 3,725,548</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, 2017

	Hotel/Motel Occupancy Tax Fund	Public Improvement District "PID" Assessments	Community Development Block Grant Entitlement	The Conroe Tower
REVENUES				
Taxes	\$ 1,163,561	\$ -	\$ -	\$ -
Lease Income	-	-	-	249,858
Fines and Forfeitures	-	-	-	-
Intergovernmental	-	-	611,708	-
Investment Income	19,591	2,290	-	2,222
Penalties and Interest	-	866	-	-
Miscellaneous Revenue	-	411,728	-	-
TOTAL REVENUES	1,183,152	414,884	611,708	252,080
EXPENDITURES				
Current:				
General Government				
Municipal Court	-	-	-	-
Building Operations	-	-	-	571,961
Transportation	-	-	-	-
Culture-Recreation	927,871	-	-	-
Non-Departmental	-	389,597	-	-
Community Development	-	-	410,174	-
Debt Service:				
Principal Retirement	-	-	113,000	-
Interest and Fiscal Charges	-	-	42,999	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	927,871	389,597	566,173	571,961
Excess (Deficiency) of Revenues Over (Under) Expenditures	255,281	25,287	45,535	(319,881)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	215,590
Transfers Out	-	-	(45,785)	(2,253)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(45,785)	213,337
Net Change in Fund Balances	255,281	25,287	(250)	(106,544)
Fund Balances at Beginning of Year	2,333,140	3,063	3,064	319,548
FUND BALANCES AT END OF YEAR	\$ 2,588,421	\$ 28,350	\$ 2,814	\$ 213,004

Owen Theatre	Woodlands Township Regional Participation	Longmire Creek Estates PID	Wedgewood Falls PID	Municipal Court Technology Fund	Municipal Court Building Security Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,400	-	-	-	-	-
-	-	-	-	34,952	26,213
-	47,533	-	-	-	-
221	314	-	-	23	18
-	-	-	-	-	-
23,922	-	30,591	102,471	-	-
27,543	47,847	30,591	102,471	34,975	26,231
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
21,027	-	-	-	-	-
-	-	3,616	6,670	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
21,027	-	3,616	6,670	-	-
6,516	47,847	26,975	95,801	34,975	26,231
-	-	-	-	-	-
-	-	-	-	(19,314)	(21,389)
-	-	-	-	(19,314)	(21,389)
6,516	47,847	26,975	95,801	15,661	4,842
42,539	146,421	17,667	6,731	-	-
\$ 49,055	\$ 194,268	\$ 44,642	\$ 102,532	\$ 15,661	\$ 4,842

Continued

CITY OF CONROE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Municipal Court Juvenile Case Manager	Municipal Court Efficiency Fee	Municipal Court Truancy Prevention	FY13 Section 5307 Grant
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Lease Income	-	-	-	-
Fines and Forfeitures	34,621	18,716	11,699	-
Intergovernmental	-	-	-	3,372
Investment Income	41	90	3	-
Penalties and Interest	-	-	-	-
Miscellaneous Revenue	-	-	-	-
TOTAL REVENUES	<u>34,662</u>	<u>18,806</u>	<u>11,702</u>	<u>3,372</u>
EXPENDITURES				
Current:				
General Government				
Municipal Court	5,305	146	9,131	-
Building Operations	-	-	-	-
Transportation	-	-	-	3,372
Culture-Recreation	-	-	-	-
Non-Departmental	-	-	-	-
Community Development	-	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>5,305</u>	<u>146</u>	<u>9,131</u>	<u>3,372</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>29,357</u>	<u>18,660</u>	<u>2,571</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	60,548	158,386	6,884	-
Transfers Out	(69,580)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,032)</u>	<u>158,386</u>	<u>6,884</u>	<u>-</u>
Net Change in Fund Balances	20,325	177,046	9,455	-
Fund Balances at Beginning of Year	-	-	-	-
FUND BALANCES AT END OF YEAR	<u>\$ 20,325</u>	<u>\$ 177,046</u>	<u>\$ 9,455</u>	<u>\$ -</u>

FY14 Section 5307 Grant	FY15 Section 5307 Grant	FY13-14 Section 5310 Grant	FY15-16 Section 5310 Grant	FY16 Section 5307 Grant	State Public Transportation Grant	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,163,561
-	-	-	-	-	-	253,258
-	-	-	-	-	-	126,201
203,571	204,604	159,492	32,092	108,926	90,141	1,461,439
-	-	-	-	-	-	24,813
-	-	-	-	-	-	866
-	-	-	-	-	-	568,712
<u>203,571</u>	<u>204,604</u>	<u>159,492</u>	<u>32,092</u>	<u>108,926</u>	<u>90,141</u>	<u>3,598,850</u>
-	-	-	-	-	-	14,582
-	-	-	-	-	-	571,961
203,571	204,604	159,492	-	108,926	90,141	770,106
-	-	-	-	-	-	948,898
-	-	-	-	-	-	399,883
-	-	-	-	-	-	410,174
-	-	-	-	-	-	113,000
-	-	-	-	-	-	42,999
-	-	-	-	-	-	-
<u>203,571</u>	<u>204,604</u>	<u>159,492</u>	<u>-</u>	<u>108,926</u>	<u>90,141</u>	<u>3,271,603</u>
-	-	-	32,092	-	-	327,247
-	-	-	-	-	-	441,408
-	-	-	(32,092)	-	-	(190,413)
-	-	-	(32,092)	-	-	250,995
-	-	-	-	-	-	578,242
-	-	-	-	-	-	2,872,173
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,450,415</u>

CITY OF CONROE, TEXAS

HOTEL/MOTEL OCCUPANCY TAX FUND

SPECIAL REVENUE FUND

BUDGET COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 1,106,026	\$ 1,106,026	\$ 1,163,561	\$ 57,535
Investment Income	-	-	19,591	19,591
Miscellaneous Revenue	-	40,000	-	(40,000)
TOTAL REVENUES	<u>1,106,026</u>	<u>1,146,026</u>	<u>1,183,152</u>	<u>37,126</u>
EXPENDITURES				
General Government				
Culture-Recreation	884,699	967,199	927,871	39,328
TOTAL EXPENDITURES	<u>884,699</u>	<u>967,199</u>	<u>927,871</u>	<u>39,328</u>
Net Change in Fund Balance	221,327	178,827	255,281	76,454
Fund Balance at Beginning of Year	2,333,140	2,333,140	2,333,140	-
FUND BALANCE AT END OF YEAR	<u>\$ 2,554,467</u>	<u>\$ 2,511,967</u>	<u>\$ 2,588,421</u>	<u>\$ 76,454</u>

CITY OF CONROE, TEXAS

COMMUNITY DEVELOPMENT BLOCK GRANT ENTITLEMENT

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 624,634	\$ 624,634	\$ 611,708	\$ (12,927)
TOTAL REVENUES	<u>624,634</u>	<u>624,634</u>	<u>611,708</u>	<u>(12,927)</u>
EXPENDITURES				
Current:				
General Government				
Community Development	344,000	344,000	410,174	(66,174)
Debt Service:				
Principal Retirement	113,000	113,000	113,000	-
Interest and Fiscal Charges	42,708	42,708	42,999	(291)
TOTAL EXPENDITURES	<u>499,708</u>	<u>499,708</u>	<u>566,173</u>	<u>(66,465)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	124,926	124,926	45,535	(79,391)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(124,926)	(124,926)	(45,785)	(79,141)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(124,926)</u>	<u>(124,926)</u>	<u>(45,785)</u>	<u>(79,141)</u>
Net Change in Fund Balance	-	-	(250)	(250)
Fund Balance at Beginning of Year	3,064	3,064	3,064	-
FUND BALANCE AT END OF YEAR	<u>\$ 3,064</u>	<u>\$ 3,064</u>	<u>\$ 2,814</u>	<u>\$ (250)</u>

CITY OF CONROE, TEXAS

THE CONROE TOWER

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Lease Income	\$ 250,000	\$ 250,000	\$ 249,858	\$ (142)
Investment Income	-	-	2,222	2,222
TOTAL REVENUES	<u>250,000</u>	<u>250,000</u>	<u>252,080</u>	<u>2,080</u>
EXPENDITURES				
Current:				
General Government				
Building Operations	522,337	560,172	571,961	(11,789)
Capital Outlay	14,000	9,408	-	9,408
TOTAL EXPENDITURES	<u>536,337</u>	<u>569,580</u>	<u>571,961</u>	<u>(2,381)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(286,337)</u>	<u>(319,580)</u>	<u>(319,881)</u>	<u>(301)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	215,590	215,590	215,590	-
Transfers Out	(2,253)	(2,253)	(2,253)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>213,337</u>	<u>213,337</u>	<u>213,337</u>	<u>-</u>
Net Change in Fund Balance	<u>(73,000)</u>	<u>(106,243)</u>	<u>(106,544)</u>	<u>(301)</u>
Fund Balance at Beginning of Year	319,548	319,548	319,548	-
FUND BALANCE AT END OF YEAR	<u><u>\$ 246,548</u></u>	<u><u>\$ 213,305</u></u>	<u><u>\$ 213,004</u></u>	<u><u>\$ (301)</u></u>

CITY OF CONROE, TEXAS

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 8,795,712	\$ 8,795,712	\$ 9,033,286	\$ 237,574
Investment Income	44,635	44,635	110,440	65,805
Net Change in Fair Value of Investments	-	-	(16,396)	(16,396)
Penalties and Interest	66,297	66,297	161,859	95,562
Miscellaneous Revenue	-	-	893,288	893,288
TOTAL REVENUES	8,906,644	8,906,644	10,182,477	1,275,833
EXPENDITURES				
Debt Service:				
Principal Retirement	8,855,000	8,855,000	8,855,000	-
Interest and Fiscal Charges	5,558,136	5,558,136	4,740,154	817,982
Bond Issuance Costs	55,000	55,000	270,944	(215,944)
TOTAL EXPENDITURES	14,468,136	14,468,136	13,866,098	602,038
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,561,492)	(5,561,492)	(3,683,621)	1,877,871
OTHER FINANCING SOURCES (USES)				
Transfers In	3,596,474	4,789,517	3,896,229	(893,288)
TOTAL OTHER FINANCING SOURCES (USES)	3,596,474	4,789,517	3,896,229	(893,288)
Net Change in Fund Balance	(1,965,018)	(771,975)	212,608	984,583
Fund Balance at Beginning of Year	11,356,765	11,356,765	11,356,765	-
FUND BALANCE AT END OF YEAR	\$ 9,391,747	\$ 10,584,790	\$ 11,569,373	\$ 984,583

CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2017

	Signals CIP Fund	Transportation Grants CIP Fund	Firearms Training Facility
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 299,752	\$ 60,382
Investments	831,725	-	-
Receivables (net of allowances for uncollectibles):			
Interest	-	88	11
Other	116,927	2,771	-
Due from Other Funds	-	195,904	-
TOTAL ASSETS	<u>\$ 948,652</u>	<u>\$ 498,515</u>	<u>\$ 60,393</u>
LIABILITIES			
Accounts Payable	\$ 28,633	\$ -	\$ 159
Retainage Payable	66,161	-	-
TOTAL LIABILITIES	<u>94,794</u>	<u>-</u>	<u>159</u>
FUND BALANCES			
Restricted for:			
Capital Project Funds	853,858	498,515	60,234
Committed for:			
TIRZ #2-Property Tax Receipts	-	-	-
TIRZ #3-Property Tax Receipts	-	-	-
TOTAL FUND BALANCES	<u>853,858</u>	<u>498,515</u>	<u>60,234</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 948,652</u>	<u>\$ 498,515</u>	<u>\$ 60,393</u>

Drainage CIP Fund	Parks CIP Fund	Tax Incr Reinv. Zone 2	Tax Incr Reinv. Zone 3	Total Nonmajor Capital Projects Funds
\$ -	\$ -	\$ 142	\$ 76,507	\$ 436,783
474,912	704,332	-	1,741,038	3,752,007
22	-	-	323	444
-	-	-	-	119,698
-	-	-	-	195,904
<u>\$ 474,934</u>	<u>\$ 704,332</u>	<u>\$ 142</u>	<u>\$ 1,817,868</u>	<u>\$ 4,504,836</u>
\$ -	\$ 19,452	\$ -	\$ -	\$ 48,244
-	39,731	-	-	105,892
<u>-</u>	<u>59,183</u>	<u>-</u>	<u>-</u>	<u>154,136</u>
474,934	645,149	-	-	2,532,690
-	-	142	-	142
-	-	-	1,817,868	1,817,868
<u>474,934</u>	<u>645,149</u>	<u>142</u>	<u>1,817,868</u>	<u>4,350,700</u>
<u>\$ 474,934</u>	<u>\$ 704,332</u>	<u>\$ 142</u>	<u>\$ 1,817,868</u>	<u>\$ 4,504,836</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, 2017

	Signals CIP Fund	Transportation Grants CIP Fund	Firearms Training Facility
REVENUES			
Intergovernmental	\$ -	\$ 12,377	\$ 20,000
Investment Income	3,207	1,009	86
Net Change in Fair Value of Investments	-	-	-
Miscellaneous Revenue	38,790	-	-
TOTAL REVENUES	41,997	13,386	20,086
EXPENDITURES			
Current:			
General Government			
Non-Departmental	-	-	-
Police	-	-	487
Parks			
Parks Operations	-	-	-
Capital Outlay	1,164,519	20,671	-
TOTAL EXPENDITURES	1,164,519	20,671	487
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,122,522)	(7,285)	19,599
OTHER FINANCING SOURCES (USES)			
Bonds Issued	1,225,248	-	-
Premium on Bonds Issued	113,033	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,338,281	-	-
Net Change in Fund Balances	215,759	(7,285)	19,599
Fund Balances at Beginning of Year	638,099	505,800	40,635
FUND BALANCES AT END OF YEAR	\$ 853,858	\$ 498,515	\$ 60,234

Drainage CIP Fund	Parks CIP Fund	Tax Incr Reinv. Zone 2	Tax Incr Reinv. Zone 3	Total Nonmajor Capital Projects Funds
\$ -	\$ -	\$ -	\$ 1,564,086	\$ 1,596,463
2,794	10,469	117	2,509	20,191
-	-	-	(400)	(400)
-	-	-	-	38,790
<u>2,794</u>	<u>10,469</u>	<u>117</u>	<u>1,566,195</u>	<u>1,655,044</u>
-	-	339,843	-	339,843
-	-	-	-	487
-	12,852	-	-	12,852
-	<u>2,067,250</u>	<u>-</u>	<u>-</u>	<u>3,252,440</u>
-	<u>2,080,102</u>	<u>339,843</u>	<u>-</u>	<u>3,605,622</u>
<u>2,794</u>	<u>(2,069,633)</u>	<u>(339,726)</u>	<u>1,566,195</u>	<u>(1,950,578)</u>
-	1,570,949	-	-	2,796,197
-	144,925	-	-	257,958
-	-	339,843	2,195,664	2,535,507
-	<u>(650,000)</u>	<u>-</u>	<u>(2,391,229)</u>	<u>(3,041,229)</u>
-	<u>1,065,874</u>	<u>339,843</u>	<u>(195,565)</u>	<u>2,548,433</u>
2,794	(1,003,759)	117	1,370,630	597,855
<u>472,140</u>	<u>1,648,908</u>	<u>25</u>	<u>447,238</u>	<u>3,752,845</u>
<u>\$ 474,934</u>	<u>\$ 645,149</u>	<u>\$ 142</u>	<u>\$ 1,817,868</u>	<u>\$ 4,350,700</u>

CITY OF CONROE, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2017

	<u>Fleet Services</u>	<u>Self Funded Insurance</u>	<u>Total Internal Service Funds</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 84	\$ 213,347	\$ 213,431
Investments	773,740	-	773,740
Receivable (Net of Allowances for Uncollectibles):			
Accounts	3,449	-	3,449
Interest	53	-	53
Other	-	207,454	207,454
Prepaid Items	-	143,095	143,095
Inventories	37,674	-	37,674
Total Current Assets	<u>815,000</u>	<u>563,896</u>	<u>1,378,896</u>
Noncurrent Assets:			
Capital Assets (Net of Accumulated Depreciation)	164,654	-	164,654
Total Noncurrent Assets	<u>164,654</u>	<u>-</u>	<u>164,654</u>
TOTAL ASSETS	<u>979,654</u>	<u>563,896</u>	<u>1,543,550</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows for Pensions	198,657	-	198,657
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>198,657</u>	<u>-</u>	<u>198,657</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	31,313	6,464	37,777
Other Payables	13,678	964	14,642
Health Claims Liability	-	556,467	556,467
Compensated Absences	3,121	-	3,121
Total Current Liabilities	<u>48,112</u>	<u>563,895</u>	<u>612,007</u>
Noncurrent Liabilities, net of current portion			
Compensated Absences	79,549	-	79,549
OPEB Liability	-	3,526,846	3,526,846
Net Pension Liability	632,953	-	632,953
Total Noncurrent Liabilities	<u>712,502</u>	<u>3,526,846</u>	<u>4,239,348</u>
TOTAL LIABILITIES	<u>760,614</u>	<u>4,090,741</u>	<u>4,851,355</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows for Pensions	10,674	-	10,674
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>10,674</u>	<u>-</u>	<u>10,674</u>
NET POSITION			
Net Investment in Capital Assets	164,654	-	164,654
Unrestricted	242,369	(3,526,845)	(3,284,476)
TOTAL NET POSITION	<u>\$ 407,023</u>	<u>\$ (3,526,845)</u>	<u>\$ (3,119,822)</u>

CITY OF CONROE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Fleet Services	Self Funded Insurance	Total Internal Service Funds
OPERATING REVENUES			
Charges for Sales and Services	\$ 1,948,989	\$ 9,997,867	\$ 11,946,856
TOTAL OPERATING REVENUES	<u>1,948,989</u>	<u>9,997,867</u>	<u>11,946,856</u>
OPERATING EXPENSES			
Fleet Services	2,250,206	-	2,250,206
General Government	-	11,155,864	11,155,864
Depreciation	21,164	-	21,164
TOTAL OPERATING EXPENSES	<u>2,271,370</u>	<u>11,155,864</u>	<u>13,427,234</u>
Operating Income (Loss)	<u>(322,381)</u>	<u>(1,157,997)</u>	<u>(1,480,378)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Income	3,479	-	3,479
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>3,479</u>	<u>-</u>	<u>3,479</u>
Income (Loss) Before Transfers	<u>(318,902)</u>	<u>(1,157,997)</u>	<u>(1,476,899)</u>
Transfers In	-	3,405,192	3,405,192
Transfer Out	(8,638)	-	(8,638)
NET TRANSFERS	<u>(8,638)</u>	<u>3,405,192</u>	<u>3,396,554</u>
Change in Net Position	<u>(327,540)</u>	<u>2,247,195</u>	<u>1,919,655</u>
Net Position at Beginning of Year	627,932	(5,774,040)	(5,146,108)
Prior Period Adjustment	106,631	-	106,631
NET POSITION AT END OF YEAR	<u>\$ 407,023</u>	<u>\$ (3,526,845)</u>	<u>\$ (3,119,822)</u>

CITY OF CONROE, TEXAS

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Fleet Services Fund	Self Funded Insurance	Total Internal Service Funds
Cash Flows from Operating Activities			
Receipts from Customers	\$ 2,055,193	\$ 10,256,778	\$ 12,311,971
Payments to Employees	(713,422)	-	(713,422)
Payments to Vendors	(1,068,937)	(13,448,623)	(14,517,560)
Net Cash Provided by (Used for) Operating Activities	<u>272,834</u>	<u>(3,191,845)</u>	<u>(2,919,011)</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers From Other Funds	-	3,405,192	3,405,192
Transfers To Other Funds	(8,638)	-	(8,638)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(8,638)</u>	<u>3,405,192</u>	<u>3,396,554</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	(79,187)	-	(79,187)
Net Cash Used for Capital and Related Financing Activities	<u>(79,187)</u>	<u>-</u>	<u>(79,187)</u>
Cash Flows from Investing Activities:			
Purchase of Investments	(188,367)	-	(188,367)
Proceeds from Sale and Maturities of Investments	-	-	-
Interest received	3,442	-	3,442
Net Cash Provided by (Used for) Investing Activities	<u>(184,925)</u>	<u>-</u>	<u>(184,925)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	84	213,347	213,431
Cash and Cash Equivalents at Beginning of Year	-	-	-
Cash and Cash Equivalents at End of Year	<u>\$ 84</u>	<u>\$ 213,347</u>	<u>\$ 213,431</u>
Reconciliation of Operating Income (Loss) to Net Cash			
Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ (322,381)	\$ (1,157,997)	\$ (1,480,378)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:			
Depreciation expense	21,164	-	21,164
Changes in Assets and Liabilities:			
Decrease (Increase) in Receivables	106,204	(191,327)	(85,123)
Decrease (Increase) from External Parties	-	450,238	450,238
Decrease (Increase) in Prepaid Items	-	(143,095)	(143,095)
Decrease (Increase) in Inventories	9,735	-	9,735
Increase (Decrease) in Payables	(29,749)	(2,147,978)	(2,177,727)
Increase (Decrease) in Compensated Absences	42,891	-	42,891
Increase (Decrease) in OPEB Liability	-	(1,686)	(1,686)
Increase (Decrease) in Net Pension Liability (includes deferred amounts)	444,970	-	444,970
Net Cash Provided by (Used for) Operating Activities	<u>\$ 272,834</u>	<u>\$ (3,191,845)</u>	<u>\$ (2,919,011)</u>

STATISTICAL SECTION

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

Sources: Unless otherwise noted, the information in these schedules is derived from the 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		
	2008	2009	2010
Governmental Activities:			
Net Investment in Capital Assets	\$ 30,494,416	\$ 9,491,461	\$ 45,594,829
Restricted for:			
Capital Projects	-	34,504,480	-
Debt Service	356,030	8,598,275	5,114,405
Federal & State Programs	101,185	74,890	-
CIDC	14,291,377	5,794,691	-
Other Purposes	590,338	711,703	-
Unrestricted	18,623,082	10,289,905	22,393,150
Total Governmental Activities Net Position	<u>\$ 64,456,428</u>	<u>\$ 69,465,405</u>	<u>\$ 73,102,384</u>
Business-type Activities:			
Net Investment in Capital Assets	\$ 34,302,455	\$ 30,550,082	\$ 42,313,096
Restricted for:			
Debt Service	-	-	768,607
Unrestricted	12,443,817	16,429,178	3,482,423
Total Business-type Activities Net Position	<u>\$ 46,746,272</u>	<u>\$ 46,979,260</u>	<u>\$ 46,564,126</u>
Primary Government:			
Net Investment in Capital Assets	\$ 64,796,871	\$ 40,041,543	\$ 87,907,925
Restricted for:			
Capital Projects	-	34,504,480	-
Debt Service	356,030	8,598,275	5,883,012
Federal & State Programs	101,185	74,890	-
CIDC	14,291,377	5,794,691	-
Other Purposes	590,338	711,703	-
Unrestricted	31,066,899	26,719,083	25,875,573
Total Primary Government Net Position	<u>\$ 111,202,700</u>	<u>\$ 116,444,665</u>	<u>\$ 119,666,510</u>

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

TABLE 1

Fiscal Year						
2011	2012	2013	2014	2015	2016	2017
\$ 44,291,192	\$ 46,590,472	\$ 49,087,033	\$ 54,366,984	\$ 53,413,374	\$ 97,563,851	\$ 96,191,181
-	-	-	-	-	-	-
6,293,542	7,028,107	8,342,744	10,623,507	12,178,899	11,401,030	11,386,141
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	3,290,940	4,032,707	-
30,316,480	33,221,815	42,229,165	46,836,093	(11,517,169)	(17,337,700)	(12,182,607)
<u>\$ 80,901,214</u>	<u>\$ 86,840,394</u>	<u>\$ 99,658,942</u>	<u>\$ 111,826,584</u>	<u>\$ 57,366,044</u>	<u>\$ 95,659,888</u>	<u>\$ 95,394,715</u>
\$ 41,092,795	\$ 38,394,869	\$ 38,080,390	\$ 38,527,503	\$ 43,883,640	\$ 66,592,348	\$ 60,403,915
2,011,388	3,469,710	2,883,757	4,169,587	5,455,067	5,455,067	5,779,189
6,574,281	10,849,396	14,536,011	15,274,317	12,468,751	3,414,929	13,757,251
<u>\$ 49,678,464</u>	<u>\$ 52,713,975</u>	<u>\$ 55,500,158</u>	<u>\$ 57,971,407</u>	<u>\$ 61,807,458</u>	<u>\$ 75,462,344</u>	<u>\$ 79,940,355</u>
\$ 85,383,987	\$ 84,985,341	\$ 87,167,423	\$ 92,894,487	\$ 97,297,014	\$ 164,156,199	\$ 156,595,096
-	-	-	-	-	-	-
8,304,930	10,497,817	11,226,501	14,793,094	17,633,966	16,856,097	17,165,330
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	3,290,940	4,032,707	-
36,890,761	44,071,211	56,765,176	62,110,410	951,582	(13,922,771)	1,574,644
<u>\$ 130,579,678</u>	<u>\$ 139,554,369</u>	<u>\$ 155,159,100</u>	<u>\$ 169,797,991</u>	<u>\$ 119,173,502</u>	<u>\$ 171,122,232</u>	<u>\$ 175,335,070</u>

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

TABLE 2

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities:										
General Government	\$ 15,745,057	\$ 15,339,833	\$ 15,821,856	\$ 16,197,260	\$ 20,069,578	\$ 10,710,512	\$ 11,396,885	\$ 15,956,134	\$ 18,032,626	\$ 16,691,463
Finance	1,322,176	1,356,686	1,829,867	1,366,931	2,025,523	1,384,161	1,555,692	1,654,077	2,092,724	2,154,266
Public Safety	20,566,227	23,126,347	24,091,284	24,932,831	25,729,415	26,579,331	31,524,935	36,628,246	38,529,641	41,127,109
Community Development	-	-	-	-	-	-	-	-	-	2,035,327
Parks	4,199,935	5,606,763	5,712,279	6,309,608	5,531,230	5,872,870	6,989,269	7,227,345	8,248,715	8,353,387
Public Works	8,479,694	6,892,655	6,858,838	7,462,982	7,202,936	8,408,438	9,658,450	10,252,452	14,263,646	13,578,466
Debt Service:										
Interest and Fiscal Charges	3,773,890	4,710,814	4,935,903	4,908,920	5,649,013	5,928,039	5,749,864	5,079,185	4,603,547	4,953,104
Total Governmental Activities Expenses	54,086,979	57,033,098	59,250,027	61,178,532	66,207,695	58,883,351	66,875,095	76,797,439	85,770,899	88,893,122
Business-Type Activities:										
Water and Sewer	13,494,738	14,256,678	15,432,772	17,552,228	18,470,310	21,378,030	25,440,644	29,304,349	30,902,787	32,915,139
Fleet Services	797,463	1,008,177	1,029,431	1,108,717	1,252,899	1,301,942	1,237,286	1,596,959	1,690,402	-
Total Business-type Activities Expenses	14,292,201	15,264,855	16,462,203	18,660,945	19,723,209	22,679,972	26,677,930	30,901,308	32,593,189	32,915,139
Total Primary Government Expenses	\$ 68,379,180	\$ 72,297,953	\$ 75,712,230	\$ 79,839,477	\$ 85,930,904	\$ 81,563,323	\$ 93,553,025	\$ 107,698,747	\$ 118,364,088	\$ 121,808,261
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 6,760,940	\$ 7,059,292	\$ 6,725,603	\$ 7,577,554	\$ 8,199,459	\$ 1,982,113	\$ 2,500,520	\$ 3,588,771	\$ 2,774,101	\$ 3,637,237
Public Safety	1,178,518	1,375,485	2,430,917	4,350,954	3,725,515	3,489,063	3,835,258	2,746,233	2,030,468	1,781,480
Parks	732,336	828,233	877,457	1,084,825	1,157,025	1,194,628	1,246,186	1,279,923	1,214,957	1,161,772
Public Works	705,732	573,402	618,137	722,668	718,931	742,027	696,136	1,256,432	875,737	1,117,197
Operating Grants & Contributions:										
General Government	215,183	584,351	649,953	1,247,405	1,698,203	1,758,848	2,240,844	1,860,483	2,452,942	2,486,525
Finance	-	57,995	-	-	-	-	-	-	-	-
Public Safety	-	925,361	87,564	62,070	353,102	494,595	594,235	595,556	826,864	1,053,099
Community Development	-	-	-	-	-	-	-	-	-	611,708
Parks	-	191,572	-	-	-	-	-	-	-	-
Public Works	-	246,467	896,259	-	-	104,520	426,960	2,601,443	894,808	-
Capital Grants & Contributions										
General Government	-	-	-	-	-	-	-	-	-	12,377
Public Works	-	-	-	-	-	-	-	-	155,748	-
Total Governmental Activities Program Revenues	9,592,709	11,842,158	12,285,890	15,045,476	15,852,235	9,765,794	11,540,139	13,928,841	11,225,625	11,861,395
Business-type Activities:										
Charges for Services:										
Water and Sewer	13,767,268	14,200,624	15,451,810	21,660,846	20,963,406	24,239,291	26,350,214	30,034,855	33,379,807	35,025,871
Service Center	745,546	951,870	1,088,578	1,156,833	1,211,046	1,297,701	1,359,544	1,852,780	1,952,342	-
Operating Grants & Contributions:										
Water and Sewer	-	685,721	-	-	-	-	-	-	-	697,566
Capital Grants & Contributions										
Water and Sewer	-	-	-	-	-	-	-	-	130,785	2,005,738
Total Business-type Activities Program Revenues	14,512,814	15,838,215	16,540,388	22,817,679	22,174,452	25,536,992	27,709,758	31,887,635	35,462,934	37,729,175
Total Primary Government Program Revenues	\$ 24,105,523	\$ 27,680,373	\$ 28,826,278	\$ 37,863,155	\$ 38,026,687	\$ 35,302,786	\$ 39,249,897	\$ 45,816,476	\$ 46,688,559	\$ 49,590,570

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense) Revenues										
Governmental Activities	\$ (44,494,270)	\$ (45,190,940)	\$ (46,964,137)	\$ (46,133,056)	\$ (50,355,460)	\$ (49,117,557)	\$ (55,334,956)	\$ (62,868,598)	\$ (74,545,274)	\$ (77,031,727)
Business-type Activities	220,613	573,360	78,185	4,156,734	2,451,243	2,857,020	1,031,828	986,327	2,869,745	4,814,036
Total Net Expense	<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>	<u>\$ (61,882,271)</u>	<u>\$ (71,675,529)</u>	<u>\$ (72,217,691)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	\$ 12,086,406	\$ 13,766,694	\$ 14,490,433	\$ 14,512,982	\$ 15,551,084	\$ 16,887,252	\$ 18,258,675	\$ 20,045,759	\$ 26,473,354	\$ 30,262,334
In Lieu of Taxes	435,170	457,851	480,206	489,904	570,277	587,634	682,113	592,302	682,266	776,838
Gross Receipts Tax	3,747,522	3,940,939	4,189,983	4,715,542	4,837,834	5,275,521	5,498,112	5,794,059	6,205,833	6,323,185
Sales and Other Taxes	29,786,065	28,863,680	27,168,790	30,033,856	31,967,819	36,640,659	40,261,541	32,013,059	31,280,147	32,151,158
Hotel Occupancy Taxes	228,666	406,603	690,112	591,940	801,963	926,572	1,103,093	1,237,267	1,220,471	1,163,561
Mixed Beverage Taxes	140,886	147,909	173,790	168,103	141,111	149,146	219,547	272,002	298,859	288,852
Miscellaneous	2,094,181	2,852,751	811,074	839,882	1,044,394	305,564	413,617	1,807,243	3,446,410	2,870,562
Donations	-	76,412	161,124	193,335	173,978	397,521	110,556	167,455	47,035	51,750
Grants and Contributions Not										
Restricted to Specific Programs	-	-	1,636,394	872,055	870,190	984,394	1,050,519	1,145,225	1,019,223	1,611,619
Unrestricted Investment Earnings	1,211,705	718,596	240,119	176,010	160,852	122,179	135,095	132,911	291,145	517,778
Net Change in Fair Value of Investments	467,934	(240,904)	(83,186)	38,218	14,930	(221,800)	(126,115)	18,778	6,761	(119,860)
Gain (Loss) on Capital Assets	4,780,042	-	-	-	-	-	-	-	-	-
Transfers	3,441,351	453,959	642,277	1,300,059	160,208	1,108,072	(104,155)	(1,002,698)	(380,889)	240,845
Total Governmental Activities	<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>	<u>62,223,362</u>	<u>70,590,615</u>	<u>76,138,622</u>
Business-type Activities:										
Miscellaneous	-	-	31,492	120,155	126,429	356,157	305,613	563,412	306,949	338,943
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	6,612,682	5,004,392	-
Unrestricted Investment Earnings	873,629	216,786	24,326	36,412	41,335	32,490	36,200	28,576	109,148	200,594
Net Change in Fair Value of Investments	(26,230)	(103,199)	(26,802)	52,831	(1,016)	(36,457)	(37,068)	(695)	(1,967)	(6,785)
Transfers	(3,441,351)	(453,959)	(642,277)	(1,300,059)	(160,208)	(1,108,072)	104,155	1,002,698	380,889	(240,845)
Total Business-type Activities	<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>	<u>8,206,673</u>	<u>5,799,411</u>	<u>291,907</u>
Total Primary Government	<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>	<u>\$ 70,430,035</u>	<u>\$ 76,390,026</u>	<u>\$ 76,430,529</u>
Change in Net Position										
Governmental Activities	\$ 13,925,658	\$ 6,253,550	\$ 3,636,979	\$ 7,798,830	\$ 5,939,180	\$ 14,045,157	\$ 12,167,642	\$ (645,236)	\$ (3,954,659)	\$ (893,105)
Business-type Activities	(2,373,339)	232,988	(415,134)	3,114,338	3,035,511	3,601,638	2,471,249	9,193,000	8,669,156	5,105,943
Total Primary Government	<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>	<u>\$ 8,547,764</u>	<u>\$ 4,714,497</u>	<u>\$ 4,212,838</u>

Effective 2015, CIDC is a discrete component unit and is not included.

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

	Fiscal Year		
	2008	2009	2010
Functions/Programs			
Governmental Activities:			
Charges for Services			
General Government	\$ 6,760,940	\$ 7,059,292	\$ 6,725,603
Public Safety	1,178,518	1,375,485	2,430,917
Parks	732,336	828,233	877,457
Public Works	705,732	573,402	618,137
Operating Grants & Contributions			
General Government	215,183	584,351	649,953
Finance	-	57,995	-
Public Safety	-	925,361	87,564
Community Development	-	-	-
Parks	-	191,572	-
Public Works	-	246,467	896,259
Capital Grants & Contributions			
General Government	-	-	-
Public Works	-	-	-
Total Governmental Activities	<u>9,592,709</u>	<u>11,842,158</u>	<u>12,285,890</u>
Business-type Activities:			
Charges for Services			
Water and Sewer	13,767,268	14,200,624	15,451,810
Fleet Services	745,546	951,870	1,088,578
Operating Grants & Contributions			
Enterprise	-	685,721	-
Capital Grants & Contributions			
Water and Sewer	-	-	-
Total Business-type Activities	<u>14,512,814</u>	<u>15,838,215</u>	<u>16,540,388</u>
Total Primary Government	<u>\$ 24,105,523</u>	<u>\$ 27,680,373</u>	<u>\$ 28,826,278</u>

Effective 2015, CIDC is a discrete component unit and is not included.

TABLE 3

Fiscal Year						
2011	2012	2013	2014	2015	2016	2017
\$ 7,577,554	\$ 8,199,459	\$ 1,982,113	\$ 2,500,520	\$ 3,588,771	\$ 2,774,101	\$ 3,637,237
4,350,954	3,725,515	3,489,063	3,835,258	2,746,233	2,030,468	1,781,480
1,084,825	1,157,025	1,194,628	1,246,186	1,279,923	1,214,957	1,161,772
722,668	718,931	742,027	696,136	1,256,432	875,737	1,117,197
1,247,405	1,698,203	1,758,848	2,240,844	1,860,483	2,452,942	2,486,525
-	-	-	-	-	-	-
62,070	353,102	494,595	594,235	595,556	826,864	1,053,099
-	-	-	-	-	-	611,708
-	-	-	-	-	-	-
-	-	104,520	426,960	2,601,443	894,808	-
-	-	-	-	-	-	12,377
-	-	-	-	-	155,748	-
15,045,476	15,852,235	9,765,794	11,540,139	13,928,841	11,225,625	11,861,395
21,660,846	20,963,406	24,239,291	26,350,214	30,034,855	33,379,807	35,025,871
1,156,833	1,211,046	1,297,701	1,359,544	1,852,780	1,952,342	-
-	-	-	-	-	-	697,566
-	-	-	-	-	130,785	2,005,738
22,817,679	22,174,452	25,536,992	27,709,758	31,887,635	35,462,934	37,729,175
\$ 37,863,155	\$ 38,026,687	\$ 35,302,786	\$ 39,249,897	\$ 45,816,476	\$ 46,688,559	\$ 49,590,570

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

	Fiscal Year		
	2008	2009	2010
General Fund			
Reserved	\$ 67,477	\$ 36,942	\$ 165,106
Unreserved	18,246,066	19,864,037	17,838,511
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	5,204,390	2,460,433	2,686,253
General Fund-Balance Appropriations	-	-	-
Self-Funded Insurance	-	-	-
Unassigned	-	-	-
Total General Fund	\$ 23,517,933	\$ 22,361,412	\$ 20,689,870
All Other Governmental Funds			
Reserved for:			
Debt Service	\$ 952,326	\$ 4,304,747	\$ 5,028,864
Unreserved, designated for, reported in:			
Special Revenue Funds - CIDC Fund	14,921,377	5,075,144	4,910,240
Unreserved, Undesignated for, reported in:			
Capital Project Funds	21,910,731	29,377,504	29,668,367
Special Projects	765,092	865,526	740,551
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. Ind. Park-Infrastructure	-	-	-
Conroe Tower-Lease Income	-	-	-
Owen Theatre-Ticket Sales	-	-	-
Woodlands Township Reg. Participation	-	-	-
Assigned to:			
Parks Foundation-Donations	-	-	-
CIDC-Balance Appropriations	-	-	-
Unassigned	-	-	-
Total All Other Governmental Funds	\$ 38,549,526	\$ 39,622,921	\$ 40,348,022

Effective 2015, CIDC is a discrete component unit and is not included.

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, replaced the categories that previously had been used to classify fund balance. The City implemented GASB No. 54 for fiscal year 2011.

TABLE 4

Fiscal Year						
2011	2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
120,070	116,910	113,750	110,590	107,430	104,270	117,691
25,373	42,871	43,791	42,208	19,681	31,622	39,984
-	204,460	151,170	152,115	161,308	158,386	-
-	188,541	105,605	30,333	-	-	-
100,395	-	31,497	-	-	-	-
-	-	-	72,160	57,906	60,548	-
-	-	-	2,433	3,392	6,844	-
-	-	15,829	20,266	19,927	19,376	24,980
236,503	394,828	184,389	311,048	413,679	612,575	904,793
312,564	405,739	416,273	519,200	526,237	526,237	353,663
11,905	54,311	93,998	79,778	142,926	285,076	313,914
-	-	-	16,032	-	-	-
-	-	15,353	31,353	45,838	75,507	296,658
2,659,177	3,082,043	3,906,728	4,977,087	4,418,234	4,031,972	3,107,409
-	-	1,751,375	4,352,573	575,163	629,322	1,017,905
-	-	-	1,600,000	1,600,000	1,872,000	-
19,911,074	23,483,574	24,887,074	20,500,016	20,477,898	20,237,960	23,458,420
<u>\$ 23,377,061</u>	<u>\$ 27,973,277</u>	<u>\$ 31,716,832</u>	<u>\$ 32,817,192</u>	<u>\$ 28,569,619</u>	<u>\$ 28,651,695</u>	<u>\$ 29,635,417</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
5,718,604	6,444,898	8,591,820	4,471,517	-	-	-
6,441,765	10,451,194	12,260,043	14,537,182	12,084,748	11,356,765	11,569,373
28,774,112	23,677,654	12,796,545	40,358,188	29,207,699	12,409,574	15,019,976
822,755	1,146,480	1,446,517	2,313,400	1,965,565	2,363,665	2,994,088
3,439,652	1,621,505	2,461,268	12,300,254	-	-	-
362,504	362,451	340,554	-	-	-	-
3	5	8	10	11	25	142
2,922,942	3,023,439	3,463,184	3,867,574	878,632	447,238	1,817,868
2,516,382	-	-	-	-	-	-
385,084	466,711	385,950	344,253	350,164	319,548	213,004
97,514	100,739	98,386	30,121	43,738	42,539	49,055
35,360	44,042	54,123	63,510	98,322	146,421	194,268
4,604	4,604	-	-	-	-	-
-	-	421,649	-	-	-	-
-	(4,872,753)	-	-	-	-	-
<u>\$ 51,521,281</u>	<u>\$ 42,470,969</u>	<u>\$ 42,320,047</u>	<u>\$ 78,286,009</u>	<u>\$ 44,628,879</u>	<u>\$ 27,085,775</u>	<u>\$ 31,857,774</u>

CITY OF CONROE, TEXAS

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

	Fiscal Year		
	2008	2009	2010
Revenues			
Taxes	\$ 46,107,838	\$ 47,521,728	\$ 46,779,434
Licenses and Permits	1,628,111	1,174,481	1,293,727
Charges for Sales and Services	1,484,854	1,518,562	1,545,589
Lease Income	281,458	301,447	312,867
Fines and Forfeitures	1,029,715	3,820,757	2,247,748
Intergovernmental	2,217,918	718,692	3,789,076
Investment Income	1,138,113	(247,791)	290,805
Gain (Loss) on Investments	471,925	124,740	(78,519)
Penalties and Interest	121,257	830,453	150,095
Sale of Assets	-	-	-
Land Sales	5,142,836	1,192,527	751,187
Other	217,811	1,325,953	614,992
Total Revenues	<u>59,841,836</u>	<u>58,281,549</u>	<u>57,697,001</u>
Expenditures			
General Government	10,535,145	8,043,022	10,469,930
Finance	1,269,490	1,277,562	1,259,066
Public Safety	19,506,439	20,322,601	21,289,975
Community Development	-	-	-
Parks	3,678,713	4,294,923	4,403,634
Public Works	5,397,344	5,433,457	5,269,914
Debt Service:			
Principal Retirement	5,812,976	6,496,604	6,687,970
Interest and Fiscal Charges	3,810,590	4,730,550	4,859,814
Bond Issuance Costs	-	-	-
Capital Outlay	28,827,746	21,013,380	13,646,743
Total Expenditures	<u>78,838,443</u>	<u>71,612,099</u>	<u>67,887,046</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,996,607)	(13,330,550)	(10,190,045)
Other Financing Sources (Uses)			
Issuance of Bonds and COs	32,100,000	12,750,000	9,270,000
Refunding Bonds Issued	-	-	4,035,000
Premiums and Discounts	122,115	43,466	425,757
Payment to Refunded Bond Escrow Agent	(1,282,504)	-	(4,064,917)
Transfers In	18,298,629	19,193,905	9,374,078
Transfers Out	(14,857,278)	(18,739,946)	(9,796,314)
Total Other Financing Sources (Uses)	<u>34,380,962</u>	<u>13,247,425</u>	<u>9,243,604</u>
Net Change in Fund Balances	<u>\$ 15,384,355</u>	<u>\$ (83,125)</u>	<u>\$ (946,441)</u>
Debt Service as a Percentage of Noncapital Expenditures	19.2%	22.2%	21.3%

Effective 2015, CIDC is a discrete component unit and is not included.

TABLE 5

Fiscal Year						
2011	2012	2013	2014	2015	2016	2017
\$ 50,327,235	\$ 53,584,786	\$ 60,358,883	\$ 65,879,766	\$ 59,891,274	\$ 65,987,138	\$ 70,396,808
1,240,026	1,414,723	1,752,598	2,260,525	3,336,634	2,498,341	3,236,949
1,833,902	1,909,626	1,979,380	1,966,939	2,573,767	2,149,135	2,328,436
332,526	339,640	331,029	357,568	365,578	370,173	396,898
4,204,363	3,480,694	3,344,824	3,693,068	2,595,380	1,877,614	1,735,403
2,705,939	3,610,177	3,342,357	4,312,558	6,202,707	5,349,585	5,775,328
183,455	277,440	116,658	130,335	130,154	289,731	514,299
33,809	(9,121)	(191,185)	(121,797)	18,538	7,578	(119,860)
107,349	140,798	112,655	106,932	129,761	208,097	453,641
3,439,652	1,621,505	2,645,283	4,777,829	-	-	-
-	-	-	-	-	-	-
677,273	830,787	852,106	627,045	2,116,637	3,820,410	3,245,271
65,085,529	67,201,055	74,644,588	83,990,768	77,360,430	82,557,802	87,963,173
9,858,475	12,912,210	11,444,046	13,396,364	14,835,320	17,279,501	15,176,318
1,302,032	1,354,043	1,333,034	1,421,763	1,540,445	1,880,428	1,979,328
22,150,568	22,534,671	24,048,252	26,836,475	31,447,082	31,980,626	32,763,616
-	-	-	-	-	-	2,426,261
4,724,826	4,124,585	4,238,271	4,905,220	5,039,267	5,351,321	5,204,310
5,772,043	5,519,381	6,703,354	7,369,859	8,032,281	10,220,162	8,823,990
6,916,093	7,437,033	13,183,048	7,194,144	5,300,320	8,766,586	9,029,940
4,889,929	5,751,981	5,887,124	5,530,863	4,662,641	4,691,019	4,796,391
453,738	239,023	433,014	345,651	520,406	162,484	270,944
29,127,940	21,033,141	18,897,565	14,557,532	27,735,071	31,299,653	20,545,856
85,195,644	80,906,068	86,167,708	81,557,871	99,112,833	111,631,780	101,016,954
(20,110,115)	(13,705,013)	(11,523,120)	2,432,897	(21,752,403)	(29,073,978)	(13,053,781)
32,080,000	8,970,000	13,080,000	31,100,000	8,795,000	11,275,000	20,110,000
-	7,560,000	12,305,000	-	33,370,000	-	-
590,506	258,044	(11,377,320)	3,637,580	2,843,082	718,839	1,855,211
-	(7,697,335)	13,761,078	-	(36,111,136)	-	-
7,848,088	7,289,803	(12,653,006)	8,258,452	17,073,716	3,970,565	7,088,953
(6,548,029)	(7,129,595)	-	(8,362,607)	(18,498,029)	(4,351,454)	(10,244,662)
33,970,565	9,250,917	15,115,752	34,633,425	7,472,633	11,612,950	18,809,502
\$ 13,860,450	\$ (4,454,096)	\$ 3,592,632	\$ 37,066,322	\$ (14,279,770)	\$ (17,461,028)	\$ 5,755,721
21.1%	22.0%	28.3%	19.0%	14.0%	16.8%	17.2%

CITY OF CONROE, TEXAS

SPENDING AND GROWTH ANALYSIS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2008	2009	2010	2011
Expenditures				
General Government	\$ 10,535,145	\$ 8,043,022	\$ 10,469,930	\$ 9,858,475
Finance	1,269,490	1,277,562	1,259,066	1,302,032
Public Safety	19,506,439	20,322,601	21,289,975	22,150,568
Community Development	-	-	-	-
Parks	3,678,713	4,294,923	4,403,634	4,724,826
Public Works	5,397,344	5,433,457	5,269,914	5,772,043
Debt Service - principal	5,812,976	6,496,604	6,687,970	6,916,093
Debt Service - interest	3,810,590	4,730,550	4,859,814	4,889,929
Debt Service - bond issuance costs	-	-	-	453,738
Capital Outlay	28,827,746	21,013,380	13,646,743	29,127,940
Total	\$ 78,838,443	\$ 71,612,099	\$ 67,887,046	\$ 85,195,644

Distribution of Spending

General Government	13.4%	11.2%	15.4%	11.6%
Finance	1.6%	1.8%	1.9%	1.5%
Public Safety	24.7%	28.4%	31.4%	26.0%
Community Development	0.0%	0.0%	0.0%	0.0%
Parks	4.7%	6.0%	6.5%	5.5%
Public Works	6.8%	7.6%	7.8%	6.8%
Debt Service - principal	7.4%	9.1%	9.9%	8.1%
Debt Service - interest	4.8%	6.6%	7.2%	5.7%
Debt Service - bond issuance costs	0.0%	0.0%	0.0%	0.5%
Capital Outlay	36.6%	29.3%	20.1%	34.2%
Total	100.0%	100.0%	100.0%	100.0%

Per Capita Expenditures Adjusted for CPI

Population	53,472	55,195	56,207	56,257
Per Capita	\$ 1,474	\$ 1,297	\$ 1,208	\$ 1,514
CPI Index (National)	219	216	218	227
Per Capita Spending Adjusted to 2008 Dollars	\$ 1,474	\$ 1,314	\$ 1,210	\$ 1,460

The Compounded Average Growth Rate is a useful measure of growth that takes compounding into account over the time period.

Per Capita Spending Adjusted to 2008 Dollars is a measure of spending that is adjusted for purchasing power taking inflation into account.

TABLE 6

Fiscal Year						% CHG	Compounded Average Growth Rate
2012	2013	2014	2015	2016	2017		
\$ 12,912,210	\$ 11,444,046	\$ 13,396,364	\$ 14,835,320	\$ 17,279,501	\$ 15,176,318	44.1%	4.14%
1,354,043	1,333,034	1,421,763	1,540,445	1,880,428	1,979,328	55.9%	5.06%
22,534,671	24,048,252	26,836,475	31,447,082	31,980,626	32,763,616	68.0%	5.93%
-	-	-	-	-	2,426,261	0.0%	0.00%
4,124,585	4,238,271	4,905,220	5,039,267	5,351,321	5,204,310	41.5%	3.93%
5,519,381	6,703,354	7,369,859	8,032,281	10,220,162	8,823,990	63.5%	5.61%
7,437,033	13,183,048	7,194,144	5,300,320	8,766,586	9,029,940	55.3%	5.02%
5,751,981	5,887,124	5,530,863	4,662,641	4,691,019	4,796,391	25.9%	2.59%
239,023	433,014	345,651	520,406	162,484	270,944	-40.3%	-5.57%
21,033,141	18,897,565	14,557,532	27,735,071	31,299,653	20,545,856	-28.7%	-3.69%
<u>\$ 80,906,068</u>	<u>\$ 86,167,708</u>	<u>\$ 81,557,871</u>	<u>\$ 99,112,833</u>	<u>\$ 111,631,780</u>	<u>\$ 101,016,954</u>	<u>28.1%</u>	<u>2.79%</u>
16.0%	13.3%	16.4%	15.0%	15.5%	15.0%		
1.7%	1.5%	1.7%	1.6%	1.7%	2.0%		
27.9%	27.9%	32.9%	31.7%	28.6%	32.4%		
0.0%	0.0%	0.0%	0.0%	0.0%	2.4%		
5.1%	4.9%	6.0%	5.1%	4.8%	5.2%		
6.8%	7.8%	9.0%	8.1%	9.2%	8.7%		
9.2%	15.3%	8.8%	5.3%	7.9%	8.9%		
7.1%	6.8%	6.8%	4.7%	4.2%	4.7%		
0.3%	0.5%	0.4%	0.5%	0.1%	0.3%		
26.0%	21.9%	17.8%	28.0%	28.0%	20.3%		
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>		
56,530	61,564	71,592	71,879	71,879	82,275		Compounded Growth Rate 4.90%
\$ 1,431	\$ 1,400	\$ 1,139	\$ 1,379	\$ 1,553	\$ 1,228		2.69%
231	234	238	238	241	245		1.48%
\$ 1,353	\$ 1,308	\$ 1,047	\$ 1,268	\$ 1,410	\$ 1,096		1.19%

CITY OF CONROE, TEXAS**TABLE 7**

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

Fiscal Year	Property	Sales & Use ⁽¹⁾	Hotel/Motel Occupancy	Franchise	Other	Total
2008	\$ 11,716,511	\$ 29,786,065	\$ 228,666	\$ 3,747,522	\$ 629,074	\$ 46,107,838
2009	13,171,609	28,863,680	406,603	3,940,939	1,138,897	47,521,728
2010	14,164,088	27,168,790	690,112	4,189,983	566,461	46,779,434
2011	14,222,611	30,033,856	591,940	4,715,542	763,286	50,327,235
2012	14,951,252	31,967,819	801,963	4,837,834	1,025,918	53,584,786
2013	16,610,584	36,640,659	926,572	5,275,521	905,547	60,358,883
2014	17,950,171	40,261,541	1,103,093	5,498,112	1,066,849	65,879,766
2015	19,787,780	32,013,059	1,237,267	5,794,059	1,059,109	59,891,274
2016	26,080,220	31,323,407	1,220,471	6,205,833	1,157,207	65,987,138
2017	29,693,214	32,151,158	1,163,561	6,323,185	1,065,690	70,396,808
Change 2008-2017	153%	8%	409%	69%	69%	53%

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

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

Fiscal Year	Residential Property	Commercial Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
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	2,673,472,876	1,434,769,376	1,444,595,982	1,230,012,103	4,322,826,131	0.4200
2015	2,969,005,808	1,544,076,046	1,577,299,368	1,260,587,672	4,829,793,550	0.4200
2016	4,207,510,421	1,933,038,857	1,762,388,483	1,593,198,016	6,309,739,745	0.4200
2017	4,730,146,184	2,143,178,688	1,765,772,483	1,512,848,618	7,126,248,737	0.4175

Source: Montgomery Central Appraisal District

Note: Taxable property in the City is appraised at its market value each year by the Montgomery Central Appraisal District (MCAD).
Tax rates are per \$100 of assessed value.

CITY OF CONROE, TEXAS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN FISCAL YEARS

Fiscal Year	City Direct Rates			Overlapping Rates					
	Operations & Maintenance	General Obligation Debt Service	Total Direct Rate	Montgomery County	Mont. Co. Hospital District	Lone Star College	Conroe ISD	Montgomery ISD	Willis ISD
2008	\$ 0.2350	\$ 0.1900	\$ 0.4250	\$ 0.4888	\$ 0.0777	\$ 0.1144	\$ 1.2400	\$ -	\$ 1.3700
2009	0.2300	0.1900	0.4200	0.4838	0.0760	0.1101	1.2700	-	1.3700
2010	0.2450	0.1750	0.4200	0.4838	0.0755	0.1101	1.2850	-	1.3700
2011	0.2500	0.1700	0.4200	0.4838	0.0754	0.1176	1.2950	-	1.3700
2012	0.2500	0.1700	0.4200	0.4838	0.0729	0.1198	1.2900	-	1.3900
2013	0.2500	0.1700	0.4200	0.4838	0.0727	0.1160	1.2850	1.3400	1.3900
2014	0.2500	0.1700	0.4200	0.4767	0.0725	0.1081	1.2800	1.3400	1.3900
2015	0.2500	0.1700	0.4200	0.4767	0.0710	0.1079	1.2800	1.3400	1.3900
2016	0.2750	0.1450	0.4200	0.4667	0.0665	0.1078	1.2800	1.3400	1.3900
2017	0.2925	0.1250	0.4175	0.4667	0.0665	0.1078	1.2800	1.3700	1.3900

Source: Montgomery County Tax Assessor/Collector

TABLE 9

Overlapping Rates									
Mont. Co. MUD #90	Mont. Co. MUD #92	Mont. Co. MUD #107	Conroe MUD #1	Mont. Co. MUD #132	Mont. Co. MUD #126	Mont. Co. MUD #138	Mont. Co. MUD #142	Utility District #3	Utility District #4
\$ 0.6000	\$ 0.6000	\$ 0.6000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0.6000	0.6000	0.6000	-	-	-	-	-	-	-
0.6000	0.6000	0.7000	-	-	-	-	-	-	-
0.6000	0.6000	0.7000	-	-	-	-	-	-	-
0.6000	0.6000	0.7000	-	-	-	-	-	-	-
0.6000	0.6000	0.7000	-	-	-	-	-	-	-
0.6000	0.6000	0.7000	-	-	-	-	-	-	-
0.6000	0.6000	0.7000	0.6000	0.7000	0.9000	0.8800	-	0.0900	0.0800
0.6000	0.6000	0.7000	0.6000	0.7000	0.9000	0.8800	1.0000	0.0900	0.0775

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

TABLE 10

Taxpayer	2017			2008		
	2016 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2007 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
McKesson Corporation	\$ 114,631,703	1	1.61%	\$ 51,017,953	2	1.83%
Ball Metal Container Corporation	87,566,965	2	1.23%			
Conroe Hospital Corporation	76,265,980	3	1.07%	70,977,120	1	2.55%
National Oilwell Varco LP/Brandt	69,220,784	4	0.97%			
The GEO Group	55,073,750	5	0.77%			
Wal-Mart Real Estate Bus. Trust	52,834,352	6	0.74%	44,782,026	3	1.61%
Entergy Texas Inc.	47,466,180	7	0.67%			
Professional Directional LTD	41,848,880	8	0.59%			
National Oilwell Varco DHT LP	39,156,970	9	0.55%			
Western Rim Investors 2012-3 LP	36,610,750	10	0.51%			
Maverick Tube Texas Works				39,254,730	4	1.41%
Consolidated Communications of TX Co				35,924,050	5	1.29%
Crown Cork & Seal Co				26,182,650	6	0.94%
Conroe Regional Medical Center				25,970,426	7	0.93%
Conroe Marketplace S C LP				24,821,190	8	0.89%
Gulf States Utilities Co				24,368,590	9	0.88%
Siemens Water Technologies Corp.				20,682,872	10	0.74%
	<u>\$ 620,676,314</u>		<u>8.71%</u>	<u>\$ 363,981,607</u>		<u>13.08%</u>

Source: Montgomery Central Appraisal District

CITY OF CONROE, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

TABLE 11

Fiscal Year Ended Sept 30	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
2008	\$ 11,813,302	\$ 11,716,511	99.18%	\$ 77,805	\$ 11,794,316	99.84%
2009	13,395,885	13,171,609	98.33%	194,854	13,366,463	99.78%
2010	14,378,880	14,164,088	98.51%	180,478	14,344,566	99.76%
2011	14,452,462	14,222,611	98.41%	198,163	14,420,774	99.78%
2012	15,205,842	14,951,252	98.33%	220,230	15,171,482	99.77%
2013	16,858,196	16,610,584	98.53%	202,482	16,813,066	99.73%
2014	18,076,015	17,950,171	99.30%	89,197	18,039,368	99.80%
2015	20,245,827	19,787,780	97.74%	411,582	20,199,362	99.77%
2016	26,641,542	26,080,220	97.89%	422,531	26,502,751	99.48%
2017	29,778,208	29,014,410	97.44%	-	29,014,410	97.44%

Source: Montgomery County Tax Assessor-Collector

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

CITY OF CONROE, TEXAS

TAXABLE SALES BY CATEGORY

LAST TEN CALENDAR YEARS

(IN THOUSANDS OF DOLLARS)

	Calendar Year		
	2007	2008	2009
Agriculture			
Forestry & Fishing	\$ 287	\$ 2	\$ -
Mining	8,895	11,527	11,892
Construction	40,017	45,295	28,214
Manufacturing	70,697	80,117	57,968
Transportation,			
Communication & Utilities	3,819	5,877	3,813
Wholesale Trade	110,891	88,029	58,721
Retail Trade	760,016	798,061	745,719
Information	39,333	53,842	23,303
Finance,			
Insurance & Real Estate	36,160	39,862	22,009
Services	187,367	193,176	198,447
Other	-	11	-
Total	<u>\$ 1,257,482</u>	<u>\$ 1,315,799</u>	<u>\$ 1,150,086</u>
City and CIDC Direct Sales Tax Rate	2.00%	2.00%	2.00%

Source: Texas Comptroller of Public Accounts

TABLE 12

Calendar Year						
2010	2011	2012	2013	2014	2015	2016
\$ 4	\$ 6	\$ 54	\$ 55	\$ 39	\$ 21	\$ 10
11,915	6,053	25,385	32,553	53,172	56,577	23,090
27,992	23,958	33,488	31,336	38,737	44,597	38,883
55,559	75,498	115,291	141,766	144,822	107,946	92,886
4,117	1,524	843	562	1,227	2,112	2,627
56,385	72,428	93,319	113,592	139,891	159,804	166,854
775,226	786,202	850,416	952,609	1,033,821	1,046,251	1,035,813
23,282	29,425	31,573	35,432	42,848	50,631	53,663
20,163	28,683	28,226	37,252	42,252	55,274	55,070
193,343	201,872	218,972	237,869	307,646	307,164	326,144
-	-	-	-	1	-	31
<u>\$ 1,167,986</u>	<u>\$ 1,225,649</u>	<u>\$ 1,397,567</u>	<u>\$ 1,583,026</u>	<u>\$ 1,804,455</u>	<u>\$ 1,830,377</u>	<u>\$ 1,795,071</u>
2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

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

Fiscal Year	General Fund		CIDC Fund Discrete	Total Sales Tax Rate
	Primary Government		Component Unit	
	Sales Tax Rate For General Revenue	Sales Tax Rate For Property Tax Relief	Sales Tax Rate For Economic Development (4B)	
2008	1.00%	0.50%	0.50%	2.00%
2009	1.00%	0.50%	0.50%	2.00%
2010	1.00%	0.50%	0.50%	2.00%
2011	1.00%	0.50%	0.50%	2.00%
2012	1.00%	0.50%	0.50%	2.00%
2013	1.00%	0.50%	0.50%	2.00%
2014	1.00%	0.50%	0.50%	2.00%
2015	1.00%	0.50%	0.50%	2.00%
2016	1.00%	0.50%	0.50%	2.00%
2017	1.00%	0.50%	0.50%	2.00%

Source: City Finance and Administration Department

CITY OF CONROE, TEXAS
TABLE 14

SALES TAX REVENUE PAYERS BY INDUSTRY
FISCAL YEARS 2006 AND 2016
(DOLLARS ARE IN MILLIONS)

Tax Remitter	Fiscal Year 2006				Fiscal Year 2016			
	Number of Filers	% of Total	Tax Liability	% of Total	Number of Filers	% of Total	Tax Liability	% of Total
Agriculture, Forestry & Fishing	20	0.25%	\$ -	0.00%	51	0.39%	\$ -	0.00%
Mining	38	0.47%	0.06	0.29%	165	1.24%	0.68	1.88%
Construction	651	8.15%	0.69	3.36%	1,125	8.48%	0.78	2.16%
Manufacturing	524	6.56%	1.15	5.60%	1,174	8.85%	1.75	4.84%
Transportation, Communication & Utilities	59	0.74%	0.03	0.14%	118	0.89%	0.05	0.14%
Wholesale Trade	418	5.23%	2.03	9.88%	842	6.35%	3.25	8.99%
Retail Trade	2,960	37.05%	12.13	59.03%	4,436	33.45%	20.93	57.90%
Information	89	1.11%	0.38	1.85%	169	1.27%	1.06	2.93%
Finance, Insurance & Real Estate	298	3.73%	0.53	2.58%	465	3.51%	1.10	3.04%
Services	2,787	34.88%	3.55	17.27%	4,678	35.27%	6.55	18.12%
Other	146	1.83%	-	0.00%	40	0.30%	-	0.00%
Total	<u>7,990</u>	<u>100.00%</u>	<u>\$ 20.55</u>	<u>100.00%</u>	<u>13,263</u>	<u>100.00%</u>	<u>\$ 36.15</u>	<u>100.00%</u>

Source: Texas Comptroller of Public Accounts

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

CITY OF CONROE, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			
	Refunding Bonds, CO Bonds & Sales Tax Revenue Bonds ⁽¹⁾	Capital Leases	Notes	Total Long-Term Debt
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	144,256,672	566,341	1,165,000	145,988,013
2013	145,034,959	513,293	1,070,000	146,618,252
2014	129,757,386	458,149	971,000	131,186,535
2015	135,705,804	400,827	868,002	136,974,633
2016	138,640,600	341,241	761,002	139,742,843
2017	151,254,904	279,301	648,002	152,182,207

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

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

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

Effective 2015, CIDC is a discrete component unit and is not included.

TABLE 15

Business-type Activities					
CO Bond & Revenue Bonds	Capital Leases	Total Long-Term Debt	Total Primary Government	Percentage of Personal Income ⁽²⁾	Per Capita ⁽²⁾
\$ 27,479,444	\$ 6,082,839	\$ 33,562,283	\$ 142,333,557	15.09%	\$ 2,662
34,434,295	5,517,554	39,951,849	155,073,967	12.83%	2,810
49,811,369	4,980,983	54,792,352	173,124,220	14.51%	3,080
53,963,439	4,610,237	58,573,676	202,658,590	15.39%	3,602
71,718,321	4,224,846	75,943,167	221,931,180	16.89%	3,926
76,694,943	3,824,233	80,519,176	227,137,428	17.14%	3,689
92,995,074	3,407,795	96,402,869	227,589,404	14.16%	3,179
105,404,059	2,974,908	108,378,967	245,353,600	15.20%	3,413
101,531,935	2,524,923	104,056,858	243,799,701	13.66%	3,392
121,026,014	2,057,162	123,083,176	275,265,383	12.51%	3,346

CITY OF CONROE, TEXAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

TABLE 16

Fiscal Year	General Bonded Debt Outstanding			Less: Amounts Available in Debt Service Fund ⁽¹⁾	Net Total	Percentage of Taxable Assessed Value of Property	Per Capita
	Refunding Bonds	Certificates of Obligation	Total				
2008	\$20,820,000	\$58,470,000	\$79,290,000	\$ 952,326	\$78,337,674	2.82%	\$ 1,465
2009	18,490,000	69,365,000	87,855,000	4,304,747	83,550,253	2.62%	1,514
2010	19,084,735	73,711,569	92,796,304	5,028,864	87,767,440	2.56%	1,562
2011	16,036,643	90,451,528	106,488,171	6,441,765	100,046,406	2.90%	1,778
2012	19,831,478	90,832,124	110,663,602	7,181,606	103,481,996	2.85%	1,831
2013	15,704,830	84,000,514	99,705,344	8,312,617	91,392,727	2.28%	1,485
2014	12,661,361	117,096,025	129,757,386	10,632,394	119,124,992	2.76%	1,664
2015	45,626,859	90,078,945	135,705,804	12,084,748	123,621,056	2.56%	1,720
2016	43,116,188	95,524,412	138,640,600	11,356,765	127,283,835	2.02%	1,771
2017	40,455,518	110,799,386	151,254,904	11,569,373	139,685,531	1.96%	1,698

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.

Fiscal Years 2009 and prior, the detailed information to present debt net of related items is unavailable.

See Table 8 for property value data.

Population data can be found on Table 20.

CITY OF CONROE, TEXAS

TABLE 17

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2017

(DOLLARS IN THOUSANDS)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt Repaid with Property Taxes			
Montgomery County	\$ 443,540	13.32%	\$ 59,080
Conroe Independent School District	1,131,355	17.57%	198,779
Willis Independent School District	153,473	22.39%	34,363
Lone Star College	640,175	3.99%	25,543
Montgomery Independent School District	348,215	2.99%	10,412
MUD #90	8,085	100.00%	8,085
MUD #92	4,915	100.00%	4,915
MUD #107	13,875	100.00%	13,875
MUD #126	3,060	100.00%	3,060
MUD #132	69,500	100.00%	69,500
MUD #138	6,040	100.00%	6,040
Conroe MUD #1	4,815	100.00%	4,815
UD #4	11,860	100.00%	11,860
Subtotal, Overlapping Debt			450,327
City Direct Debt (Net of original issuance discounts and premiums)	\$ 152,182		152,182
Total Direct and Overlapping Debt (Estimated \$7,323 Per Capita) (a)			<u>\$ 602,509</u>

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

(a) See Table 20 for population of 82,275.

Note: For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

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

	Fiscal Year		
	2008	2009	2010
Assessed Value	\$ 2,782,770,982	\$ 3,183,689,979	\$ 3,427,354,014
Debt Limit <5% of assessed value>	\$ 139,138,549	\$ 159,184,499	\$ 171,367,701
Debt Applicable to Limit:			
Total Bonded Debt	\$ 79,290,000	\$ 87,855,000	\$ 92,520,000
Less: Assets in Debt Service Funds available for payment of principal	(356,030)	(8,598,275)	(5,114,405)
Total Net Debt Applicable to Limit	78,933,970	79,256,725	87,405,595
Net Legal Debt Margin	\$ 60,204,579	\$ 79,927,774	\$ 83,962,106
Total Net Debt Applicable to the Debt Limit As a Percentage of Debt Limit	56.73%	49.79%	51.00%
Total Net Debt Margin as a Percentage of Debt Limit	43.27%	50.21%	49.00%
Total Bonded Debt as a Percentage of Assessed Value	2.85%	2.76%	2.70%

Computation of Legal Debt Margin:

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

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

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

The tax rate at October 1, 2016 is \$0.4175 per \$100.00 with valuation at 100% of assessed value.

TABLE 18

Fiscal Year						
2011	2012	2013	2014	2015	2016	2017
\$ 3,450,170,655	\$ 3,630,957,910	\$ 4,002,688,279	\$ 4,322,826,131	\$ 4,829,793,550	\$ 6,309,739,745	\$ 7,126,248,737
\$ 172,508,533	\$ 181,547,896	\$ 200,134,414	\$ 216,141,307	\$ 241,489,678	\$ 315,486,987	\$ 356,312,437
\$ 105,360,000	\$ 109,345,000	\$ 98,475,000	\$ 124,930,000	\$ 128,305,000	\$ 130,980,000	\$ 142,235,000
(6,293,542)	(7,028,107)	(8,342,744)	(10,632,394)	(12,084,748)	(11,356,765)	(11,569,373)
99,066,458	102,316,893	90,132,256	114,297,606	116,220,252	119,623,235	130,665,627
\$ 73,442,075	\$ 79,231,003	\$ 110,002,158	\$ 101,843,701	\$ 125,269,426	\$ 195,863,752	\$ 225,646,810
57.43%	56.36%	45.04%	52.88%	48.13%	37.92%	36.67%
42.57%	43.64%	54.96%	47.12%	51.87%	62.08%	63.33%
3.05%	3.01%	2.46%	2.89%	2.66%	2.08%	2.00%

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

TABLE 19

Water and Sewer Revenue Bonds						
Fiscal Year	Utility Service Charge	Less:	Net Available Revenue	Debt Service		Coverage
		Adjusted Operating Expenses ⁽¹⁾		Principal	Interest	
2008	\$ 13,767,268	\$ 7,139,031	\$ 6,628,237	\$ 390,000	\$ 1,124,066	\$ 4.38
2009	14,200,623	7,598,300	6,602,323	745,000	1,431,911	3.03
2010	15,476,990	7,753,255	7,723,735	1,025,000	1,839,729	2.70
2011	21,775,264	8,900,768	12,874,496	1,660,000	2,062,585	3.46
2012	20,982,974	8,941,053	12,041,921	1,910,000	2,676,544	2.63
2013	24,277,240	10,516,921	13,760,319	2,595,000	2,839,499	2.53
2014	26,395,316	14,947,138	11,448,178	2,945,000	3,463,381	1.79
2015	30,034,855	18,108,103	11,926,752	3,640,000	3,890,755	1.58
2016	33,379,807	17,104,279	16,275,528	4,240,000	3,816,578	2.02
2017	35,025,871	19,640,520	15,385,351	4,375,000	4,213,988	1.79

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

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

CITY OF CONROE, TEXAS*DEMOGRAPHIC AND ECONOMIC STATISTICS**LAST TEN FISCAL YEARS***TABLE 20**

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2008	53,472	\$ 943,193	\$ 17,639	29.8	10,806	3.8%
2009	55,195	1,208,439	21,894	33.0	11,495	7.4%
2010	56,207	1,192,937	21,224	28.8	12,229	7.6%
2011	56,257	1,317,033	23,411	33.0	11,091	7.8%
2012	56,530	1,313,870	23,242	33.0	11,861	6.5%
2013	61,564	1,325,350	21,528	33.0	12,518	5.1%
2014	71,592	1,607,670	22,456	33.0	13,345	3.9%
2015	71,879	1,614,115	22,456	31.5	12,447	3.8%
2016	71,879	1,785,043	24,834	31.0	15,124	4.2%
2017	82,275	2,200,363	26,744	34.0	15,847	4.2%

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

CITY OF CONROE, TEXAS

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

TABLE 21

Employer	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Conroe Independent School District	7,310	1	15.05%	5,700	1	23.93%
Montgomery County	2,211	2	4.55%	1,868	2	7.84%
Conroe Regional Medical Center	1,226	3	2.52%	1,200	3	5.04%
City of Conroe	529	4	1.09%	463	5	1.94%
Community Pathology Associates	424	5	0.87%			
National Oilwell Varco - Downhole	400	6	0.82%			
Medivators, Inc.	390	9	0.80%			
Tony Gullo Motors	305	7	0.63%			
Lowe's	300	8	0.62%			
Wal-Mart	300	10	0.62%			
Sadler Clinic				600	4	2.52%
National Oilwell Varco - Reed Hycalog				476	6	2.00%
ReedHYCLOG				450	7	1.89%
Tenaris				300	8	1.26%
Bordon Milk Products				228	9	0.96%
Consolidated Communications of Texas				225	10	0.94%
	<u>13,395</u>		<u>27.57%</u>	<u>11,510</u>		<u>48.32%</u>

Source:

Greater Conroe Economic Development Council (GCEDC)

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



CITY OF CONROE, TEXAS

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

Functions/Programs	2008 ⁽¹⁾	2009 ⁽²⁾	2010 ⁽³⁾	2011 ⁽⁴⁾	2012	2013 ⁽⁵⁾	2014 ⁽⁶⁾	2015 ⁽⁷⁾	2016 ⁽⁸⁾	2017 ⁽⁹⁾
General Government										
Administration	3	3	3	3	2	3	3	3	3	3
Mayor & Council	2	2	2	2	2	2	2	2	2	2
Arts & Communications	1	1	1	1	1	1	-	-	-	-
Downtown Development	1	1	1	1	1	-	-	-	-	-
Legal	3	3	3	3	3	3	3	3	3	3
Municipal Court	9	9	10	10	10	10	10	10	10	10
CDBG Administration	2	2	2	2	2	2	2	2	1	1
Warehouse Purchasing	5	5	5	5	5	5	5	5	4	4
Human Resources	5	5	5	5	5	5	6	6	6	6
Finance	10	10	10	10	10	10	10	10	12	12
Transportation	-	-	-	-	-	-	1	1	1	1
Information Technology	5	7	7	7	11	11	11	11	11	11
Public Safety										
Police Administration	4	5	5	6	5	7	9	9	9	9
Police Support	30	30	29	28	28	28	12	12	13	14
Police Patrol	65	66	64	63	63	63	99	100	102	102
Police Investigative Services	29	28	28	28	29	29	32	33	34	34
Police Professional Services	11	11	14	14	14	15	-	-	-	-
Police Animal Services	-	-	5	5	5	5	5	2	2	2
Red Light Program	-	-	-	1	1	1	1	-	-	-
Traffic Services	-	-	-	2	2	2	2	2	-	-
Commercial Vehicle Enforcement	-	-	-	-	-	-	-	1	1	1
Fire	87	87	88	88	88	86	87	117	117	129
Community Development	27	27	26	25	13	15	15	19	19	19
Parks										
Parks & Rec Admin	11	13	13	13	2	2	2	2	2	4
Recreation Center	5	5	5	5	5	5	6	6	6	5
Oscar Johnson, Jr. CC	4	-	-	-	-	-	-	-	-	-
Swim Center	7	-	-	-	-	-	-	-	-	-
Aquatic Center	-	7	7	7	7	7	7	7	7	7
Parks Operations	-	-	-	-	11	11	11	11	11	10
Public Works										
Drainage Maintenance	7	7	7	7	7	7	7	7	8	8
Streets	28	28	28	28	28	28	28	27	36	36
Signal Maintenance	-	-	-	2	2	3	3	3	4	4
Engineering	-	-	-	-	8	21	21	22	22	22
Conroe Tower	1	1	1	1	1	1	1	1	1	1
Hotel/Motel Occupancy Tax	-	-	2	2	3	3	4	4	4	4
Component Unit										
Oscar Johnson, Jr. CC	-	4	4	4	4	4	4	4	4	4
Conroe Industrial Development	-	-	-	-	-	5	4	4	4	4

TABLE 22

	2008 ⁽¹⁾	2009 ⁽²⁾	2010 ⁽³⁾	2011 ⁽⁴⁾	2012	2013 ⁽⁵⁾	2014 ⁽⁶⁾	2015 ⁽⁷⁾	2016 ⁽⁸⁾	2017
Water & Sewer										
Utility Billing	9	9	9	9	9	9	9	9	10	10
Public Works	3	5	6	6	5	5	6	6	7	7
Water Conservation	-	-	-	-	-	1	1	1	-	-
Water	15	15	15	15	15	15	15	11	12	12
Wastewater Treatment	11	11	11	11	11	11	10	10	11	11
Sewer	18	20	20	20	20	20	20	12	18	18
Pump & Motor Maint.	7	7	7	7	7	7	6	6	9	9
Project Engineering	12	12	12	13	13	-	-	-	-	-
Project Construction	17	17	17	17	17	17	17	29	-	-
Fleet Services	7	7	7	6	6	7	8	8	8	8
Self Funded Insurance	1	1	1	1	1	1	-	-	-	-
Total	<u>462</u>	<u>471</u>	<u>480</u>	<u>483</u>	<u>482</u>	<u>493</u>	<u>505</u>	<u>538</u>	<u>534</u>	<u>547</u>

Source: City Finance Department.

Notes: (1) In FY 2008, Oscar Johnson, Jr. Community Center (OJJCC) was reported as a discretely presented component unit in the CAFR.

(2) In FY 2009, Oscar Johnson, Jr. Community Center (OJJCC) was removed from the Parks function. Swim Center was renamed to Aquatic Center.

(3) In FY 2010, Police Animal Services was added to the Public Safety function. Hotel/Motel Occupancy Tax was added.

(4) 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.

(5) 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.

(6) 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.

(7) In FY 2015, the following changes were made:
The citizens voted to eliminate Red Light Cameras thereby moving the position to Police Patrol Department.
The Animal Shelter was out-sourced to a private company reducing the number of positions needed
The Commercial Vehicle Enforcement division was added.
The annexation of April Sound included the need for another Fire Station which increased the number of Fire personnel by 30.
Four positions from Water and eight positions from Sewer were moved to Project Construction.

(8) In FY 2016, the following changes were made:
The Project Construction division department was closed and all remaining positions were transferred to the General Fund and Water & Sewer Fund.

(9) In FY 2017, the following changes were made:
The Parks Superintendent position was transferred from 1450 to 1400. The Recreation Manager position was transferred from 1410

CITY OF CONROE, TEXAS

OPERATING INDICATORS BY FUNCTIONS/PROGRAMS

LAST TEN FISCAL YEARS

Functions/Programs	Fiscal Year		
	2008	2009	2010
General Government			
Building Permits Issued	682	546	645
Building Inspections Conducted	19,362	18,377	16,950
Police			
Physical Arrests	4,146	4,049	4,163
Parking Violations	1,473	1,922	2,485
Traffic Violations	15,429	15,671	13,865
Fire			
Emergency Responses	5,383	5,063	5,425
Fires Extinguished	257	244	180
Inspections	1,143	2,655	2,863
Refuse Collection			
Refuse Collected (tons per day) (a)	50.44	55.04	58.07
Recyclables Collected (tons per day) (a)	0.58	1.73	0.61
Other Public Works			
Street Resurfacing (miles)	5.83	2.50	1.50
Potholes Repaired (b)	N/A	N/A	N/A
Parks and Recreation			
Athletic Field Permits Issued	402	285	288
Community Center Admissions	390,000	339,000	298,261
Water			
New Connections (c)	441	557	387
Water Main Breaks	861	726	770
Average Daily Consumption (thousands of gallons)	8,730	9,182	8,554
Peak Monthly Consumption (thousands of gallons)	374,576	399,575	384,058
Wastewater			
Average Daily Sewage Treatment (thousands of gallons)	6,609	6,800	7,000
Transit			
Total Route Miles - OJJCC	8,874	7,440	8,100
Total Route Miles - Conroe Connection (d)	-	-	-
Passenger - OJJCC	12,617	12,240	13,140
Passenger - Conroe Connection (d)	-	-	-

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.

(d) Conroe Connection began service in FY2015

TABLE 23

Fiscal Year						
2011	2012	2013	2014	2015	2016	2017
489	520	789	1,443	1,486	1,089	1,453
15,317	14,957	16,995	17,871	20,924	20,365	25,995
3,915	4,313	4,758	4,502	4,289	4,237	4,805
3,113	4,554	2,972	3,724	2,560	1,672	798
26,673	27,181	15,482	16,142	14,449	12,919	20,302
6,111	6,417	7,124	7,083	8,427	9,018	8,784
320	133	129	222	204	244	274
2,724	1,675	1,017	1,778	1,333	2,537	2,540
38.00	37.50	58.00	41.00	73.20	65.58	68.25
9.48	12.10	16.00	10.00	17.20	16.53	16.86
5.63	2.20	5.10	9.00	11.00	3.00	9.00
N/A	550	582	415	2,193	1,360	2,011
326	297	304	290	292	272	247
307,662	366,045	424,640	353,024	422,884	452,564	461,683
787	400	736	923	613	2,418	790
888	800	775	692	1,072	622	495
11,291	9,893	9,652	9,189	9,249	9,770	9,990
500,038	395,510	393,936	377,559	281,344	415,278	381,427
7,000	7,000	7,000	7,200	7,800	7,700	7,900
7,140	8,330	11,219	12,240	9,912	11,018	12,145
-	-	-	-	54,108	83,258	85,373
12,175	12,222	14,020	14,232	18,420	19,984	16,329
-	-	-	-	22,811	34,487	27,650

CITY OF CONROE, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTIONS/PROGRAMS LAST TEN FISCAL YEARS

Functions/Programs	Fiscal Year		
	2008	2009	2010
Police			
Stations	1	1	1
Zone Offices	1	1	1
Patrol Units	45	46	46
Fire Stations	5	5	5
Refuse Collection			
Collection trucks	6	8	8
Other Public Works			
Streets (miles)	225.00	240.00	248.00
Highways (miles) (a)	N/A	N/A	N/A
Streetlights (b)	N/A	N/A	3,200
Traffic Signals	5	5	6
Parks and Recreation			
Acreage	350.00	350.00	354.00
Playgrounds	34	34	17
Baseball/Softball Diamonds	31	35	28
Soccer/Football Fields	10	13	18
Community Centers	3	3	4
Water (d)			
Water Mains (miles)	318.09	334.72	340.61
Fire Hydrants	2,800	2,955	2,996
Storage Capacity (thousands of gallons)	8,490	9,490	9,490
Wastewater (d)			
Sanitary Sewers (miles)	340.61	355.92	357.65
Storm Sewers (miles) (c)	26.340	36.564	40.162
Treatment capacity (thousands of gallons)	10,000	10,000	10,000
Transit			
Buses	4	4	4
Vans	-	-	-

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 24

Fiscal Year						
2011	2012	2013	2014	2015	2016	2017
1	1	1	1	1	2	1
1	1	1	1	1	1	1
48	46	55	56	56	56	59
5	5	5	5	6	6	6
8	8	8	9	10	10	12
268.00	276.00	270.00	270.00	315.00	350.00	346.00
N/A	N/A	N/A	N/A	N/A	N/A	N/A
3,200	3,518	3,530	3,550	3,550	3,550	3,321
6	80	82	102	110	125	105
354.00	407.00	407.00	407.00	407.00	407.00	407.00
18	19	19	19	19	20	20
25	27	27	27	27	27	27
21	18	18	18	18	18	18
4	4	4	4	4	4	4
342.44	367.00	403.00	403.00	409.50	417.22	444.00
3,009	3,009	3,009	3,335	3,410	3,032	3,084
11,490	11,490	11,490	11,490	11,490	11,589	12,849
360.21	389.00	391.00	398.00	404.00	427.10	432.00
40.280	41.720	42.000	42.953	49.000	50.530	50.530
10,000	10,000	10,000	10,000	10,000	10,000	12,000
4	4	4	4	8	4	4
-	-	-	-	-	2	2

CITY OF CONROE, TEXAS**TABLE 25**

*WATERWORKS SYSTEM - TOP TEN WATER & SEWER USERS (IN GALLONS)
AS OF SEPTEMBER 30, 2017*

Customer	Fiscal Year 2017 Water Consumption	Fiscal Year 2017 Water Revenues	Percent of Total 2017 Water Revenues
EvoQua Water Technologies LLC	133,366,000	\$ 359,223	2.7%
Borden Inc.	102,191,000	279,103	2.1%
The Geo Group - Joe Corley	48,904,000	142,816	1.1%
Ball Metal Container Group	40,270,000	123,183	0.9%
Medical Center Hospital	37,616,000	155,173	1.2%
Conroe ISD	35,595,000	209,168	1.6%
Crown Cork & Seal	35,200,000	108,276	0.8%
Reedhycalog L.P.	31,372,000	98,522	0.7%
Houston Methodist Hospital	24,271,000	90,100	0.7%
Montgomery County MUD #126	22,892,000	77,428	0.6%

Customer	Fiscal Year 2017 Sewer Consumption	Fiscal Year 2017 Sewer Revenues	Percent of Total 2017 Sewer Revenues
EvoQua Water Technologies LLC	122,064,000	\$ 416,297	3.7%
Borden Inc.	94,004,000	319,031	2.8%
City of Willis	82,779,000	117,461	1.0%
The Geo Group - Joe Corley	44,945,000	152,591	1.4%
Ball Metal Container Group	36,364,000	123,163	1.1%
Crown Cork & Seal	32,383,000	110,019	1.0%
Reedhycalog L.P.	28,626,000	97,011	0.9%
Medical Center Hospital	26,431,000	94,026	0.8%
Houston Methodist Hospital	22,831,000	77,062	0.7%
San Jacinto River Authority	22,740,000	153,918	1.4%

CITY OF CONROE, TEXAS
WATER AND SEWER RATES
AS OF SEPTEMBER 30, 2017

TABLE 26

Minimum Monthly Base Charge By Meter Size

Meter Size	Minimum Base Charge
5/8 Inch*	\$ 12.00
1 Inch	18.00
1.5 Inch	25.00
2 Inch	35.00
3 Inch	46.00
4 Inch	65.00
6 Inch	90.00
8 Inch	145.00
10 Inch	250.00

* 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 \$2.85 per 1,000 gallons of water consumed for residential, sprinkler and commercial customers. The Lone Star Groundwater Conservation District fee is a pass through fee to regulate ground water consumption. This charge is assessed at \$.06 per 1,000 gallons consumed for residential, sprinkler and non-residential customers.

Water and Sewer Service Charges

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

Residential and Sprinkler Rates Inside City Limits

Usage	Water Rate Base Charge	Sanitary Sewer Rate
Minimum 0 - 3,999 gallons		\$ 25.58
Per thousand gallons		
4,000 - 10,999 gallons, per thousand	\$ 2.56	3.12
11,000 - 15,999 gallons, per thousand	3.15	
16,000 - 25,999 gallons, per thousand	3.74	
26,000 - 35,999 gallons, per thousand	4.27	
36,000 gallons and over	7.47	
Total Charge at 10,000 gallons		47.44

Non-Residential Rates Inside City Limits

Usage	Water Rate Base Charge	Sanitary Sewer Rate
Minimum 0 - 3,999 gallons		\$ 25.58
Per thousand gallons		
4,000 - 10,999 gallons, per thousand	\$ 2.79	3.12
11,000 - 15,999 gallons, per thousand	3.29	
16,000 - 25,999 gallons, per thousand	3.91	
26,000 - 35,999 gallons, per thousand	4.46	
36,000 - 150,999 gallons, per thousand	7.81	
151,000 gallons and over	2.57	

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

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

LifeLine Residential Rates Inside City Limits

Usage	Water Rate Base Charge	Sanitary Sewer Rate
Minimum 0 - 3,999 gallons		\$ 19.19
Per thousand gallons		
4,000 - 10,999 gallons, per thousand	\$ 2.05	2.50
11,000 - 15,999 gallons, per thousand	2.68	
16,000 - 25,999 gallons, per thousand	3.74	
26,000 - 35,999 gallons, per thousand	4.27	
36,000 - and Up	7.47	
Total Charge at 10,000 gallons		36.69



CITY OF CONROE

*“To protect and serve the citizens
of Conroe and exceed their expectations”*