

City of Conroe, Texas Comprehensive Annual Financial Report Year Ending September 30, 2019



*"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, 2019

Prepared by:
CITY OF CONROE, TEXAS
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City of Conroe, Texas
Comprehensive Annual Financial Report
For the Year Ended September 30, 2019

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CITY OF CONROE

Est. 1904

March 10, 2020

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, 2019, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of their presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City, as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. This letter of transmittal is intended to compliment the Management Discussion and Analysis (MD&A), which begins on page 15.

I. PROFILE OF THE GOVERNMENT

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

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

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

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

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

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

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

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

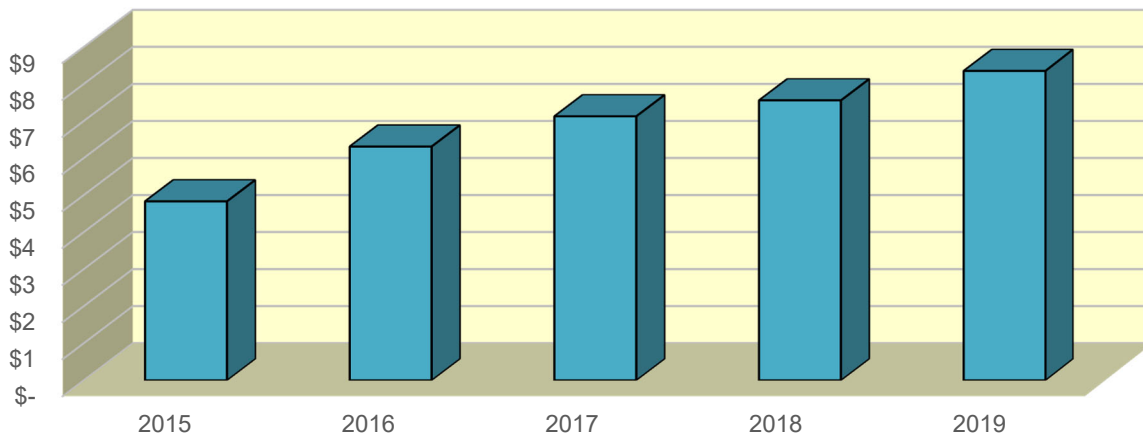
The Basic Financial Statements of the City include all government activities, organizations, and functions for which the City is financially accountable, as defined by the Governmental Accounting Standards Board (GASB).

LOCAL ECONOMY

Because of the strength of the regional and local economy, Conroe continues to experience growth in residential, commercial, and light industrial development. Conroe's estimated population for 2020 is 87,654.

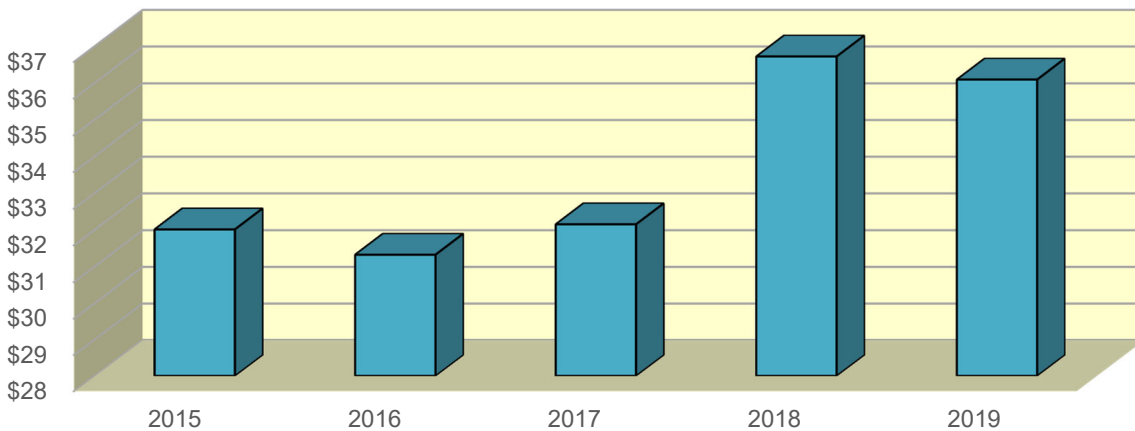
The tax roll certified by the Montgomery Central Appraisal District for 2019 (FY20) increased by \$791,918,668 or 9.5% to \$9,144,248,346. New improvements and personal property accounted for approximately \$306,668,703 of this amount. Newly annexed property added approximately \$43,920,329 to the roll. This will affect revenues recorded in next year's Comprehensive Annual Financial Report (CAFR). The taxable value increase for the current fiscal year is \$796,203,275 or 10.5%.

**Assessed Property Valuation
(in billions)**



Sales tax revenue is the largest revenue source for the City. Excluding the CIDC's portion, the City's sales tax revenue totaled \$36,091,913 for the fiscal year ending September 30, 2019. This amount represents a decrease of \$628,567, or 1.7%, from the prior fiscal year.

**Sales Tax Revenues
(in millions)**



The City issued 2,245 building permits for properties & improvements valued at \$512,827,067. This included 1,194 building permits for single family housing starts totaling \$200,041,051. The average single family home value, exclusive of land, was \$167,539. The City reported a total labor force of 39,911 with an unemployment rate of 3.3% as of September 2019. These data are compiled by Labor Market & Career Information (LMCI.com).

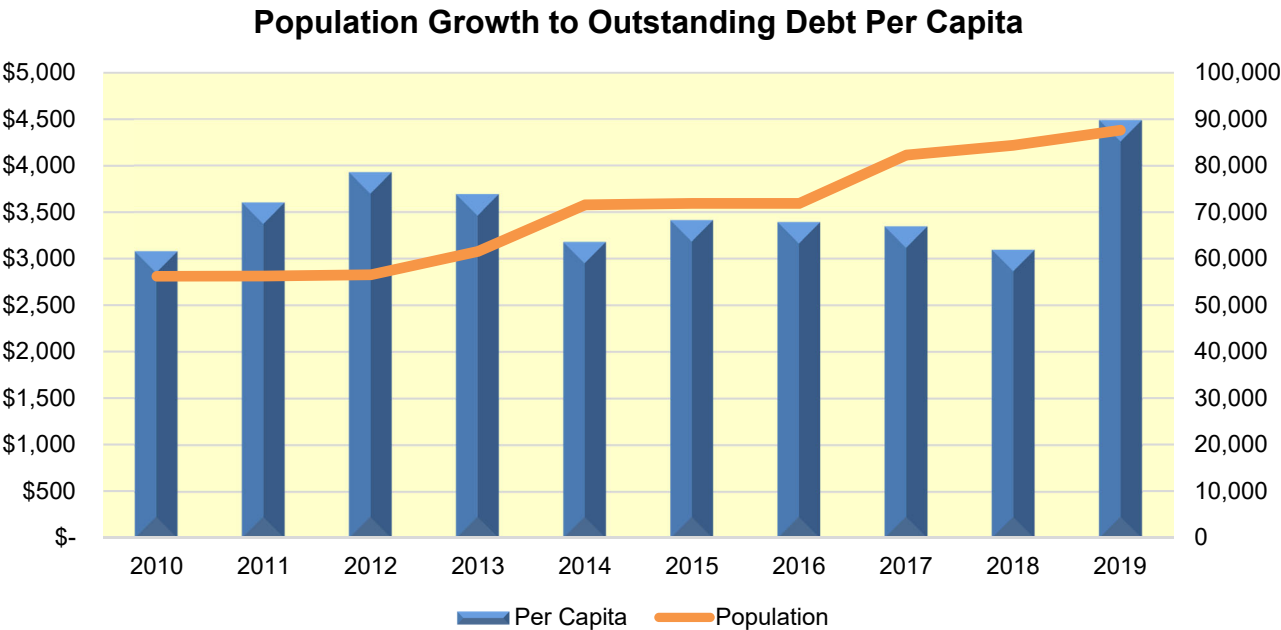
LONG-TERM FINANCIAL PLANNING

The \$26,160,875 unassigned fund balance in the General Fund is the equivalent of 128 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, 2024, 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 19.

Outstanding debt per capita increased from \$3,095 in 2018 to \$4,482 in 2019. The current ratio of net general bonded debt to assessed value of all taxable property is 2.05%. The City continues to maintain its current Moody’s rating of Aa1 and Standard & Poor’s rating of AA+ on its Certificates of Obligation and its current Moody’s rating of Aa3 and Standard & Poor’s rating of AA on its Water and Sewer Revenue Bonds.



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

MAJOR INITIATIVES

Conroe continues to experience robust residential, commercial, and industrial growth throughout the City. The Grand Central Park development is a prime example of this growth. Retail businesses continue to open in the development in the past year, including Dick’s Sporting Goods and Five Below. The City has economic development agreements with Conroe Municipal Management District #1 regarding the development of Grand Central Park. Additionally, Sam Houston State University has constructed a facility to house their new College of Osteopathic Medicine.

The City is planning to construct a hotel and convention center in this development as well. The Conroe Headquarters Hotel will be a full-service, upper-upscale brand hotel featuring approximately 250 guestrooms and suites, restaurant, fitness center, and swimming pool. The City established the Conroe

Local Government Corporation to finance the construction of the hotel. The City plans to issue certificates of obligation to pay for the convention center and parking garage. Revenues from the project will pay the project's debt service.

The City has seen growth in the Conroe Park North Industrial Park, and major tenants have purchased land, constructed, and/or expanded facilities within the park in the past year. The Conroe Industrial Development Corporation (CIDC) is funding the rehabilitation of the streets within the existing park. In 2018, the CIDC purchased 610 acres to expand the industrial park. The CIDC issued sales tax revenue bonds to fund streets, signals, water, sewer, and drainage infrastructure in the expanded area of the park.

In 2017, Hurricane Harvey caused extensive damage to the City's wastewater treatment plant and firearms training facility. Repairs, mitigation, and improvements to the wastewater treatment plant are complete. The City was awarded a grant from the Federal Emergency Management Agency (FEMA) to construct enhanced berms to protect it from future flooding. Most buildings at the firearm training facility have been repaired. The City has started constructing a new classroom building. The City was awarded a grant through the Federal Bureau of Investigation to assist with the replacement of the classroom and berm restoration of the firearms training facility.

The City has numerous capital improvement projects slated to begin or be completed in FY 20, including: Longmire Road, Conroe Park Drive, Pollock Drive, street rehabilitation, sidewalks, and traffic signals through-out the City, underground utilities along State Highway 105, railroad crossing at Crighton Road, downtown railroad quiet zone improvements, Fleet Services facility, aquatic center construction, and design for a new Oscar Johnson, Jr. Community Center.

The City also has capital improvement projects for its water and sewer utility, including water storage tank and water well improvements, water line rehabilitations and extensions, sanitary sewer line replacements and rehabilitations, sewer lift station replacements, and continuation of the sanitary sewer overflow initiative. Finally, the City has started constructing the new wastewater treatment plant. The plant is the City's largest public work project in its history. In FY 20, the City is planning to hire three operators to begin staffing the plant. Construction of the plant should be completed by 2022.

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

AWARDS AND ACKNOWLEDGEMENTS

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, 2018. This was the thirteenth 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, 2018. This was the fourth 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, 2019. 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**

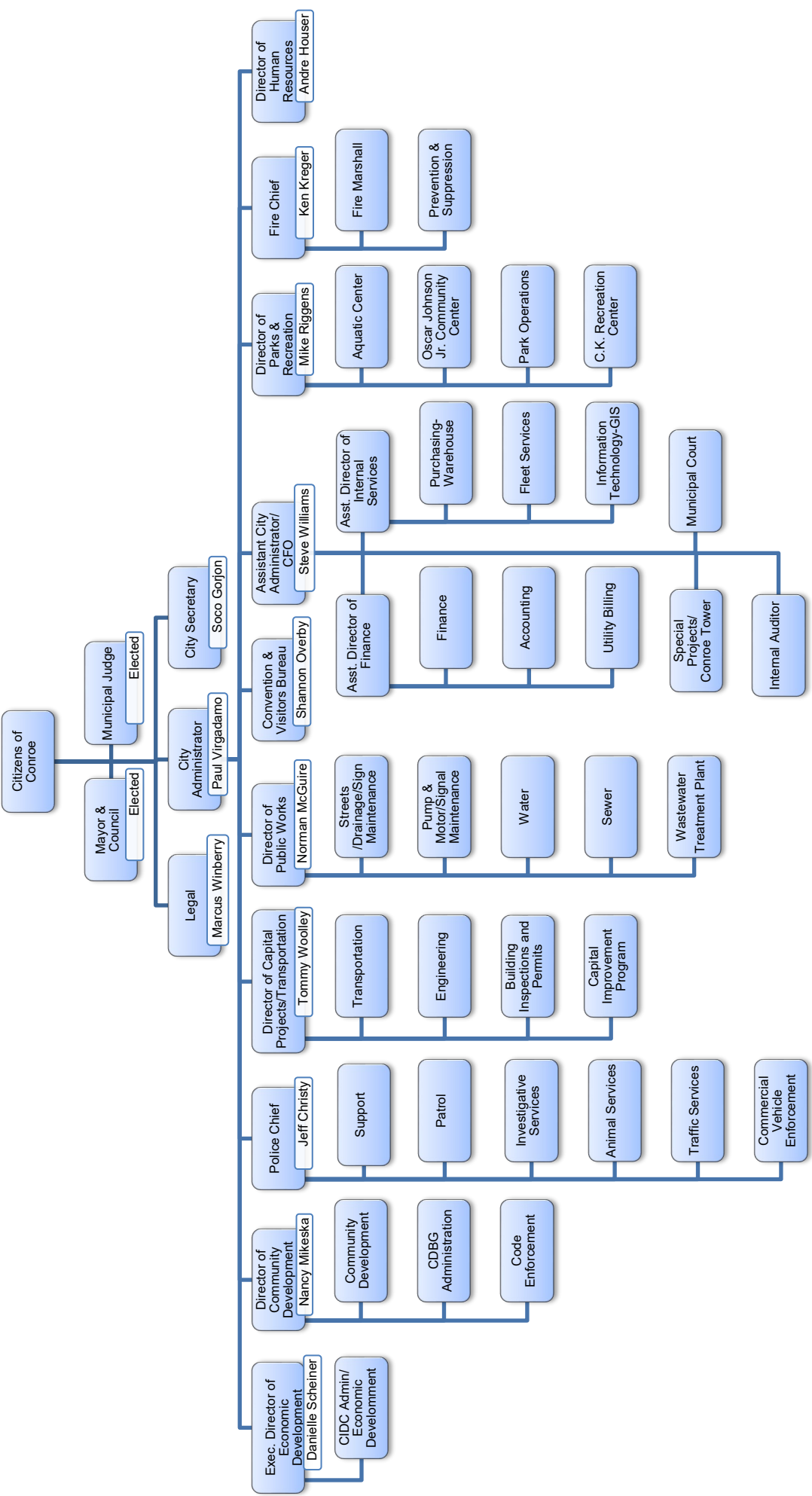
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Christopher P. Morill

Executive Director/CEO

City of Conroe, Texas Organization Chart



City of Conroe, Texas
Listing of City Officials
September 30, 2019

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	Raymond McDonald
Councilman Place 5	Jody Czajkoski
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
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 Scheiner
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, 2019, 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, 2019, 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.

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. In our opinion, the Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2020 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 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 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 10, 2020

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, 2019. 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 \$189,711,782. This is a net increase of \$9,910,510. The majority of the increase is attributable to increased sales tax, gross receipts, and capital contributions.

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

- (1) Net investment in capital assets of \$172,158,721 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 \$22,474,860 is restricted by constraints imposed from outside the City for debt obligations, special revenue funds, severance pay sinking fund, seized assets, red light cameras, and state cable franchise fees.
- (3) Unrestricted net position of negative \$4,921,799. Although the overall net position increased, those increases were in the other categories.

Governmental Fund Financial Statements

- As of September 30, 2019, the City of Conroe's governmental funds reported combined ending fund balances of \$101,291,468, an increase of \$45,943,750 in comparison with the prior year. Approximately 26 percent of this total amount, \$26,030,903, is available for spending at the government's discretion (unassigned fund balance). The remaining fund balance consists of \$182,428 classified as nonspendable, \$57,839,587 classified as restricted, \$4,544,798 classified as committed, and \$12,693,752 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 \$26,160,875, or 35 percent of total General Fund expenditures. The General Fund had a nonspendable fund balance of \$182,428, restricted fund balance of \$2,536,957, and assigned fund balance of \$12,693,752 at September 30, 2019.
- 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 \$11,292,098 is restricted to meet these obligations.
- The Certificates of Obligation, Series 2018A is used to account for expenses related to design, planning, acquisition, construction, equipping, expansion, repair, renovation, and/or rehabilitation of capital projects of the City. The entire fund balance of \$35,863,157 is restricted for capital projects.
- The nonmajor governmental funds had total combined fund balances of \$12,562,201 at September 30, 2019. Of this amount, \$4,166,327 is restricted for capital project funds, \$3,981,048 is restricted for special revenue funds, \$4,544,798 is committed, and a negative fund balance of \$129,972 is unassigned. This negative is due to grant monies that are deferred due to timing of the reimbursements.

Long-Term Debt

The City of Conroe issues debt to finance an ongoing capital improvement program. During FY18-19, the City issued \$129,715,000 in certificates of obligation. Note VI to the financial statements provides details of long-term obligations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Conroe's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial

CITY OF CONROE, TEXAS

Management's Discussion and Analysis (Unaudited)

statements; and 3) notes to the financial statements. Required supplementary information is included in addition to the basic financial statements. This report also contains other supplementary information.

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

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

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

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

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

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

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.

CITY OF CONROE, TEXAS

Management's Discussion and Analysis (Unaudited)

The City maintains 35 individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Debt Service Fund, and Certificates of Obligation, Series 2018A, 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 40 of this report.

Required Supplementary Information presents certain required information concerning the City's General Fund budget to actual comparison, and progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found beginning on page 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 and deferred inflows of resources by \$189,711,782 for fiscal year 2019 and \$179,801,272 for fiscal year 2018. Revenues exceeded expenses during the current fiscal year, increasing net position by \$9,910,510.

CITY OF CONROE, TEXAS

Management's Discussion and Analysis (Unaudited)

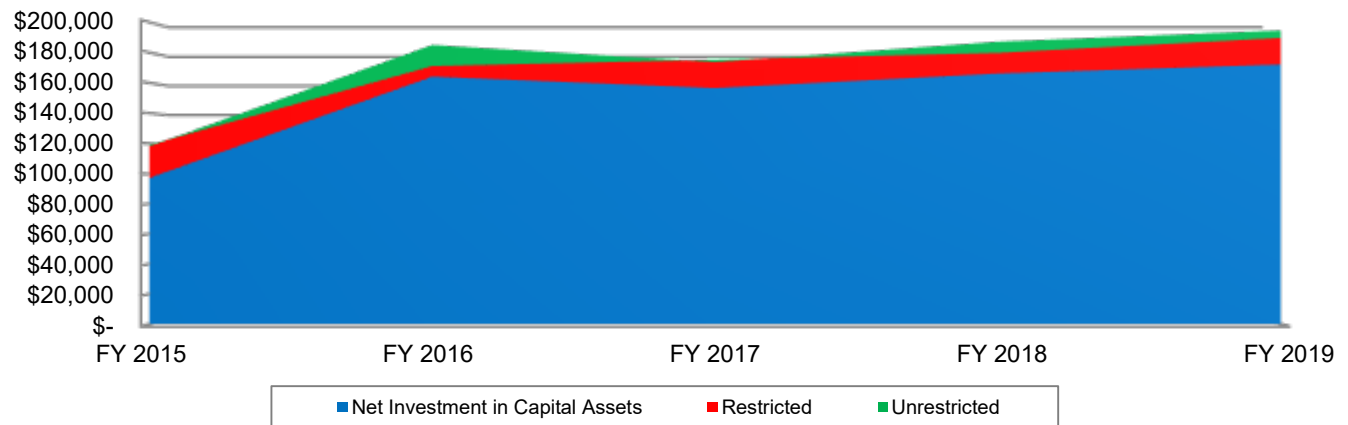
Condensed Statement of Net Position

(amounts in thousands)

Primary Government

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 118,725	\$ 66,533	\$ 132,704	\$ 40,655	\$ 251,429	\$ 107,188
Capital Assets	245,799	238,164	181,516	175,770	427,315	413,934
Total Assets	364,524	304,697	314,220	216,425	678,744	521,122
Deferred Outflows of Resources	39,568	12,123	2,395	1,753	41,963	13,876
Current and Other Liabilities	12,876	8,083	11,270	7,908	24,146	15,991
Long-Term Liabilities	281,845	206,165	220,169	125,741	502,014	331,906
Total Liabilities	294,721	214,248	231,439	133,649	526,160	347,897
Deferred Inflows of Resources	4,340	6,300	495	1,000	4,835	7,300
NetPosition:						
Net Investment in Capital Assets	105,543	103,697	66,616	62,490	172,159	166,187
Restricted	17,355	16,000	5,120	5,001	22,475	21,001
Unrestricted	(17,867)	(23,425)	12,945	16,038	(4,922)	(7,387)
Total Net Position	\$ 105,031	\$ 96,272	\$ 84,681	\$ 83,529	\$ 189,712	\$ 179,801

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



The largest portion of the City's net position, \$172,158,721 (88%), 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, \$22,474,860 (12%), is restricted for debt service, special revenue funds, severance pay sinking fund, seized assets, red light cameras, and state cable franchise PEG fee. Another portion of the City's net position is the unrestricted net position of negative \$4,921,799.

CITY OF CONROE, TEXAS

Management's Discussion and Analysis (Unaudited)

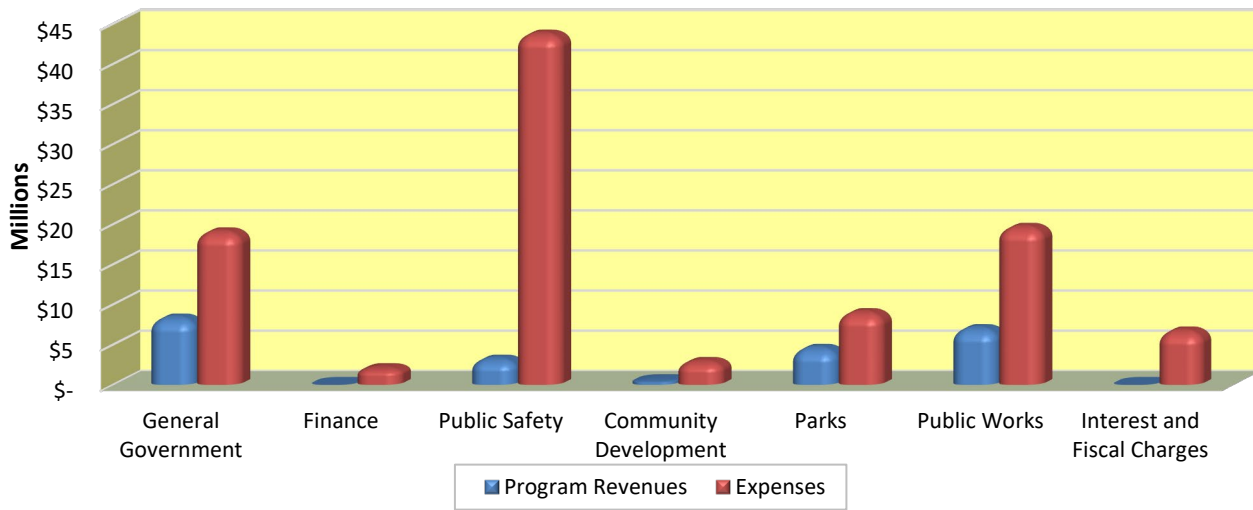
The following table indicates changes in net position for governmental and business-type activities:

Condensed Statement of Activities (amounts in thousands)						
	Governmental Activities		Primary Government Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$ 8,835	\$ 7,973	\$ 40,859	\$ 39,098	\$ 49,694	\$ 47,071
Operating Grants and Contributions	5,720	3,976	989	701	6,709	4,677
Capital Grants and Contributions	8,980	1,270	80	29	9,060	1,299
General Revenues:						
Property Taxes	34,613	31,657	-	-	34,613	31,657
In Lieu of Taxes	883	804	-	-	883	804
Gross Receipts Taxes	7,068	6,786	-	-	7,068	6,786
Sales and Other Taxes	36,092	36,720	-	-	36,092	36,720
Hotel Occupancy Taxes	1,340	1,365	-	-	1,340	1,365
Mixed Beverage Taxes	317	332	-	-	317	332
Miscellaneous	3,923	3,640	783	6,723	4,706	10,363
Donations	83	95	159	-	242	95
Grants and Contributions Not						
Restricted to Specific Programs	1,778	1,572	-	-	1,778	1,572
Investment Earnings	2,293	904	2,747	618	5,040	1,522
Net Change in Fair Value of Investments	169	(122)	80	(31)	249	(153)
Total Revenues	112,094	96,972	45,697	47,138	157,791	144,110
Expenses:						
General Government	19,049	16,321	-	-	19,049	16,321
Finance	2,082	2,124	-	-	2,082	2,124
Public Safety	43,725	39,534	-	-	43,725	39,534
Community Development	2,880	2,143	-	-	2,880	2,143
Parks	8,973	8,374	-	-	8,973	8,374
Public Works	19,615	11,674	-	-	19,615	11,674
Interest and Fiscal Charges	6,695	4,939	-	-	6,695	4,939
Water and Sewer	-	-	44,861	41,500	44,861	41,500
Total Expenses	103,019	85,109	44,861	41,500	147,880	126,609
Excess (Deficiency) before Transfers	9,075	11,863	836	5,638	9,911	17,501
Transfers	(316)	(568)	316	568	-	-
Change in Net Position	8,759	11,295	1,152	6,206	9,911	17,501
Net Position - Beginning	96,272	95,395	83,529	79,940	179,801	175,335
Prior Period Adjustment	-	(10,418)	-	(2,617)	-	(13,035)
Net Position - Beginning, as restated	96,272	84,977	83,529	77,323	179,801	162,300
Net Position - Ending	\$ 105,031	\$ 96,272	\$ 84,681	\$ 83,529	\$ 189,712	\$ 179,801

CITY OF CONROE, TEXAS

Management's Discussion and Analysis (Unaudited)

Program Revenues and Expenses - Governmental Activities



Revenues

For fiscal year ended September 30, 2019, revenues for the primary government totaled \$157,790,570. The revenues are categorized by activity type: governmental activities totaled \$112,093,382 and business-type activities totaled \$45,697,188.

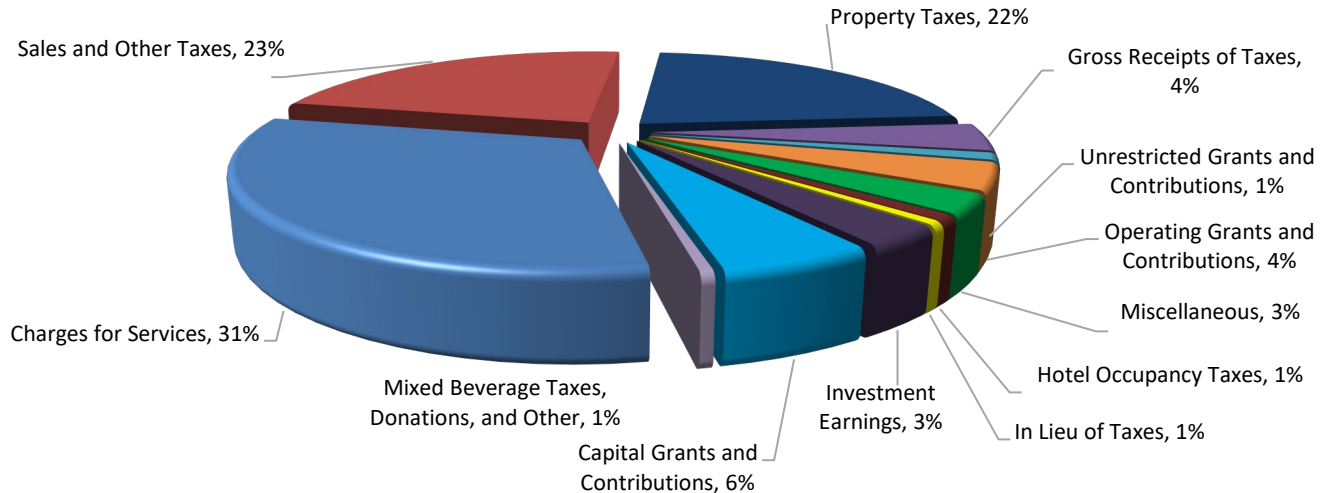
Program revenues are derived from the program itself and reduce the cost of the function to the City. Total program revenues were \$65,462,712 or 41% of total revenues, which increased \$12,417,221 compared to the prior year. The largest portion of program revenues is Charges for Services of \$49,693,700, which is 31% of total revenues. Of that amount, \$8,834,280 is from governmental activities, which includes fees collected by Municipal Court, Police, Parks, and Public Works departments. The business-type Charges for Services of \$40,859,420 are derived from water and sewer charges. The other portions of program revenues are Operating Grants and Contributions of \$6,708,975 (4%) and Capital Grants and Contributions of \$9,060,037 (6%).

General revenues are revenues that cannot be assigned to a specific function. They consist of Sales and Other Taxes of \$36,091,913, one of the largest revenue sources for governmental activities and 23% of total revenues. Property Taxes of \$34,613,130 or 22% of total revenues, which is a \$2.95M increase from prior year Property Taxes of \$31,657,147. Miscellaneous revenues of \$4,705,867 (3%), which includes \$1.2M of insurance proceeds for Hurricane Harvey damages. Also, Gross Receipts Taxes of \$7,068,208 (4%), Grants and Contributions Not Restricted to Specific Programs of \$1,777,610 (1%), Hotel Occupancy Taxes of \$1,339,915 (1%), In Lieu of Taxes of \$883,162 (1%), and Investment Earnings of \$5,040,049 (3%). The remaining revenue categories are a combined 1% of total revenues: Mixed Beverage Taxes of \$317,139, Donations of \$241,688, and Net Change in Fair Value of Investments of \$249,177.

CITY OF CONROE, TEXAS

Management's Discussion and Analysis (Unaudited)

REVENUES BY SOURCE



Expenses

For fiscal year ended September 30, 2019, expenses for the primary government totaled \$147,880,060. These expenses are divided by activity type: governmental activities of \$103,018,819 and business-type activities of \$44,861,241.

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 \$43,724,780 or 30% of total expenses. The expenses can be primarily attributed to salaries (including benefits and overtime) and vehicle maintenance.

The Water and Sewer business-type activities function expenses were \$44,861,241 or 30% of total expenses. These expenses enable the City to provide water and sewer treatment services to its customers. This was an increase of \$3,360,813 over the prior year due to repairs at the waste water treatment plant for damages done by Hurricane Harvey.

General Government governmental activities function expenses were \$19,049,426 or 13% of total expenses. The expenses can be primarily attributed to salaries and benefits for employees.

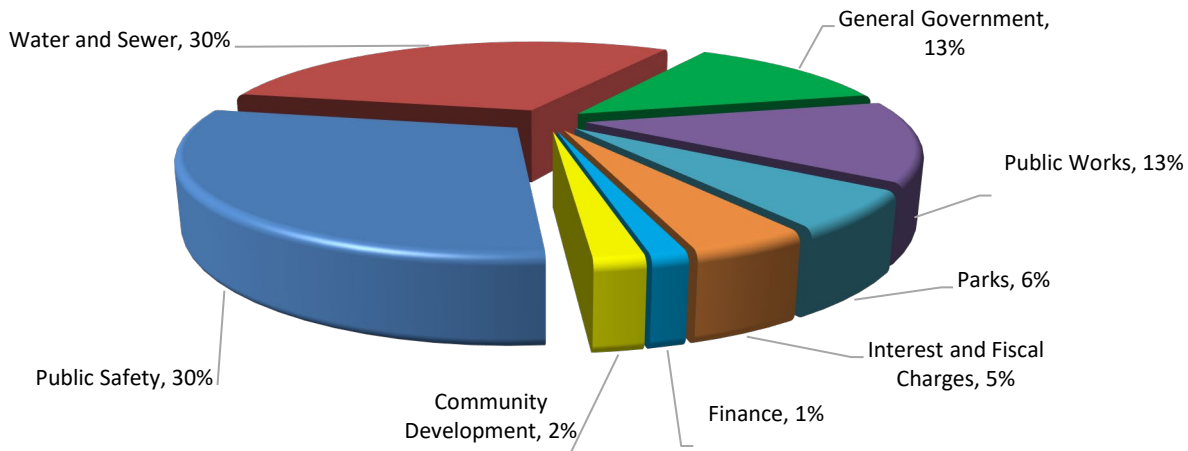
The Public Works governmental activities function had expenses of \$19,615,191 or 13% of total expenses. These services include: street maintenance, drainage maintenance, signal maintenance, sign maintenance and engineering.

The remaining governmental activities functions are Parks with expenses of \$8,973,409 or 6%, Interest and Fiscal Charges with expenses of \$6,694,721 or 5%, Finance with expenses of \$2,081,717 or 1%, and Community Development had expenses of \$2,879,575 or 2%.

CITY OF CONROE, TEXAS

Management's Discussion and Analysis (Unaudited)

EXPENSES BY FUNCTION



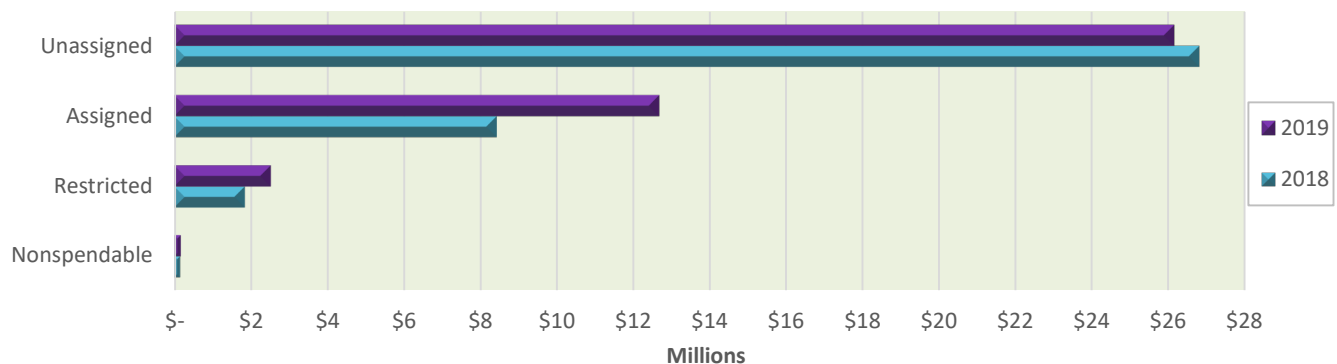
FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

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 \$26,160,875, while the total fund balance reached \$41,574,012. The General Fund total fund balance increased \$4,326,669 due to increased property tax, sales tax, and licenses and permits 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 \$26,160,875, or 35% of total General Fund expenditures. Total fund balance was \$41,574,012, or 56% of General Fund expenditures. The General Fund also had nonspendable amounts of \$60,627 for inventories and \$121,801 for prepaid items; restricted amounts of \$25,886 for Severance Pay 2% Sinking Fund, \$1,647,201 for Seized Assets, \$303,683 for Red Light Cameras and, \$560,187 for the State Cable Franchise 1% PEG fee; and assigned amounts of \$323,514 for Tree Mitigation, \$8,177,733 for vehicle and equipment replacement, and \$4,192,505 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 \$11,292,098 compared to \$10,802,885 at the end of fiscal year 2018. This fund balance is restricted for the payment of debt.

The **Certificates of Obligation, Series 2018A** capital projects fund ended the fiscal year with a total fund balance of \$35,863,157 that is restricted for on-going 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 \$12,945,174. The total increase in net position of \$1,151,587. The increase was largely due to an increased customer base.

Water and Sewer Fund Net Position Comparison



General Fund Budgetary Highlights

During the year, there was a \$3,914,052 increase in appropriations between the original and final amended budget. This increase is primarily due to adjustments for charges for sales and services related to commuter bus service and an increase in transfers out to cover a transfer to the vehicle and equipment replacement fund in advance for FY19-20.

Actual General Fund revenues exceeded budgeted revenues by \$4,831,905 during the year. This increase is primarily due to increased property tax collections, sales tax collections, and licenses and permits revenues.

Total expenditures were lower than budgeted amounts by \$4,698,320 for the fiscal year. This decrease is mainly due to less expenditures for transportation contracts and personnel costs than were expected.

A more detailed schedule of the General Fund budget to actual comparison is presented in the required supplementary information on page 79.

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, 2019, was \$427,314,702, an increase of \$13,380,656 from capital assets reported September 30, 2018 of \$413,934,046. 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	
	2019	2018	2019	2018	2019	2018
Land and Easements	\$ 16,678,301	\$ 16,063,105	\$ 3,813,048	\$ 2,156,175	\$ 20,491,349	\$ 18,219,280
Construction in Progress	33,105,284	30,655,068	31,085,530	24,508,084	64,190,814	55,163,152
Buildings and Improvements	103,806,718	95,972,233	1,973,847	1,973,847	105,780,565	97,946,080
Machinery and Equipment	36,282,292	35,946,570	12,054,881	11,573,358	48,337,173	47,519,928
Infrastructure	191,161,592	181,441,021	237,286,766	232,293,423	428,448,358	413,734,444
	381,034,187	360,077,997	286,214,072	272,504,887	667,248,259	632,582,884
Accumulated Depreciation	(135,235,332)	(121,913,867)	(104,698,225)	(96,734,971)	(239,933,557)	(218,648,838)
Total	<u>\$245,798,855</u>	<u>\$238,164,130</u>	<u>\$181,515,847</u>	<u>\$175,769,916</u>	<u>\$427,314,702</u>	<u>\$413,934,046</u>

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

Long-Term Obligations

At year-end the City had \$502,013,703 in long-term obligations outstanding, of which \$391,277,062 is bonded debt. During the year, the City issued \$129,715,000 in Certificates of Obligation. The City's Standard & Poor's and Moody's Investor Service, Inc. credit ratings, respectively, for Water and Wastewater Revenue Bonds remained unchanged at AA and Aa3, and General Obligation Bonds were unchanged at AA+ and Aa1.

	Long-Term Obligations					
	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Bonds Payable, net	\$182,018,991	\$142,295,795	\$209,258,071	\$116,578,976	\$391,277,062	\$258,874,771
Customer Deposits	-	-	996,979	745,382	996,979	745,382
Capital Leases	147,984	214,914	1,065,482	1,570,925	1,213,466	1,785,839
Notes Payable	407,002	530,002	-	-	407,002	530,002
Health Claims Liability	505,216	472,822	-	-	505,216	472,822
OPEB Liability	13,855,824	14,671,945	2,797,811	2,753,168	16,653,635	17,425,113
Net Pension Liability/TMRS	25,294,882	17,174,107	5,107,620	3,222,695	30,402,502	20,396,802
Net Pension Liability/Fire R/R	48,933,818	20,847,726	-	-	48,933,818	20,847,726
Severance Payable	1,294,322	1,229,969	-	-	1,294,322	1,229,969
Compensated Absences	9,387,067	8,727,324	942,634	870,251	10,329,701	9,597,575
Total	<u>\$281,845,106</u>	<u>\$206,164,604</u>	<u>\$220,168,597</u>	<u>\$125,741,397</u>	<u>\$502,013,703</u>	<u>\$331,906,001</u>

More detailed information about the City's long-term obligations is presented in Note VI of the basic financial statements. Please see Note VIII of the basic financial statements for more information on Other Post Employment Benefits. Also, see Note IX of the basic financial statements for more information on the Pension Plans.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- Appraised value used for the FY19-20 budget preparation is up \$791,918,668, or 9.5%, from FY18-19.
- Sales tax revenue for the City was estimated with a 3.2% decrease for FY19-20. This was based on general patterns of the local economy.
- Spending in the General Fund increases in the FY19-20 budget from \$77,923,123 to \$83,496,260. This is a 7.2% increase.

These indicators were taken into account when adopting the General Fund budget for FY19-20. Property taxes will increase, due to higher assessed values, annexations, and new construction. Also, the City raised the property tax rate from \$0.4175 to \$0.4375. The City's other revenue sources are projected to decrease.

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 \$128,074 at the close of FY19-20. Capital expenditures are budgeted at \$1,696,264 in FY19-20.

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 X 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, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Conroe Industrial Development Corporation	Oscar Johnson, Jr Community Center
ASSETS					
Cash and Cash Equivalents	\$ 3,993,891	\$ 1,501,153	\$ 5,495,044	\$ 6,520,663	\$ 80,780
Investments	100,640,788	124,027,860	224,668,648	59,857,327	-
Receivables (net of allowances for uncollectibles):					
Property Taxes	768,391	-	768,391	-	-
Gross Receipts Tax	1,037,980	-	1,037,980	-	-
Accounts	677,823	6,343,800	7,021,623	-	-
Interest	83,093	56,332	139,425	32,337	-
Other	726,893	151,703	878,596	684,533	-
Due from Other Governments	7,940,383	-	7,940,383	-	-
Receivable from Component Unit	2,612,300	-	2,612,300	-	-
Receivable from Primary Government	-	-	-	1,963,036	-
Prepaid Items	121,801	8,000	129,801	-	-
Inventories	122,106	614,608	736,714	-	-
Land Held for Resale	-	-	-	41,161,364	-
Capital Assets:					
Land and Easements	16,678,301	3,813,048	20,491,349	-	108,770
Construction in Progress	33,105,284	31,085,530	64,190,814	-	-
Buildings and Improvements	103,806,718	1,973,847	105,780,565	-	1,421,618
Machinery and Equipment	36,282,292	12,054,881	48,337,173	-	240,063
Infrastructure	191,161,592	237,286,766	428,448,358	-	-
Less Accumulated Depreciation	(135,235,332)	(104,698,225)	(239,933,557)	-	(904,213)
Total Capital Assets (net of depreciation)	245,798,855	181,515,847	427,314,702	-	866,238
TOTAL ASSETS	364,524,304	314,219,303	678,743,607	110,219,260	947,018
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charges on Refundings	1,881,813	297,332	2,179,145	1,187,568	-
OPEB Contributions After Measurement Date	1,403,591	283,417	1,687,008	-	-
OPEB Other	562,078	113,496	675,574	-	-
Pension Contributions After Measurement Date	2,920,314	589,678	3,509,992	-	-
Pension Other	32,800,291	1,111,157	33,911,448	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	39,568,087	2,395,080	41,963,167	1,187,568	-
LIABILITIES					
Current Liabilities:					
Accounts Payable and Other Current Liabilities	8,688,175	8,087,585	16,775,760	509,659	52,216
Payable to Component Unit	1,963,036	-	1,963,036	-	-
Payable to Primary Government	-	-	-	2,612,300	-
Unearned Revenue	1,516,512	-	1,516,512	-	-
Accrued Interest Payable	708,351	3,182,587	3,890,938	124,045	-
Noncurrent Liabilities:					
Due within One Year	8,812,683	7,663,099	16,475,782	3,655,000	-
Due in More Than One Year	273,032,423	212,505,498	485,537,921	74,363,951	-
TOTAL LIABILITIES	294,721,180	231,438,769	526,159,949	81,264,955	52,216
DEFERRED INFLOWS OF RESOURCES					
OPEB Other	1,685,289	340,299	2,025,588	-	-
Pension Other	2,654,632	154,823	2,809,455	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	4,339,921	495,122	4,835,043	-	-
NET POSITION					
Net Investment in Capital Assets	105,543,177	66,615,544	172,158,721	-	866,238
Restricted for:					
Severance Pay 2% Sinking Fund	25,886	-	25,886	-	-
Seized Assets	1,647,201	-	1,647,201	-	-
Red Light Cameras	303,683	-	303,683	-	-
State Cable Franchise 1% PEG Fee	560,187	-	560,187	-	-
Debt Service	10,837,081	5,119,774	15,956,855	6,215,879	-
Capital Project Funds	-	-	-	22,938,364	-
Special Revenue Funds	3,981,048	-	3,981,048	-	-
Unrestricted	(17,866,973)	12,945,174	(4,921,799)	987,630	28,564
TOTAL NET POSITION	\$ 105,031,290	\$ 84,680,492	\$ 189,711,782	\$ 30,141,873	\$ 894,802

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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 19,049,426	\$ 4,747,666	\$ 3,555,202	\$ -
Finance	2,081,717	-	-	-
Public Safety	43,724,780	1,586,992	1,592,588	-
Community Development	2,879,575	-	525,906	-
Parks	8,973,409	1,332,262	-	3,205,577
Public Works	19,615,191	1,167,360	45,750	5,774,460
Debt Service:				
Interest and Fiscal Charges	6,694,721	-	-	-
Total Governmental Activities	103,018,819	8,834,280	5,719,446	8,980,037
Business-type Activities:				
Water and Sewer	44,861,241	40,859,420	989,529	80,000
Total Business-type Activities	44,861,241	40,859,420	989,529	80,000
Total Primary Government	\$147,880,060	\$49,693,700	\$ 6,708,975	\$ 9,060,037
COMPONENT UNITS:				
Conroe Industrial Development Corporation	\$ 14,676,911	\$ -	\$ -	\$ -
Oscar Johnson, Jr. Community Center	\$ 1,412,561	\$ 817,164	\$ 593,106	\$ -

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

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	Conroe Industrial Development Corporation	Oscar Johnson Jr. Community Center
\$ (10,746,558)	\$ -	\$ (10,746,558)	\$ -	\$ -
(2,081,717)	-	(2,081,717)	-	-
(40,545,200)	-	(40,545,200)	-	-
(2,353,669)	-	(2,353,669)	-	-
(4,435,570)	-	(4,435,570)	-	-
(12,627,621)	-	(12,627,621)	-	-
(6,694,721)	-	(6,694,721)	-	-
<u>(79,485,056)</u>	<u>-</u>	<u>(79,485,056)</u>	-	-
-	(2,932,292)	(2,932,292)	-	-
-	(2,932,292)	(2,932,292)	-	-
<u>(79,485,056)</u>	<u>(2,932,292)</u>	<u>(82,417,348)</u>	-	-
			<u>(14,676,911)</u>	<u>(2,291)</u>
34,613,130	-	34,613,130	-	-
883,162	-	883,162	-	-
7,068,208	-	7,068,208	-	-
36,091,913	-	36,091,913	12,030,638	-
1,339,915	-	1,339,915	-	-
317,139	-	317,139	-	-
3,923,011	782,856	4,705,867	8,132,936	-
83,063	158,625	241,688	-	8,665
1,777,610	-	1,777,610	-	-
2,293,186	2,746,863	5,040,049	825,887	-
169,282	79,895	249,177	20,559	-
(315,640)	315,640	-	-	-
<u>88,243,979</u>	<u>4,083,879</u>	<u>92,327,858</u>	<u>21,010,020</u>	<u>8,665</u>
8,758,923	1,151,587	9,910,510	6,333,109	6,374
96,272,367	83,528,905	179,801,272	23,808,764	888,428
<u>\$ 105,031,290</u>	<u>\$ 84,680,492</u>	<u>\$ 189,711,782</u>	<u>\$ 30,141,873</u>	<u>\$ 894,802</u>

CITY OF CONROE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Debt Service Fund	Certificates of Obligation, Series 2018A CIP Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 80,758	\$ 301,138	\$ 2,473,357	\$ 2,855,253
Investments	38,946,199	11,179,523	37,567,293	9,847,592	97,540,607
Receivable (Net of Allowances for Uncollectibles):					
Property Taxes, net	506,517	261,874	-	-	768,391
Gross Receipts Tax	1,037,980	-	-	-	1,037,980
Accounts	40,307	-	-	601,921	642,228
Interest	59,816	23,277	-	-	83,093
Other	375,920	-	-	132,496	508,416
Due from Other Funds	-	-	-	453,685	453,685
Due from Other Governments	7,940,383	-	-	-	7,940,383
Receivable from Component Unit	-	-	2,612,300	-	2,612,300
Prepaid Items	121,801	-	-	-	121,801
Inventories	60,627	-	-	-	60,627
TOTAL ASSETS	\$ 49,089,550	\$ 11,545,432	\$ 40,480,731	\$ 13,509,051	\$ 114,624,764
LIABILITIES					
Accounts Payable	\$ 1,919,007	\$ -	\$ 3,883,838	\$ 334,274	\$ 6,137,119
Other Payables	1,660,374	-	-	10,912	1,671,286
Retainage Payable	-	-	733,736	-	733,736
Due to Other Funds	-	-	-	453,685	453,685
Payable to Component Unit	1,963,036	-	-	-	1,963,036
Customer Deposits	-	-	-	12,821	12,821
Unearned Revenue	1,511,326	-	-	5,186	1,516,512
TOTAL LIABILITIES	7,053,743	-	4,617,574	816,878	12,488,195
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue-Property Taxes	461,795	253,334	-	-	715,129
Unavailable Revenue - Grants	-	-	-	129,972	129,972
TOTAL DEFERRED INFLOWS OF RESOURCES	461,795	253,334	-	129,972	845,101
FUND BALANCES					
Nonspendable:					
Prepaid Items	121,801	-	-	-	121,801
Inventories	60,627	-	-	-	60,627
Restricted for:					
Severance Pay 2% Sinking Fund	25,886	-	-	-	25,886
Seized Assets	1,647,201	-	-	-	1,647,201
Red Light Cameras	303,683	-	-	-	303,683
State Cable Franchise 1% PEG Fee	560,187	-	-	-	560,187
Debt Service	-	11,292,098	-	-	11,292,098
Capital Project Funds	-	-	35,863,157	4,166,327	40,029,484
Special Revenue Funds	-	-	-	3,981,048	3,981,048
Committed for:					
TIRZ #3-Property Tax Receipts	-	-	-	3,672,037	3,672,037
Conroe MMD#1 Agreement	-	-	-	567,766	567,766
Woodlands Township Reg. Participation	-	-	-	304,995	304,995
Assigned to:					
Tree Mitigation	323,514	-	-	-	323,514
Equipment Replacement	8,177,733	-	-	-	8,177,733
Fund Balance Appropriations	4,192,505	-	-	-	4,192,505
Unassigned	26,160,875	-	-	(129,972)	26,030,903
TOTAL FUND BALANCES	41,574,012	11,292,098	35,863,157	12,562,201	101,291,468
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 49,089,550	\$ 11,545,432	\$ 40,480,731	\$ 13,509,051	\$ 114,624,764

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

CITY OF CONROE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds \$ 101,291,468

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	\$ 381,034,187	
Accumulated Depreciation of Governmental Capital Assets	<u>(135,235,332)</u>	245,798,855

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. 715,129

Grant receivables, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds. 129,972

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

Bonds Payable, at Original Par	\$ (168,165,000)	
Premiums/Discounts on Bonds Payable	(13,853,991)	
Deferred Charge on Refunding	1,881,813	
Accrued Interest on Bonds	(708,351)	
Capital Lease Payable	(147,984)	
Notes Payable	(407,002)	
Net OPEB Liability	(13,489,444)	
Deferred Outflows for OPEB	1,913,692	
Deferred Inflows for OPEB	(1,640,726)	
Net Pension Liability - TMRS	(24,626,027)	
Net Pension Liability - Firefighters' Retirement	(48,933,818)	
Deferred Outflows for Pensions	35,497,876	
Deferred Inflows for Pensions	(2,634,358)	
Severance Benefits	(1,294,322)	
Compensated Absences	<u>(9,283,097)</u>	(245,890,739)

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

Internal service fund net position is (excluding capital assets): 2,986,605

Total Net Position - Governmental Activities \$ 105,031,290

CITY OF CONROE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Debt Service Fund	Certificates of Obligation, Series 2018A CIP Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 68,638,980	\$ 10,262,719	\$ -	\$ 1,339,915	\$ 80,241,614
Licenses and Permits	4,131,413	-	-	-	4,131,413
Charges for Sales and Services	2,592,866	-	-	-	2,592,866
Lease Income	292,924	-	-	298,661	591,585
Fines and Forfeitures	1,411,726	-	-	106,690	1,518,416
Intergovernmental	3,298,069	-	7,972,379	4,688,645	15,959,093
Investment Income	964,854	294,240	817,138	215,843	2,292,075
Net Change in Fair Value of Investments	131,259	38,023	-	-	169,282
Penalties and Interest	153,936	72,334	-	2,567	228,837
Miscellaneous Revenue	421,835	352,347	200,000	985,013	1,959,195
TOTAL REVENUES	82,037,862	11,019,663	8,989,517	7,637,334	109,684,376
EXPENDITURES					
Current:					
General Government					
Administration	1,333,597	-	-	-	1,333,597
Legal	597,252	-	-	-	597,252
Municipal Court	1,158,249	-	-	13,910	1,172,159
Building Operations	-	-	40,765	1,188,720	1,229,485
Warehouse/Purchasing	409,602	-	-	-	409,602
Information Technology	2,695,955	-	-	-	2,695,955
Transportation	792,924	-	-	1,201,151	1,994,075
Human Resources	926,433	-	-	-	926,433
Culture-Recreation	-	-	-	1,165,960	1,165,960
Non-Departmental	5,601,144	-	-	651,036	6,252,180
Finance	2,067,817	-	-	-	2,067,817
Public Safety					
Police	20,736,045	-	-	14,104	20,750,149
Fire	16,944,123	-	-	-	16,944,123
Community Development	2,267,379	-	-	246,177	2,513,556
Parks					
Parks and Recreation Administration	933,611	-	-	-	933,611
Recreation Center	1,435,704	-	-	-	1,435,704
Aquatic Center	1,528,946	-	-	-	1,528,946
Parks Operations	2,093,956	-	707,681	975	2,802,612
Public Works					
Drainage Maintenance	879,967	-	-	-	879,967
Streets	3,931,432	-	-	-	3,931,432
Signal Maintenance	738,924	-	-	-	738,924
Signs	657,875	-	-	-	657,875
Engineering	2,931,973	-	-	-	2,931,973
Building Inspection and Permits	35,967	-	-	-	35,967
Debt Service:					
Principal Retirement	66,930	7,660,000	-	123,000	7,849,930
Interest and Fiscal Charges	8,249	6,725,669	-	30,289	6,764,207
Bond Issuance Costs	-	445,337	-	-	445,337
Capital Outlay	3,048,525	-	15,795,141	3,064,343	21,908,009
TOTAL EXPENDITURES	73,822,579	14,831,006	16,543,587	7,699,665	112,896,837
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,215,283	(3,811,343)	(7,554,070)	(62,331)	(3,212,461)
OTHER FINANCING SOURCES (USES)					
Bonds Issued	-	444,236	42,425,764	-	42,870,000
Premium on Bonds Issued	-	-	5,428,236	-	5,428,236
Insurance Proceeds	54,957	-	1,111,100	-	1,166,057
Transfers In	362,090	3,856,320	51,454	3,938,567	8,208,431
Transfers Out	(4,305,661)	-	-	(4,210,852)	(8,516,513)
TOTAL OTHER FINANCING SOURCES (USES)	(3,888,614)	4,300,556	49,016,554	(272,285)	49,156,211
Net Change in Fund Balances	4,326,669	489,213	41,462,484	(334,616)	45,943,750
Fund Balances at Beginning of Year	37,247,343	10,802,885	(5,599,327)	12,896,817	55,347,718
FUND BALANCES AT END OF YEAR	\$ 41,574,012	\$ 11,292,098	\$ 35,863,157	\$ 12,562,201	\$ 101,291,468

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

CITY OF CONROE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2019

Total Net Change in Fund Balances - Governmental Funds \$ 45,943,750

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	\$ 21,908,009	
Depreciation Expense	<u>(14,910,027)</u>	6,997,982

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position. 652,983

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. (154,417)

Some grant revenues were not received for several months after the City's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. 129,972

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

Debt issued:		
Bonds	\$ (42,870,000)	
Bond Premiums	(5,428,236)	
Repayments:		
To Paying Agent for Bond Principal	7,660,000	
Capital Lease Principal	66,930	
Notes	<u>123,000</u>	(40,448,306)

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	\$ (193,365)	
Amortization of Bond Premium/Discount	915,040	
Amortization of Deferred Amount on Refunding	(206,852)	
Compensated Absences	(649,350)	
Severance Liability	(64,353)	
Net OPEB Liability (including deferred amounts)	(430,212)	
Net Pension Liability - TMRS (including deferred amounts)	(1,067,269)	
Net Pension Liability - Firefighters' Retirement (including deferred amounts)	<u>(4,122,502)</u>	(5,818,863)

Internal service funds are used by the City. The net revenue of the internal service funds are reported with governmental activities. 1,455,822

Change in Net Position - Governmental Activities \$ 8,758,923

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, 2019

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,501,153	\$ 1,138,638
Investments	124,027,860	3,100,181
Receivables (Net of Allowances for Uncollectibles):		
Accounts	6,343,800	35,595
Interest	56,332	-
Other	151,703	218,477
Prepaid Items	8,000	-
Inventories	614,608	61,479
Total Current Assets	<u>132,703,456</u>	<u>4,554,370</u>
Noncurrent Assets:		
Capital Assets (Net of Accumulated Depreciation)	181,515,847	128,340
Total Noncurrent Assets	<u>181,515,847</u>	<u>128,340</u>
TOTAL ASSETS	<u>314,219,303</u>	<u>4,682,710</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refundings	297,332	-
OPEB Contributions After Measurement Date	283,417	37,114
OPEB Other	113,496	14,863
Pension Contributions After Measurement Date	589,678	77,220
Pension Other	1,111,157	145,509
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,395,080</u>	<u>274,706</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,330,632	108,975
Other Payables	4,468,544	24,238
Retainage Payable	288,409	-
Health Claims Liability	-	505,216
Accrued Interest Payable	3,182,587	-
Customer Deposits	588,218	-
Compensated Absences	24,473	3,425
Capital Lease	525,408	-
Bonds Payable	6,525,000	-
Total Current Liabilities	<u>18,933,271</u>	<u>641,854</u>
Noncurrent Liabilities, net of current portion		
Customer Deposits	408,761	-
Compensated Absences	918,161	100,545
Capital Lease	540,074	-
Net OPEB Liability	2,797,811	366,380
Net Pension Liability	5,107,620	668,855
Bonds Payable, Net	202,733,071	-
Total Noncurrent Liabilities	<u>212,505,498</u>	<u>1,135,780</u>
TOTAL LIABILITIES	<u>231,438,769</u>	<u>1,777,634</u>
DEFERRED INFLOWS OF RESOURCES		
OPEB Other	340,299	44,563
Pension Other	154,823	20,274
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>495,122</u>	<u>64,837</u>
NET POSITION		
Net Investment in Capital Assets	66,615,544	128,340
Restricted for Debt Service	5,119,774	-
Unrestricted	12,945,174	2,986,605
TOTAL NET POSITION	<u>\$ 84,680,492</u>	<u>\$ 3,114,945</u>

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, 2019

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES		
Charges for Sales and Services	\$ 40,859,420	\$ 15,826,554
TOTAL OPERATING REVENUES	40,859,420	15,826,554
OPERATING EXPENSES		
Public Works	4,180,165	-
Utility Billing and Collection	1,336,713	-
Water Production	4,393,956	-
Surface Water	10,452,511	-
Sewage Treatment	7,187,770	-
Pump and Motor Maintenance	1,427,090	-
Fleet Services	-	2,247,349
General Government	-	12,100,696
Depreciation	8,038,124	16,240
TOTAL OPERATING EXPENSES	37,016,329	14,364,285
Operating Income (Loss)	3,843,091	1,462,269
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental	989,529	-
Investment Income	2,746,863	1,111
Net Change in Fair Value of Investments	79,895	-
Other Income	327,605	-
Insurance Recoveries	613,876	-
Interest Expense	(7,844,912)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(3,087,144)	1,111
Income (Loss) Before Contributions and Transfers	755,947	1,463,380
Capital Contributions	80,000	-
Transfers In	407,390	-
Transfers Out	(91,750)	(7,558)
NET CONTRIBUTIONS AND TRANSFERS	395,640	(7,558)
Change in Net Position	1,151,587	1,455,822
Net Position at Beginning of Year	83,528,905	1,659,123
NET POSITION AT END OF YEAR	\$ 84,680,492	\$ 3,114,945

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, 2019

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 40,504,264	\$ 15,764,508
Payments to Employees	(6,509,655)	(851,235)
Payments to Vendors	(19,903,699)	(13,348,657)
Net Cash Provided by (Used for) Operating Activities	14,090,910	1,564,616
Cash Flows from Non-Capital Financing Activities:		
Intergovernmental Reimbursements	989,529	-
Transfers From Other Funds	407,390	-
Transfers To Other Funds	(91,750)	(7,558)
Net Cash Provided by (Used for) Non-Capital Financing Activities	1,305,169	(7,558)
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets	(13,784,055)	-
Insurance Recoveries	613,876	-
Intergovernmental Reimbursements	80,000	-
Principal Paid	(6,729,354)	-
Interest Paid	(6,227,729)	-
Proceeds from Debt Issuance	98,903,006	-
Net Cash Used for Capital and Related Financing Activities	72,855,744	-
Cash Flows from Investing Activities:		
Purchase of Investments	(111,855,933)	(3,000,175)
Sale and Maturities of Investments	21,131,243	74,564
Interest and Dividends on Investments	2,789,945	1,111
Net Cash Provided by Investing Activities	(87,934,745)	(2,924,500)
Net Increase in Cash and Cash Equivalents	317,078	(1,367,442)
Cash and Cash Equivalents at Beginning of Year	1,184,075	2,506,080
Cash and Cash Equivalents at End of Year	\$ 1,501,153	\$ 1,138,638
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income	\$ 3,843,091	\$ 1,462,269
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation	8,038,124	16,240
Other Non-Operating Income	327,605	-
Changes in Assets and Liabilities:		
Decrease (Increase) in Receivables	(934,358)	(62,046)
Decrease (Increase) in Inventories	(35,601)	(21,439)
Increase (Decrease) in Payables	1,771,783	819
Increase (Decrease) in Compensated Absences	72,383	10,393
Increase (Decrease) of Customer Deposits	251,597	-
Increase (Decrease) in OPEB Liability (including deferred amounts)	286,481	63,778
Increase (Decrease) in Net Pension Liability (including deferred amounts)	469,805	94,602
Net Cash Provided by Operating Activities	\$ 14,090,910	\$ 1,564,616

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****DECEMBER 31, 2018**

	City of Conroe OPEB Trust Fund
ASSETS	
Cash and Cash Equivalents	\$ 284,564
Investments - Mutual Funds (Fair Value)	<u>6,632,858</u>
TOTAL ASSETS	<u>6,917,422</u>
LIABILITIES	
Payable to External Parties	<u>295,170</u>
TOTAL LIABILITIES	<u>295,170</u>
NET POSITION	
Restricted for OPEB	<u>6,622,252</u>
TOTAL NET POSITION	<u><u>\$ 6,622,252</u></u>

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

CITY OF CONROE, TEXAS**STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	City of Conroe OPEB Trust Fund
ADDITIONS	
Contributions:	
Employer Contributions	\$ 1,580,691
Investment Earnings:	
Investment Income	332,245
Net Change in Fair Value of Investment	(392,229)
TOTAL ADDITIONS	<u>1,520,707</u>
DEDUCTIONS	
Plan Administrative Expense	35,280
Benefits and Refunds Paid to Members and Beneficiaries	943,253
TOTAL DEDUCTIONS	<u>978,533</u>
Change in Net Position	542,174
Net Position at Beginning of the Year	<u>6,080,078</u>
NET POSITION AT END OF YEAR	<u><u>\$ 6,622,252</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, 2019

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. There is a financial benefit/burden relationship. The CIDC attracts new businesses to the area, which provide job opportunities to the citizens as well as increased sales and property tax revenues. The CIDC does not issue separate financial statements.

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

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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for the various functions concerned. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

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

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

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

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

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

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

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

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

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 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. Implementation of GASB 83 did not have an impact on the City's financial disclosures.

GASB Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* ("GASB 88"), improves and clarifies the information disclosed in the notes to the financial statements related to debt. Implementation of GASB 88 is reflected in Note VI.

GASB Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* ("GASB 89"), enhances the relevance and comparability of information about capital assets and the cost

CITY OF CONROE, TEXAS

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of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Implementation of GASB 89 is reflected in Note I.H. and Note V.

GASB Statement 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and No. 61* ("GASB 90"), improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. Implementation of GASB 90 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, 2019, was \$0.4175 per \$100, allocated \$0.2925 for the General Fund and \$0.1250 for the Debt Service Fund.

F. Inventories and Prepaid Items

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

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

G. Land Held for Resale

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

H. Capital Assets

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.

CITY OF CONROE, TEXAS
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Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is expensed as interest expense when paid.

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

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

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

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

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

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.

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

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.

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

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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 required supplementary information:

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

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

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.

b. Excess of Expenditures Over Appropriations

For the year ended September 30, 2019, expenditures exceeded appropriations in the following departments (the legal level of budgetary control):

- (1) Police department of the General Fund by \$887,939. These over expenditures were funded by revenues collected during the fiscal year.

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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. Other Post Employment Benefits (OPEB)

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

Q. 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 re-appropriated and honored during the subsequent year.

II. Deposits and Investments

Primary Government:

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

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

Investments: The City's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. City policy limits credit risk by authorizing the following investments: 1) Obligations of the United States of America, its agencies and instrumentalities; 2) Certificates

CITY OF CONROE, TEXAS

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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.

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:

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	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	\$ 22,136,260	\$ -	22.00%	0.09	AAAm
TexSTAR	20,365,267	-	20.24%	0.07	AAAm
Measured at Net Asset Value (NAV):					
Texas CLASS	21,535,762	-	21.40%	0.15	AAAm
Texas CLASS Government	17,072,174	-	16.96%	0.04	AAAm
Money Market Mutual Fund	26,071	-	0.03%	0	Not Rated
Measured at Fair Value:					
U.S. Government	18,890,254	18,890,254	18.77%	0.34	Aaa
Municipal Bonds	615,000	615,000	0.61%	0.00	Aaa
Total Governmental Activities	<u>\$ 100,640,788</u>	<u>\$ 19,505,254</u>	<u>100.00%</u>		
Governmental Portfolio Weighted Average Maturity				0.14	
Business-type Activities:					
Measured at Amortized Cost:					
TexPool	\$ 33,737,831	\$ -	27.20%	0.09	AAAm
TexSTAR	32,281,471	-	26.03%	0.07	AAAm
Measured at Net Asset Value (NAV):					
Texas CLASS	21,694,110	-	17.49%	0.15	AAAm
Texas CLASS Government	25,576,841	-	20.62%	0.04	AAAm
Measured at Fair Value:					
U.S. Government	9,538,365	9,538,365	7.69%	0.86	Aaa
Municipal Bonds	1,199,242	1,199,242	0.97%	0.46	Aa1
Total Business-type Activities	<u>\$ 124,027,860</u>	<u>\$ 10,737,607</u>	<u>100.00%</u>		
Business-type Portfolio Weighter Average Maturity				0.15	
Fiduciary Fund (as of 12/31/2018)					
Measured at Fair Value:					
Mutual Funds - Cash	\$ 200,221	\$ 200,221	3.02%	-	Not Rated
Mutual Funds - Fixed Income	3,046,929	3,046,929	45.94%	7.34	Not Rated
Mutual Funds - Equity	3,385,708	3,385,708	51.04%	N/A	Not Rated
Total Fiduciary Fund	<u>\$ 6,632,858</u>	<u>\$ 6,632,858</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 and TexStar are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of \$1.00 per share, has a weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. Texpool and TexStar have a redemption notice period of one day and no maximum transaction amounts. The investment pools' authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

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

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

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

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

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

Credit risk: For fiscal year 2019, 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, 2019, the City minimized credit risk due to default of a security issuer or backer by: limiting investments to the safest types of investments; pre-qualifying the financial institutions and broker/dealers with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities were minimized.

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

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:					
TexSTAR	\$ 3,260,001	\$ -	5.45%	0.07	AAAm
Measured at Net Asset Value (NAV):					
Texas CLASS	38,757,139	-	64.75%	0.15	AAAm
Texas CLASS Government	3,923,505	-	6.55%	0.04	AAAm
Measured at Fair Value:					
U.S. Government	13,916,682	13,916,682	23.25%	0.55	Aaa
Total Value	<u>\$ 59,857,327</u>	<u>\$ 13,916,682</u>	<u>100.00%</u>		
Portfolio Weighted Average Maturity				0.23	

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

CITY OF CONROE, TEXAS
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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 2019, 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.

III. Receivables

The City reports in various funds receivables for amounts to be received from taxes, customers, and interest. A breakdown of these receivables at September 30, 2019, is as follows:

	General Fund	Debt Service Fund	Nonmajor Governmental	Water and Sewer Fund	Internal Service Funds	Component Units
Receivables:						
Property Taxes	\$ 578,334	\$ 292,565	\$ -	\$ -	\$ -	\$ -
Gross Receipts Tax	1,037,980	-	-	-	-	-
Accounts	40,307	-	601,921	6,623,800	35,595	-
Interest	59,816	23,277	-	56,332	-	32,337
Other	375,920	-	132,496	151,703	218,477	684,533
Gross Receivables	2,092,357	315,842	734,417	6,831,835	254,072	716,870
Less: Allowance for Uncollectables	(71,817)	(30,691)	-	(280,000)	-	-
Net Receivables	<u>\$ 2,020,540</u>	<u>\$ 285,151</u>	<u>\$ 734,417</u>	<u>\$ 6,551,835</u>	<u>\$ 254,072</u>	<u>\$ 716,870</u>

Due from other governments of \$7,940,383 consists of monies due from the State of Texas for sales tax revenues.

IV. Interfund Balances and Transfers

A. Due To and From Other Funds

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

A summary of interfund receivables and payables at September 30, 2019, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds	\$ 453,685
Total All Funds		<u>\$ 453,685</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

CITY OF CONROE, TEXAS
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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:

Transfers From	Transfers To	Amount	Reason
General Fund	CIP CO 2018A	\$ 51,454	Project costs reimbursement
General Fund	Water and Sewer	407,390	Administration costs
General Fund	Nonmajor Governmental	2,657,953	Increase in TIRZ #3 property tax value
General Fund	Nonmajor Governmental	740,904	In lieu of rent for Conroe Tower
General Fund	Nonmajor Governmental	153,220	MMD#1 Reimbursement Agreement
General Fund	Nonmajor Governmental	294,740	MMD#1 Economic Development
Water and Sewer	Nonmajor Governmental	91,750	In lieu of rent for Conroe Tower
Nonmajor Governmental	General Fund	126,440	Administration cost reimbursement
Nonmajor Governmental	General Fund	2,495	To fund vehicle & equipment purchases
Nonmajor Governmental	General Fund	20,000	Cost reimbursement
Nonmajor Governmental	General Fund	40,237	Municipal Court security officer
Nonmajor Governmental	General Fund	165,360	Administration cost reimbursement
Nonmajor Governmental	Debt Service	144,242	Principal & interest requirements
Nonmajor Governmental	Debt Service	3,712,078	TIRZ #3 principal & interest requirements
Internal Service	General Fund	7,558	To fund vehicle & equipment purchases
		<u>\$ 8,615,821</u>	

V. Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

Governmental Activities:	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Land and Easements	\$ 16,063,105	\$ 652,696	\$ (37,500)	\$ -	\$ 16,678,301
Construction in Progress	30,655,068	20,152,427	-	(17,702,211)	33,105,284
Total Capital Assets Not Depreciated	<u>46,718,173</u>	<u>20,805,123</u>	<u>(37,500)</u>	<u>(17,702,211)</u>	<u>49,783,585</u>
Buildings and Improvements	95,972,233	369,390	(1,264,980)	8,730,075	103,806,718
Machinery and Equipment	35,946,570	1,058,558	(915,622)	192,786	36,282,292
Infrastructure	181,441,021	941,221	-	8,779,350	191,161,592
	<u>313,359,824</u>	<u>2,369,169</u>	<u>(2,180,602)</u>	<u>17,702,211</u>	<u>331,250,602</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(34,492,967)	(3,728,596)	721,773	-	(37,499,790)
Machinery and Equipment	(20,702,852)	(3,425,496)	883,029	-	(23,245,319)
Infrastructure	(66,718,048)	(7,772,175)	-	-	(74,490,223)
	<u>(121,913,867)</u>	<u>(14,926,267)</u>	<u>1,604,802</u>	<u>-</u>	<u>(135,235,332)</u>
Total Capital Assets being Depreciated, net	<u>191,445,957</u>	<u>(12,557,098)</u>	<u>(575,800)</u>	<u>17,702,211</u>	<u>196,015,270</u>
Governmental Activities Capital Assets, net	<u>\$238,164,130</u>	<u>\$ 8,248,025</u>	<u>\$ (613,300)</u>	<u>\$ -</u>	<u>\$245,798,855</u>

CITY OF CONROE, TEXAS
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Business-Type Activities:	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Land and Easements	\$ 2,156,175	\$ 469,588	\$ -	\$ 1,187,285	\$ 3,813,048
Construction in Progress	24,508,084	12,758,074	-	(6,180,628)	31,085,530
Total Capital Assets Not Depreciated	26,664,259	13,227,662	-	(4,993,343)	34,898,578
Buildings and Improvements	1,973,847	-	-	-	1,973,847
Machinery and Equipment	11,573,358	556,393	(74,870)	-	12,054,881
Infrastructure	232,293,423	-	-	4,993,343	237,286,766
	245,840,628	556,393	(74,870)	4,993,343	251,315,494
Less Accumulated Depreciation for:					
Buildings and Improvements	(614,562)	(75,140)	-	-	(689,702)
Machinery and Equipment	(4,753,728)	(897,604)	74,870	-	(5,576,462)
Infrastructure	(91,366,681)	(7,065,380)	-	-	(98,432,061)
	(96,734,971)	(8,038,124)	74,870	-	(104,698,225)
Total Capital Assets being Depreciated, net	149,105,657	(7,481,731)	-	4,993,343	146,617,269
Governmental Activities Capital Assets, net	\$ 175,769,916	\$ 5,745,931	\$ -	\$ -	\$ 181,515,847

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 467,015
Finance	3,476
Public Safety	1,940,473
Community Development	39,906
Parks	2,343,650
Public Works	10,131,747
	<u>\$ 14,926,267</u>
Business -type Activities:	
Water and Sewer	<u>\$ 8,038,124</u>

CITY OF CONROE, TEXAS
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Discrete Component Units:

Oscar Johnson Jr. Community Center	Beginning Balance	Additions	Deletions	Tranfers	Ending Balance
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	240,063	-	-	-	240,063
	1,661,681	-	-	-	1,661,681
Less Accumulated Depreciation for:					
Buildings and Improvements	(689,586)	(42,502)	-	-	(732,088)
Machinery and Equipment	(156,808)	(15,317)	-	-	(172,125)
	(846,394)	(57,819)	-	-	(904,213)
Total Capital Assets being Depreciated, net	815,287	(57,819)	-	-	757,468
Oscar Johnson Jr. Community Center Capital Assets, net	\$ 924,057	\$ (57,819)	\$ -	\$ -	\$ 866,238

Depreciation expense of \$57,819 was charged to the Oscar Johnson Jr. Community Center.

VI. Long-Term Obligations

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

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

On November 15, 2018, the City issued \$42,870,000 in Certificates of Obligation, Series 2018A to fund the design, planning, acquisition, construction, equipping, expansion, repair, renovation, and/or rehabilitation of certain public works. Series 2018A had a premium of \$5,428,236, an annual interest rate of 4% to 5%, interest accrues semiannually and the bonds mature in 2038.

On November 15, 2018, the City issued \$86,845,000 in Certificates of Obligation, Series 2018B to fund the design, planning, acquisition, construction, equipping, expansion, repair, renovation, and/or rehabilitation of certain public works projects. Series 2018B had a premium of \$12,058,006, an annual interest rate of 5%, interest accrues semiannually and the bonds mature in 2039. 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.

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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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, 2019, are as follows:

	Beginning			Ending	Amounts
Governmental Activities:	Balance	Increases	Decreases	Balance	Due Within
					One Year
Refunding Bonds	\$ 43,740,000	\$ -	\$ (2,610,000)	\$ 41,130,000	\$ 2,685,000
Certificates of Obligation	85,875,000	42,870,000	(4,950,000)	123,795,000	5,125,000
Direct Placement C.O.s	3,340,000	-	(100,000)	3,240,000	100,000
Unamortized Premiums	9,340,795	5,428,236	(915,040)	13,853,991	-
Total Bonds Payable	142,295,795	48,298,236	(8,575,040)	182,018,991	7,910,000
Capital Leases	214,914	-	(66,930)	147,984	69,574
Notes Payable	530,002	-	(123,000)	407,002	129,000
Health Claims Liability	472,822	10,465,408	(10,433,014)	505,216	505,216
Net OPEB Liability	14,671,945	-	(816,121)	13,855,824	-
Net Pension Liability/TMRS	17,174,107	15,615,199	(7,494,424)	25,294,882	-
Net Pension Liability/Fire R/R	20,847,726	30,771,322	(2,685,230)	48,933,818	-
Severance Payable	1,229,969	64,353	-	1,294,322	-
Compensated Absences	8,727,324	808,680	(148,937)	9,387,067	198,893
Total Governmental Activities	<u>\$ 206,164,604</u>	<u>\$ 106,023,198</u>	<u>\$ (30,342,696)</u>	<u>\$ 281,845,106</u>	<u>\$ 8,812,683</u>

	Beginning			Ending	Amounts
Business-type Activities:	Balance	Increases	Decreases	Balance	Due Within
					One Year
Revenue Bonds	\$ 69,605,000	\$ -	\$ (3,410,000)	\$ 66,195,000	\$ 3,505,000
Refunding Bonds	17,340,000	-	(975,000)	16,365,000	980,000
Certificates of Obligation	21,590,000	86,845,000	(765,000)	107,670,000	2,040,000
Unamortized Premiums	8,043,976	12,058,006	(1,073,911)	19,028,071	-
Total Bonds Payable	116,578,976	98,903,006	(6,223,911)	209,258,071	6,525,000
Customer Deposits	745,382	587,019	(335,422)	996,979	588,218
Capital Leases	1,570,925	-	(505,443)	1,065,482	525,408
Net OPEB Liability	2,753,168	44,643	-	2,797,811	-
Net Pension Liability/TMRS	3,222,695	3,398,222	(1,513,297)	5,107,620	-
Compensated Absences	870,251	74,863	(2,480)	942,634	24,473
Total Business-type Activities	<u>\$ 125,741,397</u>	<u>\$ 103,007,753</u>	<u>\$ (8,580,553)</u>	<u>\$ 220,168,597</u>	<u>\$ 7,663,099</u>

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

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

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A summary of the long-term bonded debt of the City at September 30, 2019 is presented below:

<u>Refunding Bonds</u>	<u>Rate</u>	<u>Issue Date</u>	<u>Amount of Original Issue</u>	<u>Maturity Date</u>	<u>Outstanding</u>
Refunding Bonds, Series 2012	2.00-3.00%	2012	7,560,000	2023	\$ 3,290,000
Refunding Bonds, Series 2015	2.00-5.00%	2015	33,370,000	2030	30,995,000
Refunding Bonds, Series 2018	2.00-5.00%	2018	24,185,000	2030	23,210,000
Total Refunding Bonds Payable					<u>\$ 57,495,000</u>
Contractual and					
Certificates of Obligation					
Series 2005 (Direct Placement)	4.33%	2005	\$ 3,865,000	2030	\$ 3,240,000
Series 2009	2.00-4.25%	2009	12,750,000	2020	625,000
Series 2010	2.00-4.00%	2010	9,270,000	2030	6,515,000
Series 2011	1.875-5.00%	2011	18,235,000	2031	13,880,000
Series 2012	2.00-3.125%	2012	8,970,000	2032	2,625,000
Series 2014	2.00-5.00%	2014	31,100,000	2034	27,540,000
Series 2015	2.00-4.00%	2015	8,795,000	2035	5,085,000
Series 2016	2.00-4.00%	2016	11,275,000	2036	7,690,000
Series 2017A	2.00-5.00%	2017	20,110,000	2037	17,635,000
Series 2017B	2.00-5.00%	2017	21,590,000	2038	20,825,000
Series 2018A	4.00-5.00%	2018	42,870,000	2038	42,200,000
Series 2018B	5.00%	2018	86,845,000	2039	86,845,000
Total Certificates of Obligations Payable					<u>\$ 234,705,000</u>
Revenue Bonds					
Waterworks and Sewer System					
Bonds, Series 2009	3.00-4.375%	2009	7,350,000	2030	\$ 4,855,000
Bonds, Series 2010	2.00-4.00%	2010	15,715,000	2030	10,595,000
Bonds, Series 2011	1.75-4.25%	2011	5,160,000	2031	3,705,000
Bonds, Series 2012	1.75-5.00%	2012	18,130,000	2032	14,085,000
Bonds, Series 2013	2.00-4.25%	2013	6,790,000	2033	5,465,000
Bonds, Series 2014	2.00-5.00%	2014	17,130,000	2034	14,620,000
Bonds, Series 2015	2.00-5.00%	2015	14,400,000	2035	12,870,000
Total Revenue Bonds					<u>\$ 66,195,000</u>

In prior years, the City defeased certain outstanding general obligation capital improvement bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the liability for the defeased bonds are not included in the City's financial statements. As of September 30, 2019, 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. The Series 2016 Taxable Refunding and the Series 2018 Sales Tax Revenue Bonds were issued through private placements. They both have pledged revenues to be placed in a reserve fund for each series to be used solely to the payment of the bonds.

On September 12, 2019, the CIDC issued \$20,195,000 in Sales Tax Revenue Bonds, Series 2019 for the construction and acquisition of roads, streets and bridges and water, sewer and drainage improvements

CITY OF CONROE, TEXAS
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and related improvements to serve the Conroe Park North Industrial Park and to pay the cost of issuance. Series 2019 had a premium of \$3,767,320, an annual interest rate of 4.00% to 5.00%, interest accrues semiannually and the bonds mature in 2039.

Long-term obligations of the CIDC include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2019, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Sales Tax Revenue Bonds	\$ 20,185,000	\$ 20,195,000	\$ (1,325,000)	\$ 39,055,000	\$ 1,905,000
Direct Placement	35,785,000	-	(1,685,000)	34,100,000	1,750,000
Unamortized Premiums	1,189,440	3,767,320	(92,809)	4,863,951	-
Total Bonds Payable	<u>\$ 57,159,440</u>	<u>\$ 23,962,320</u>	<u>\$ (3,102,809)</u>	<u>\$ 78,018,951</u>	<u>\$ 3,655,000</u>

A summary of the long-term bonded debt of the CIDC at September 30, 2019 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	\$ 18,860,000
Series 2019, CIDC	4.00-5.00%	2019	20,195,000	2039	20,195,000
Direct Placements:					
Series 2016 Refunding CIDC, Taxable	2.90%	2016	13,815,000	2030	11,665,000
Series 2018, CIDC, Taxable	4.32%	2018	23,225,000	2033	22,435,000
Total Sales Tax Revenue Bonds Payable					<u>\$ 73,155,000</u>

At September 30, 2019, the following outstanding bonds are considered defeased:

2011 Sales Tax Revenue Bonds (maturing 2017-2030, callable September 21, 2020)	<u>\$ 10,670,000</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, 2019.

CITY OF CONROE, TEXAS
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B. Debt Service Requirements

Primary Government:

Debt service requirements on long-term debt at September 30, 2019, are as follows:

Fiscal Year	Governmental Activities				
	Bonded Debt		Direct Placements		Total
	Principal	Interest	Principal	Interest	
2020	\$ 7,810,000	\$ 6,797,574	\$ 100,000	\$ 137,968	\$ 14,845,542
2021	8,065,000	6,548,599	100,000	133,643	14,847,242
2022	8,355,000	6,265,350	100,000	129,318	14,849,668
2023	8,685,000	5,937,837	100,000	124,993	14,847,830
2024	8,810,000	5,565,697	355,000	115,153	14,845,850
2025	9,215,000	5,161,694	370,000	99,475	14,846,169
2026	9,615,000	4,757,294	390,000	83,040	14,845,334
2027	9,995,000	4,382,622	405,000	65,848	14,848,470
2028	10,395,000	3,984,793	420,000	48,008	14,847,801
2029	10,810,000	3,565,744	440,000	29,410	14,845,154
2030	11,250,000	3,128,724	460,000	9,948	14,848,672
2031	9,340,000	2,682,622	-	-	12,022,622
2032	8,810,000	2,262,118	-	-	11,072,118
2033	9,235,000	1,838,475	-	-	11,073,475
2034	9,680,000	1,391,825	-	-	11,071,825
2035	7,100,000	1,001,125	-	-	8,101,125
2036	6,925,000	679,425	-	-	7,604,425
2037	6,435,000	369,775	-	-	6,804,775
2038	4,395,000	109,875	-	-	4,504,875
	<u>\$164,925,000</u>	<u>\$ 66,431,168</u>	<u>\$ 3,240,000</u>	<u>\$ 976,804</u>	<u>\$ 235,572,972</u>

Fiscal Year	Governmental Activities - Notes Payable		
	Principal	Interest	Total
2020	\$ 129,000	\$ 23,369	\$ 152,369
2021	135,000	16,039	151,039
2022	143,002	8,284	151,286
	<u>\$ 407,002</u>	<u>\$ 47,692</u>	<u>\$ 454,694</u>

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

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Fiscal Year	Business-type Activities - Bonded Debt		
	Principal	Interest	Total
2020	\$ 6,545,000	\$ 8,375,211	\$ 14,920,211
2021	7,050,000	8,125,386	15,175,386
2022	7,600,000	7,845,436	15,445,436
2023	8,425,000	7,521,599	15,946,599
2024	9,520,000	7,117,424	16,637,424
2025	9,955,000	6,682,949	16,637,949
2026	10,395,000	6,241,599	16,636,599
2027	10,865,000	5,774,733	16,639,733
2028	11,350,000	5,288,961	16,638,961
2029	11,855,000	4,780,278	16,635,278
2030	12,390,000	4,248,025	16,638,025
2031	12,950,000	3,685,091	16,635,091
2032	10,335,000	3,160,163	13,495,163
2033	10,305,000	2,693,103	12,998,103
2034	9,520,000	2,229,894	11,749,894
2035	9,485,000	1,769,975	11,254,975
2036	8,640,000	1,330,825	9,970,825
2037	7,965,000	930,250	8,895,250
2038	8,255,000	539,900	8,794,900
2039	6,825,000	170,625	6,995,625
	<u>\$ 190,230,000</u>	<u>\$ 88,511,427</u>	<u>\$ 278,741,427</u>

Component Unit requirements on long-term debt for component unit CIDC at September 30, 2019, are as follows:

Fiscal Year	Discrete Component Unit - CIDC				
	Bonded Debt		Direct Placements		Total
	Principal	Interest	Principal	Interest	
2020	\$ 1,905,000	\$ 1,574,449	\$ 1,750,000	\$ 1,307,477	\$ 6,536,926
2021	2,010,000	1,506,531	1,810,000	1,244,941	6,571,472
2022	2,105,000	1,406,031	1,880,000	1,180,239	6,571,270
2023	2,215,000	1,304,381	1,940,000	1,112,868	6,572,249
2024	2,305,000	1,209,731	2,015,000	1,043,260	6,572,991
2025	2,405,000	1,111,181	2,085,000	970,838	6,572,019
2026	2,510,000	1,008,281	2,160,000	895,889	6,574,170
2027	2,595,000	918,881	2,240,000	818,055	6,571,936
2028	2,690,000	826,331	2,320,000	737,262	6,573,593
2029	1,750,000	730,131	3,440,000	653,510	6,573,641
2030	1,825,000	660,163	3,565,000	521,374	6,571,537
2031	2,210,000	587,100	2,825,000	384,264	6,006,364
2032	2,305,000	493,663	2,945,000	262,224	6,005,887
2033	1,330,000	409,000	3,125,000	135,000	4,999,000
2034	1,340,000	355,800	-	-	1,695,800
2035	1,395,000	302,200	-	-	1,697,200
2036	1,450,000	246,400	-	-	1,696,400
2037	1,510,000	188,400	-	-	1,698,400
2038	1,570,000	128,000	-	-	1,698,000
2039	1,630,000	65,200	-	-	1,695,200
	<u>\$ 39,055,000</u>	<u>\$ 15,031,854</u>	<u>\$ 34,100,000</u>	<u>\$ 11,267,201</u>	<u>\$ 99,454,055</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, 2019, are as follows:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2020	\$ 75,178	\$ 567,736
2021	81,268	561,646
Total Minimum Lease Payments	156,446	1,129,382
Less: amount representing interest	(8,462)	(63,900)
Present Value of Minimum Lease Payments	<u>\$ 147,984</u>	<u>\$ 1,065,482</u>

The net amount of capital assets (machinery, equipment and improvements) acquired through governmental activities capital leases is \$328,527 and acquired through business-type activities capital leases is \$3,650,979 as of September 30, 2019.

This year, \$253,087 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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery & Equipment	\$ -	\$ 2,212,869
Less: Accumulated Depreciation	-	(897,441)
Total	<u>\$ -</u>	<u>\$ 1,315,428</u>
Improvements	\$ 838,793	\$ 4,121,560
Less: Accumulated Depreciation	(510,266)	(1,786,009)
Total	<u>\$ 328,527</u>	<u>\$ 2,335,551</u>

D. Subsequent Issuance

On December 17, 2019, the City issued \$9,075,000 in Limited Tax Refunding Bonds, Series 2019 to refund a portion of the City's outstanding Certificates of Obligation, Series 2010, Water and Sewer System Revenue Bonds, Series 2009, and to pay the cost of issuance. Series 2019 had a premium of \$1,711,328 and an annual interest rate of 5%. Interest accrues semiannually and the bonds mature in 2031. The refunding resulted in savings of \$1,347,133 due to a decrease in cash flow requirements and had an economic gain of \$1,213,702.

On December 17, 2019, the City issued \$23,730,000 in Certificates of Obligation, Series 2019A to fund the design, planning, acquisition, construction, equipping, expansion, repair, renovation, and/or rehabilitation of certain public works. Series 2019A had a premium of \$3,733,212 and an annual interest rate of 3% to 5%. Interest accrues semiannually and the bonds mature in 2039.

On December 17, 2019, the City issued \$19,915,000 in Certificates of Obligation, Series 2019B to fund the design, planning, acquisition, construction, equipping, expansion, repair, renovation, and/or rehabilitation of certain public works projects. Series 2019B had a premium of \$3,515,817 and an annual

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interest rate of 3% to 5%. Interest accrues semiannually and the bonds mature in 2040. 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.

VII. Risk Management

A. Health Care Coverage

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

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

The premiums for these policies are billed monthly by the third-party administrator on a per enrolled employee basis. The claims liability reported in the fund at September 30, 2019, 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, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Health Claim Liability, Beginning of the Year	\$ 472,822	\$ 556,467
Current-year Claims and Changes in Estimates	10,465,408	8,423,274
Claim Payments	<u>(10,433,014)</u>	<u>(8,506,919)</u>
Health Claim Liability, End of the Year	<u>\$ 505,216</u>	<u>\$ 472,822</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 2019, 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.

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VIII. Other Post Employment Benefits

A. Plan Description

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

B. Benefits Provided

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

1) Eligibility

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

2) Termination of Coverage

- a) If other insurance coverage is available, (i.e., another employer, Medicare, Medicaid, etc.), the retiree will not be covered under the City's insurance plan(s).
- b) Retirees are entitled to a one-time, opt-in to re-enroll in the insurance plan(s).

3) Premiums

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

4) Miscellaneous

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

5) Exception

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

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6) Death-in-Service Retirement Benefits

Surviving spouses of active employees are allowed COBRA coverage only.

7) Benefits for Spouses of Retired Employees

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

8) Non-Medicare and Medicare-Eligible Provisions

- a) Employees retiring after December 31, 2011, cannot remain on the plan once they become eligible for Medicare. Participants who were retired as of December 31, 2011, may remain on the plan after becoming eligible for Medicare, but would be required to pay the full premiums. However, the City will pay the entire retiree premium for one post 65 retiree who is covered under special agreements.
- b) As of the valuation date, December 31, 2016, 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.

9) 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.

10) Life Insurance Coverage

The City provides a \$7,500 life insurance benefit for retirees. The life insurance benefit extends past age 65. As of December 31, 2018, there were four retirees who accrued a life insurance benefit of \$12,500.

11) Monthly Unsubsidized Retiree Premiums Effective October 1, 2018:

Benefit	Retiree Only	Spouse
Medical - OAP	\$ 668	\$ 285
Medical - HDHP	583	144
Medical - Kelsey	550	104
Dental	36	22
Vision	4	13

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

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

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At the measurement date, there was total plan membership of 702, which consisted of 166 retirees and beneficiaries and 536 active members.

C. Contributions

For the year ended September 30, 2019, the City funded 100% of the normal cost and the pay-go amount totaling \$2,238,412 in an irrevocable trust, and reported it in a fiduciary fund in the financial statements. Withdrawals in the amount of \$1,003,729 were made from the irrevocable trust to reimburse the City for pre-65 and post-65 retirees' claims and administrative fees paid by the Self-Funded Insurance Fund. Administrative fees are those fees related to services that retirees utilize, including, stop-loss premiums and 3rd party administrator charges.

D. OPEB Liability

Actuarial Assumptions:

Actuarial valuations involve the use of estimates and assumption about the probability of events far into the future, including, but not limited to, assumptions about length of employee service, mortality rates, and future costs of health care. The valuation will be updated every two years and actual results compared to past expectations. As a result of these comparisons, new estimates and assumptions will be made about future results of the plan. Valuations are made based on the benefits in place at the time of the valuation. Actuarial techniques include smoothing mechanisms which take a long-term approach in the valuation of assets and liabilities of the plan and are designed to reduce short-term volatility in the measurement of these assets and liabilities. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Discount Rate*	6.50%
Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the Texas municipal Retirement System (TMRS) and the assumptions used in Conroe Fire Fighters' Relief & Retirement Fund actuarial valuation as of December 31, 2015 (CFFR&RF)
Mortality	TMRS: For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. CFFR&RF: For active employees and healthy retirees the RP-2014 Blue Collar Mortality Tables adjusted backward to 2006 with Scale MP-2015 and projected forward with Scale MP-2016. For disabled retirees the RP-2014 Disabled Mortality tables adjusted backward to 2006 with Scale MP-2014 and projected with Scale MP-2015.
Participation Rates	For employees retiring at age 50 or older, it was assumed that 95% of those who are eligible for the rule of 80 and 15% of those who are not eligible for the rule of 80 would choose to receive coverage through the City. No employees retiring before the age of 50 were assumed to elect coverage through the City.
Healthcare Cost Trend Rates	Initial rates of 7.20% declining to ultimate rates of 5.25% after 11 years; Ultimate trend rate includes a 1.0% adjustment for the excise tax.
Notes:	Changes of assumptions reflect projection scale update in firefighter mortality assumptions and minor updates to the health care trend assumption.

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Fixed income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in the Fidelity "20-Year Municipal GO AA Index" as of December 31, 2018 are incorporated into the discount rate at 3.71%.

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

- The Plan should earn, on a long-term average basis, a rate of return equal to or in excess of the target rate of return of 6.5%.
- The Plan should seek to earn a return in excess of its policy benchmark over the long-term.
- The Plan's assets will be managed on a total return basis which takes into consideration both investment income and capital appreciation. While the Plan Sponsor recognizes the importance of preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. To achieve these objectives, the Plan Sponsor allocates its assets (asset allocation) with a strategic, long-term perspective of the capital markets.

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

Discount Rate and Healthcare Cost Trend Rate:

The discount rate used to measure the Total OPEB Liability was 6.50%. The asset portfolio of the OPEB trust can support a 6.50% long term rate of return. The total OPEB liability is based on an actuarial valuation performed as of December 31, 2018, which is also the measurement date.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2017	\$ 23,505,191	\$ 6,080,078	\$ 17,425,113
Changes for the Year:			
Service Cost	1,107,420	-	1,107,420
Interest	1,533,173	-	1,533,173
Differences Between Expected and Actual Experience	(2,289,197)	-	(2,289,197)
Changes of Assumptions	362,553	-	362,553
Contributions - Employer	-	1,580,691	(1,580,691)
Net Investment Income	-	(59,984)	59,984
Benefit Payments, Including Refunds of Employee Contributions	(943,253)	(943,253)	-
Administrative Expense	-	(35,280)	35,280
Other Changes	-	-	-
Net Changes	(229,304)	542,174	(771,478)
Balances at 12/31/2018	\$ 23,275,887	\$ 6,622,252	\$ 16,653,635

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

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 7.2% as well as what the City's net OPEB liability would be if it were calculated using a rate that is 1-percentage-point lower (6.2%) or 1-percentage-point higher (8.2%) than the current rate:

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	1% Decrease in (6.2% Decreasing to 4.25%)	Current Healthcare Cost Trend Rate (7.2% Decreasing to 5.25%)	1% Increase in (8.2% Decreasing to 6.25%)
City's Net OPEB Liability	\$ 13,800,177	\$ 16,653,635	\$ 20,020,461

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 6.5% as well as what the City's net OPEB liability would be if it were calculated using a rate that is 1-percentage-point lower (5.5%) or 1-percentage-point higher (7.5%) than the current rate:

	1% Decrease 5.50%	Current Single Discount Rate Assumption 6.50%	1% Increase 7.50%
City's Net OPEB Liability	\$ 19,051,388	\$ 16,653,635	\$ 14,526,695

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$2,105,783. Also, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 107,736	\$ 2,025,588
Change in actuarial assumption	320,804	-
Difference between expected and actual investment earnings	247,034	-
Contributions subsequent to the measurement date	1,687,008	-
Totals	<u>\$ 2,362,582</u>	<u>\$ 2,025,588</u>

\$1,687,008 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended September 30:	
2020	\$ (155,314)
2021	(155,314)
2022	(155,316)
2023	(111,058)
2024	(206,009)
Thereafter	(567,003)
Total	<u>\$ (1,350,014)</u>

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IX. Pension Plans

A. Plan Descriptions

Texas Municipal Retirement System (TMRS): The City participates as one of 887 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.tmr.com.

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

Conroe Fire Fighters' Relief and Retirement Fund (CFFR&RF): The City participates in funding a contributory, defined benefit retirement plan for civil service fire fighters, Conroe Fire Fighters' Relief and Retirement Fund. The Fund was established in accordance with the provisions of H.B. 258 passed by the Texas State Legislature in 1937, with the purpose of providing pension benefits to volunteer, part-time and full-time fire fighters. The Fund is administered in accordance with State laws by the members of the Fund's Pension Board of Trustees. The fund is a governmental plan under section 414(d) of the Internal Revenue Code of 1986, as amended, and is established and maintained by the City for its employees as a single-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, 2018.

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:

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	Plan Year 2018	Plan Year 2017
Employee Deposit Rate	7%	7%
Retirement Eligibility	5 Yrs/Age 60, 20 Yrs/Any Age	5 Yrs/Age 60, 20 Yrs/Any Age
Matching Ratio (City to Employee)	2 to 1	2 to 1
Years Required for Vesting	5	5
Service Retirement Eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

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

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

The amount of the FORWARD DROP benefit equals a service retirement annuity calculated as of the date the firefighter enters DROP plus a DROP lump sum. The DROP lump sum equals the accumulated annuity 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 2018	Plan Year 2017
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

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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	186	35
Inactive Employees Entitled to But Not Yet Receiving Benefits	179	7
Active Employees	430	120
Totals	<u>795</u>	<u>162</u>

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 16.46% and 16.17% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$4,607,864, and were equal to the required contributions.

CFFR&RF: Contributions to the Fund are based on the TLFFRA requirements rather than an actuarially determined rate. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each paid firefighter. The funding policy of the Fund requires contributions from both the City and the firefighters. The City's contribution rate is currently 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, 2019, were \$1,425,193, 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

For the year ended September 30, 2019, the City recognized \$79,336,320 in net pension liability (TMRS of \$30,402,502 and CFFR&RF of \$48,933,818).

TMRS: The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CFFR&RF: The Total Pension Liability, Net Pension Liability, and the associated sensitivity information provided was based on the December 31, 2018 actuarial valuation. The Total Pension Liability was rolled-forward to the fiscal year ending September 30, 2019 (measurement date), using generally accepted actuarial principles. There have been no significant events or changes in benefit provisions that required an adjustment to the roll-forward liability.

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Actuarial Assumptions:

TMRS: The Total Pension Liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary Increases	3.50% to 10.5 % including inflation
Investment Rate of Return	6.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on 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 Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy.

The 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%	

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CFFR&RF: The Total Pension Liability, Net Pension Liability, and the associated sensitivity information provided are derived from the results of the December 31, 2018, valuation. The Total Pension Liability was rolled-forward from the 2018 valuation date to the fiscal year ending September 30, 2019, using generally accepted actuarial principles. A full experience study is not available due to the size of the fund.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Open period, level percentage of pay
Asset Valuation Method	The fair value of assets plus 20% of the unrecognized gains and losses from each of the past four years. The resulting value is further limited to be no less than 90% and no greater than 110% of the fair value of assets.
Investment Rate of Return	7.50% per annum (net of expenses)
Salary Scale	3.50%-8.50%
General Inflation Rate	2.50% 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	PubS-2010 Employee and Healthy Annuitant Mortality tables projected generationally with Scale MP-2018.
Termination Rates	0% to 6%
Changes in Assumptions	The long-term investment return assumption was decreased from 7.75% to 7.50% net of investment expenses to reflect future expectations. Because the projected Net Fiduciary Position is projected to be depleted in 2054, a blended discount rate of 4.62% was developed to measure the Total Pension Liability (based on a municipal bond index rate of 2.75% as of September 30, 2019). In addition, the mortality assumption was updated to be the PubS-2010 tables and Scale MP-2018. There are no other changes in actuarial assumptions since the prior year valuation.

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

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, 2018, (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	3.5%
Real Estate	5.0%
Cash	0.0%

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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%

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 12/31/2017	\$ 136,555,175	\$ 116,158,373	\$ 20,396,802
Changes for the Year:			
Service Cost	4,537,535	-	4,537,535
Interest	9,164,980	-	9,164,980
Differences Between Expected and Actual Experience	(852,779)	-	(852,779)
Changes of Assumptions	-	-	-
Contributions - Employer	-	4,488,501	(4,488,501)
Contributions - Employee	-	1,907,672	(1,907,672)
Net Investment Income	-	(3,481,377)	3,481,377
Benefit Payments, Including Refunds of Employee Contributions	(6,092,925)	(6,092,925)	-
Administrative Expense	-	(67,247)	67,247
Other Changes	-	(3,513)	3,513
Net Changes	6,756,811	(3,248,889)	10,005,700
Balances at 12/31/2018	\$ 143,311,986	\$ 112,909,484	\$ 30,402,502

CFFR&RF: The discount rate used to measure the Total Pension Liability was 4.62%. 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 depleted by 2054. Therefore, as required by GASB 68, a blended discount rate of 4.62% was developed based on the long-term expected rate of return on pension investments through 2054 and the September 30, 2019 municipal bond index rate of 3.71% thereafter. 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

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information was based on the December 31, 2018, actuarial valuation. The Total Pension Liability was rolled forward to the fiscal year end measurement dates using generally accepted actuarial principles.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 9/30/2018	\$ 47,493,706	\$ 26,645,980	\$ 20,847,726
Changes for the Year:			
Service Cost	1,764,718	-	1,764,718
Interest	3,737,971	-	3,737,971
Differences Between Expected and Actual Experience	(1,128,128)	-	(1,128,128)
Changes of Assumptions	27,019,267	-	27,019,267
Contributions - Employer	-	1,425,194	(1,425,194)
Contributions - Employee	-	1,257,969	(1,257,969)
Net Investment Income	-	718,686	(718,686)
Benefit Payments	(1,953,416)	(1,953,416)	-
Refunds	(99,665)	(99,665)	-
Administrative Expense	-	(94,113)	94,113
Net Changes	29,340,747	1,254,655	28,086,092
Balances at 9/30/2019	\$ 76,834,453	\$ 27,900,635	\$ 48,933,818

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	\$ 52,563,553	\$ 30,402,502	\$ 12,407,733

CFFR&RF: The following presents the net pension liability, calculated using the discount rate of 4.62%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.62%) or 1-percentage-point higher (5.62%) than the current rate:

	1% Decrease in Discount Rate (3.62%)	Discount Rate (4.62%)	1% Increase in Discount Rate (5.62%)
CFFR&RF Net Pension Liability	\$ 61,317,528	\$ 48,933,818	\$ 38,969,429

Pension Plan Fiduciary Net Position:

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

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

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

For the year ended September 30, 2019, the City recognized \$11,789,983 in pension expense (TMRS of \$6,242,287 and CFFR&RF of \$5,547,696). At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TMRS		CFFR&RF		Total Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 601,783	\$ 846,052	\$ 1,984,593	\$ 1,015,315	\$ 2,586,376	\$ 1,861,367
Change in actuarial assumption	-	75,511	24,317,340	872,577	24,317,340	948,088
Difference between projected and actual investment earnings	6,012,247	-	995,485	-	7,007,732	-
Contributions subsequent to the measurement date	3,509,992	-	-	-	3,509,992	-
Totals	<u>\$ 10,124,022</u>	<u>\$ 921,563</u>	<u>\$ 27,297,418</u>	<u>\$ 1,887,892</u>	<u>\$ 37,421,440</u>	<u>\$ 2,809,455</u>

\$3,509,992 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the TMRS net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30:	TMRS	CFFR&RF	Total Pensions
2020	\$ 2,048,971	\$ 2,866,689	\$ 4,915,660
2021	854,396	2,974,411	3,828,807
2022	743,436	3,009,654	3,753,090
2023	2,092,413	2,982,891	5,075,304
2024	(46,749)	2,709,540	2,662,791
Thereafter	-	10,866,341	10,866,341
Total	<u>\$ 5,692,467</u>	<u>\$25,409,526</u>	<u>\$31,101,993</u>

X. 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, 2019, 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

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Contracts and the SJRA's legal authority to enforce the GRP Contract terms, including the fiscal year 2017 GRP Rates. On September 1, 2017, the groundwater pumpage rate was increased by \$0.14 from \$2.50 to \$2.64 per 1,000 gallons, and the surface water rate was increased by \$0.14 from \$2.69 to \$2.83 per 1,000 gallons. On September 1, 2019, the groundwater pumpage rate was increased by \$0.09 from \$2.64 to \$2.73 per 1,000 gallons, and the surface water rate was increased by \$0.32 from \$2.83 to \$3.15 per 1,000 gallons. This City continues to withhold the payment of this increase. The City's financial statements include a liability of \$3,795,433 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 \$329,557 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. Construction Commitments

The City has active construction projects as of September 30, 2019. Total accumulated commitments for ongoing capital projects are composed of the following:

	Spent-to-Date	Remaining Commitment
Water and Sewer	\$ 7,349,133	\$ 8,512,866
Streets Projects	16,927,086	16,824,488
Facilities Projects	4,796,043	-
Transportation Projects	794,034	328,860
Parks Projects	2,178,321	5,500,503
Signals Projects	655,147	-
Totals	<u>\$ 32,699,764</u>	<u>\$ 31,166,717</u>

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

C. Encumbrances

Encumbrances are reported in the financial statements as restricted, committed, or assigned for specific purposes in the governmental funds. As of September 30, 2019, significant encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in:		
	Restricted Fund Balance	Committed Fund Balance	Assigned Fund Balance
General Fund	\$ -	\$ -	\$ 3,235,287
Certificates of Obligation Series 2018A CIP Fund	29,739,483	-	-
Nonmajor Governmental	998,120	140,423	-
Total Encumbrances	<u>\$ 30,737,603</u>	<u>\$ 140,423</u>	<u>\$ 3,235,287</u>

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D. Deferred Compensation Plan

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

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

XI. 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.

XII. 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 \$29,807 in fiscal year 2019.

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 2019, the City had no sales tax rebated.

Tax Abatements – Tax abatements under Chapter 312 of the Texas Tax Code allow the City to create tax abatement agreements with applicants that promise large scale investments. These investments create 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 \$446,218 in fiscal year 2019.

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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 \$169,066 during fiscal year 2019.

The CIDC has one type of economic development agreement:

Tax Abatements – Tax abatements under Chapter 312 of the Texas Tax Code allow the Conroe Industrial Development Corporation to enter into development incentive agreements with businesses that relocate or expand their business in Conroe. These businesses create new jobs and add additional property value resulting from the business expansion. These organizations are reimbursed a portion of the property taxes they pay to Montgomery County and the City of Conroe. Taxes abated under this program were \$1,374,368 in fiscal year 2019.

XIII. Fund Balances

The following funds had negative fund balance or net position at September 30, 2019:

Community Development Block Grant Entitlement (\$129,972) – which will be recovered in the subsequent year upon receipt of grant reimbursement funds.

Fleet Services had a deficit net position of \$536,697 at September 30, 2019. Exclusive of Fleet's portion the City's OPEB liability of \$366,380, net pension liability of \$668,855, related deferred inflows of \$64,837 and deferred outflows of \$274,706, this fund would recognize a positive net position of \$288,669.

XIV. Recent Accounting Pronouncements

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 2020 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.

GASB Statement 91, *Conduit Debt Obligations* ("GASB 91"), provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. GASB 91 will be implemented by the City in 2021 and the impact has not yet been determined.



CITY OF CONROE, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 67,137,065	\$ 67,137,065	\$ 68,638,980	\$ 1,501,915
Licenses and Permits	2,978,117	2,978,117	4,131,413	1,153,296
Charges for Sales and Services	2,591,866	2,632,066	2,592,866	(39,200)
Lease Income	191,224	191,224	292,924	101,700
Fines and Forfeitures	1,298,793	1,298,793	1,411,726	112,933
Intergovernmental	2,194,146	2,364,086	3,298,069	933,983
Investment Income	314,104	314,104	964,854	650,750
Net Change in Fair Value of Investments	-	-	131,259	131,259
Penalties and Interest	135,656	135,656	153,936	18,280
Miscellaneous Revenue	144,846	154,846	421,835	266,989
TOTAL REVENUES	76,985,817	77,205,957	82,037,862	4,831,905
EXPENDITURES				
Current:				
General Government				
Administration	1,407,221	1,352,375	1,333,597	18,778
Legal	795,593	795,593	597,252	198,341
Municipal Court	1,309,875	1,309,875	1,158,249	151,626
Warehouse/Purchasing	413,539	413,539	409,602	3,937
Information Technology	2,871,463	2,882,758	2,695,955	186,803
Transportation	1,389,682	2,183,248	792,924	1,390,324
Human Resources	963,230	963,230	926,433	36,797
Non-Departmental	5,342,509	5,800,889	5,601,144	199,745
Finance	2,231,568	2,376,538	2,067,817	308,721
Public Safety				
Police	19,655,658	19,848,106	20,736,045	(887,939)
Fire	16,521,207	17,129,093	16,944,123	184,970
Community Development	2,457,789	3,088,500	2,267,379	821,121
Parks				
Parks and Recreation Administration	971,731	926,731	933,611	(6,880)
Recreation Center	1,266,561	1,344,561	1,435,704	(91,143)
Aquatic Center	1,472,129	1,490,129	1,528,946	(38,817)
Parks Operations	2,153,406	2,582,697	2,093,956	488,741
Public Works				
Drainage Maintenance	998,232	998,232	879,967	118,265
Streets	3,936,903	3,938,403	3,931,432	6,971
Signal Maintenance	1,206,132	1,206,132	738,924	467,208
Signs	743,473	743,473	657,875	85,598
Engineering	3,345,810	3,452,407	2,931,973	520,434
Building Inspection and Permits	-	-	35,967	(35,967)
Debt Service:				
Principal Retirement	66,930	66,930	66,930	-
Interest and Fiscal Charges	8,249	8,249	8,249	-
Capital Outlay	3,077,957	3,619,211	3,048,525	570,686
TOTAL EXPENDITURES	74,606,847	78,520,899	73,822,579	4,698,320
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,378,970	(1,314,942)	8,215,283	9,530,225
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	-	-	54,957	54,957
Transfers In	403,354	568,714	362,090	(206,624)
Transfers Out	(4,493,903)	(4,983,475)	(4,305,661)	677,814
TOTAL OTHER FINANCING SOURCES (USES)	(4,090,549)	(4,414,761)	(3,888,614)	526,147
Net Change in Fund Balance	(1,711,579)	(5,729,703)	4,326,669	10,056,372
Fund Balance at Beginning of Year	37,247,343	37,247,343	37,247,343	-
FUND BALANCE AT END OF YEAR	\$ 35,535,764	\$ 31,517,640	\$ 41,574,012	\$ 10,056,372

CITY OF CONROE, TEXAS**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS****OTHER POST EMPLOYMENT BENEFITS (OPEB)****LAST TEN FISCAL YEARS****

	December 31, 2017	December 31, 2018
Total OPEB Liability		
Service cost	\$ 949,634	\$ 1,107,420
Interest	1,435,855	1,533,173
Differences between expected and actual experience	139,435	(2,289,197)
Change of assumptions	-	362,553
Benefit payments	(1,270,000)	(943,253)
Net Change in Total OPEB Liability	1,254,924	(229,304)
Total OPEB Liability - Beginning	22,250,267	23,505,191
Total OPEB Liability - Ending (a)	\$ 23,505,191	\$ 23,275,887
Plan Fiduciary Net Position		
Employer Contributions	\$ 2,276,869	\$ 1,580,691
Net Investment Income	548,922	(59,984)
Benefit payments	(1,270,000)	(943,253)
Administrative expense	(25,632)	(35,280)
Other	-	-
Net Change in Plan Fiduciary Net Position	1,530,159	542,174
Plan Fiduciary Net Position - Beginning	4,549,919	6,080,078
Plan Fiduciary Net Position - Ending (b)	\$ 6,080,078	\$ 6,622,252
Net OPEB Liability - Ending (a) - (b)	17,425,113	16,653,635
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	25.87%	28.45%
Covered Payroll	\$ 35,151,413	\$ 36,017,313
Net OPEB Liability as a Percentage of Covered Payroll	49.57%	46.24%

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

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

See accompanying notes to required supplementary information.

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

Year Ending	Actuarially	Contributions in	Contribution	Covered	Contributions
September 30	Determined	relation to the	deficiency	payroll	as a % of
	Contribution	actuarially	(excess)		covered
		determined			payroll
		contribution			
2018	\$ 1,945,680	\$ 2,520,944	\$ (575,264)	\$ 35,214,358	7.16%
2019	2,238,411	1,325,311	913,100	37,055,332	3.58%

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CITY OF CONROE, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

LAST TEN FISCAL YEARS**

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

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

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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 payroll	Contributions as a % of covered payroll
2015	\$ 4,057,674	\$ 4,057,674	\$ -	\$ 24,365,506	16.7%
2016	4,393,653	4,393,653	-	27,183,590	16.2%
2017	4,333,658	4,333,658	-	26,618,956	16.3%
2018	4,457,729	4,457,729	-	27,125,922	16.4%
2019	4,607,864	4,607,864	-	28,376,759	16.2%

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

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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 payroll	Contributions as a % of covered payroll
2015	\$ 1,102,093	\$ 1,102,093	\$ -	\$ 7,347,278	15.0%
2016	1,260,195	1,260,195	-	8,401,284	15.0%
2017	1,248,980	1,248,980	-	8,326,520	15.0%
2018	1,315,771	1,315,771	-	8,771,792	15.0%
2019	1,425,193	1,425,193	-	9,501,282	15.0%

*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, 2019

A. OPEB

Valuation date:	December 31, 2018
Methods and assumptions:	
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level percentage of pay
Amortization Period	26 years, as of beginning of FYE19
Asset Valuation Method	Market Value
Investment Rate of Return	6.50%, net of expenses
Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Payroll Growth	1.50%
Demographic Assumptions	Based on experience study covering the four-year period ending December 31, 2014 as conducted for the Texas Municipal Retirement System (TMRS) and the assumptions used in Conroe Fire Fighters' Relief & Retirement Fund actuarial report as of December 31, 2015 (CFFR&RF).
Mortality	TMRS: For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. Firefighters: for active employees and healthy retirees the RP-2014 Blue Collar Mortality tables adjusted backward to 2006 with Scale MP-2015 and projected forward with Scale MP-2016. For disabled retirees the RP-2014 Disabled Mortality tables adjusted backward to 2006 with Scale MP-2014 and projected with Scale MP-2015.
Participation Rates	For employees retiring at age 50 or older, it was assumed that 95% of those who are eligible for the rule of 80 and 15% of those who are not eligible for the rule of 80 would choose to receive coverage through the City. No employees retiring before the age of 50 were assumed to elect coverage through the City.
Healthcare Cost Trend Rates	Initial rates of 7.20% declining to ultimate rates of 5.25% after 11 years; Ultimate trend rate includes a 1.0% adjustment for the excise tax.
Notes	Changes of assumptions reflect projection scale updated in firefighter mortality assumptions and minor updates to the health care trend assumption.

CITY OF CONROE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

OPEB AND PENSIONS

SEPTEMBER 30, 2019

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	27 years
Asset Valuation Method	10-year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
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 2015 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.

CITY OF CONROE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

OPEB AND PENSIONS

SEPTEMBER 30, 2019

Conroe Fire Fighters' Relief and Retirement Fund:

Valuation date: December 31, 2018, the total pension liability was rolled forward to fiscal year end September 30, 2019.

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	7.50% per annum (net of expenses)														
Salary Scale	The salary increase is based on years of service according to the following: <table><tr><th><u>Years of Service</u></th><th><u>Salary Increase</u></th></tr><tr><td>0-4</td><td>8.50%</td></tr><tr><td>5-9</td><td>7.50%</td></tr><tr><td>10-14</td><td>5.50%</td></tr><tr><td>15-19</td><td>4.50%</td></tr><tr><td>20-24</td><td>4.50%</td></tr><tr><td>25+</td><td>3.50%</td></tr></table>	<u>Years of Service</u>	<u>Salary Increase</u>	0-4	8.50%	5-9	7.50%	10-14	5.50%	15-19	4.50%	20-24	4.50%	25+	3.50%
<u>Years of Service</u>	<u>Salary Increase</u>														
0-4	8.50%														
5-9	7.50%														
10-14	5.50%														
15-19	4.50%														
20-24	4.50%														
25+	3.50%														
General Inflation Rate	2.50% per annum														
Interest on Employee Contributions	2.50% per annum														
Contribution Rates	Rates in effect are assumed to remain constant for future years														
Mortality Rates	PubS-2010 Employee and Healthy Annuitant Mortality tables projected generationally with Scale MP-2018. For post-retirement spouse mortality, Pub-S2010 Healthy Annuitant (opposite gender) mortality projected generationally with Scale MP-2018.														
Termination Rates	0% to 6%														

CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,086,536	\$ 1,386,821	\$ 2,473,357
Investments	3,215,208	6,632,384	9,847,592
Receivables (Net of Allowances for Uncollectibles):			
Accounts	601,921	-	601,921
Other	132,496	-	132,496
Due from Other Funds	-	453,685	453,685
TOTAL ASSETS	\$ 5,036,161	\$ 8,472,890	\$ 13,509,051
LIABILITIES			
Accounts Payable	\$ 267,514	\$ 66,760	\$ 334,274
Other Payables	10,912	-	10,912
Retainage Payable	-	-	-
Due to Other Funds	453,685	-	453,685
Customer Deposits	12,821	-	12,821
Unearned Revenue	5,186	-	5,186
TOTAL LIABILITIES	750,118	66,760	816,878
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Grants	129,972	-	129,972
TOTAL DEFERRED INFLOWS OF RESOURCES	129,972	-	129,972
FUND BALANCES			
Restricted for:			
Capital Project Funds	-	4,166,327	4,166,327
Special Revenue Funds	3,981,048	-	3,981,048
Committed for:			
TIRZ #3-Property Tax Receipts	-	3,672,037	3,672,037
Conroe MMD#1 Agreement	-	567,766	567,766
Woodlands Township Reg. Participation	304,995	-	304,995
Unassigned	(129,972)	-	(129,972)
TOTAL FUND BALANCES	4,156,071	8,406,130	12,562,201
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,036,161	\$ 8,472,890	\$ 13,509,051

CITY OF CONROE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 1,339,915	\$ -	\$ 1,339,915
Lease Income	298,661	-	298,661
Fines and Forfeitures	106,690	-	106,690
Intergovernmental	2,346,901	2,341,744	4,688,645
Investment Income	79,153	136,690	215,843
Penalties and Interest	2,567	-	2,567
Miscellaneous Revenue	806,985	178,028	985,013
TOTAL REVENUES	4,980,872	2,656,462	7,637,334
EXPENDITURES			
Current:			
General Government			
Municipal Court	13,910	-	13,910
Building Operations	1,149,738	38,982	1,188,720
Transportation	1,201,151	-	1,201,151
Culture-Recreation	1,165,960	-	1,165,960
Non-Departmental	651,036	-	651,036
Public Safety - Police	14,104	-	14,104
Community Development	246,177	-	246,177
Parks			
Parks Operations	-	975	975
Public Works			
Streets	-	-	-
Signal Maintenance	-	-	-
Debt Service:			
Principal Retirement	123,000	-	123,000
Interest and Fiscal Charges	30,289	-	30,289
Capital Outlay	393,059	2,671,284	3,064,343
TOTAL EXPENDITURES	4,988,424	2,711,241	7,699,665
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,552)	(54,779)	(62,331)
OTHER FINANCING SOURCES (USES)			
Transfers In	832,654	3,105,913	3,938,567
Transfers Out	(498,774)	(3,712,078)	(4,210,852)
TOTAL OTHER FINANCING SOURCES (USES)	333,880	(606,165)	(272,285)
Net Change in Fund Balances	326,328	(660,944)	(334,616)
Fund Balances at Beginning of Year	3,829,743	9,067,074	12,896,817
FUND BALANCES AT END OF YEAR	\$ 4,156,071	\$ 8,406,130	\$ 12,562,201

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.

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 authorized under Texas Code of Criminal Procedure, Article 102.0172, for the purposes of financing the purchase of or to maintain technological enhancements for a municipal court or municipal court of record.

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

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.

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

Grants – These funds were established to account for the transportation grant programs (section 5307, section 5310, commuter bus, HGAC transit, and state funded) and disaster recovery grants (CDBG – GLO) applicable to the City.

CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2019

	Hotel/Motel Occupancy Tax Fund	Public Improvement District "PID" Assessments	Community Development Block Grant Entitlement	The Conroe Tower	Woodlands Township Regional Participation
ASSETS					
Cash and Cash Equivalents	\$ 110,138	\$ 241,144	\$ -	\$ 49,279	\$ 104,983
Investments	3,015,196	-	-	-	200,012
Receivables (Net of Allowances for Uncollectibles):					
Accounts	130,689	-	-	6,960	-
Other	-	2,524	129,972	-	-
TOTAL ASSETS	<u>\$ 3,256,023</u>	<u>\$ 243,668</u>	<u>\$ 129,972</u>	<u>\$ 56,239</u>	<u>\$ 304,995</u>
LIABILITIES					
Accounts Payable	\$ 87,103	\$ -	\$ -	\$ 37,953	\$ -
Other Payables	7,929	-	-	2,983	-
Due to Other Funds	-	-	129,972	-	-
Customer Deposits	-	-	-	12,821	-
Unearned Revenue	-	2,704	-	2,482	-
TOTAL LIABILITIES	<u>95,032</u>	<u>2,704</u>	<u>129,972</u>	<u>56,239</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Grants	-	-	129,972	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>129,972</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted for:					
Special Revenue Funds	3,160,991	240,964	-	-	-
Committed for:					
Woodlands Township Reg. Participation	-	-	-	-	304,995
Unassigned	-	-	(129,972)	-	-
TOTAL FUND BALANCES	<u>3,160,991</u>	<u>240,964</u>	<u>(129,972)</u>	<u>-</u>	<u>304,995</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,256,023</u>	<u>\$ 243,668</u>	<u>\$ 129,972</u>	<u>\$ 56,239</u>	<u>\$ 304,995</u>

Longmire Creek Estates PID	Wedgewood Falls PID	Municipal Court Technology Fund	Municipal Court Building Security Fund	Municipal Court Juvenile Case Manager	Municipal Court Efficiency Fee	Municipal Court Truancy Prevention
\$ 11,895	\$ 41,607	\$ 76,907	\$ 13,611	\$ 3,617	\$ 195,529	\$ 30,753
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 11,895</u>	<u>\$ 41,607</u>	<u>\$ 76,907</u>	<u>\$ 13,611</u>	<u>\$ 3,617</u>	<u>\$ 195,529</u>	<u>\$ 30,753</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,899
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,899
-	-	-	-	-	-	-
-	-	-	-	-	-	-
11,895	41,607	76,907	13,611	3,617	195,529	28,854
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>11,895</u>	<u>41,607</u>	<u>76,907</u>	<u>13,611</u>	<u>3,617</u>	<u>195,529</u>	<u>28,854</u>
<u>\$ 11,895</u>	<u>\$ 41,607</u>	<u>\$ 76,907</u>	<u>\$ 13,611</u>	<u>\$ 3,617</u>	<u>\$ 195,529</u>	<u>\$ 30,753</u>

Continued

CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2019

	Animal Shelter Reserve	FY14 Section 5307 Grant	FY15 Section 5307 Grant	FY16 Section 5307 Grant
ASSETS				
Cash and Cash Equivalents	\$ 207,073	\$ -	\$ -	\$ -
Investments	-	-	-	-
Receivables (Net of Allowances for Uncollectibles):				
Accounts	-	-	-	47,979
Other	-	-	-	-
TOTAL ASSETS	<u>\$ 207,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,979</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ 23,361
Other Payables	-	-	-	-
Due to Other Funds	-	-	-	24,618
Customer Deposits	-	-	-	-
Unearned Revenue	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,979</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Grants	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for:				
Special Revenue Funds	207,073	-	-	-
Committed for:				
Woodlands Township Reg. Participation	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>207,073</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 207,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,979</u>

FY17 Section 5307 Grant	FY18 Section 5307 Grant	HGAC Transit Commuter Bus Service	CDBG- Disaster Recovery GLO Grant - 2016 Floods & Storms	H-GAC Federal Transit Administration Grant	FY15-16 Section 5310 Grant	State Public Transportation Grant	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,086,536
-	-	-	-	-	-	-	3,215,208
5,600	48,777	327,016	34,900	-	-	-	601,921
-	-	-	-	-	-	-	132,496
<u>\$ 5,600</u>	<u>\$ 48,777</u>	<u>\$ 327,016</u>	<u>\$ 34,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,036,161</u>
\$ -	\$ 13,714	\$ 103,484	\$ -	\$ -	\$ -	\$ -	\$ 267,514
-	-	-	-	-	-	-	10,912
5,600	35,063	223,532	34,900	-	-	-	453,685
-	-	-	-	-	-	-	12,821
-	-	-	-	-	-	-	5,186
<u>5,600</u>	<u>48,777</u>	<u>327,016</u>	<u>34,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>750,118</u>
-	-	-	-	-	-	-	129,972
-	-	-	-	-	-	-	129,972
-	-	-	-	-	-	-	3,981,048
-	-	-	-	-	-	-	304,995
-	-	-	-	-	-	-	(129,972)
-	-	-	-	-	-	-	4,156,071
<u>\$ 5,600</u>	<u>\$ 48,777</u>	<u>\$ 327,016</u>	<u>\$ 34,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,036,161</u>
<i>Concluded</i>							

CITY OF CONROE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Hotel/Motel Occupancy Tax Fund	Public Improvement District "PID" Assessments	Community Development Block Grant Entitlement	The Conroe Tower	Woodlands Township Regional Participation
REVENUES					
Taxes	\$ 1,339,915	\$ -	\$ -	\$ -	\$ -
Lease Income	-	-	-	298,661	-
Fines and Forfeitures	-	-	-	-	-
Intergovernmental	-	-	361,034	-	55,496
Investment Income	66,340	12,801	-	-	12
Penalties and Interest	-	2,445	-	-	-
Miscellaneous Revenue	-	592,650	-	-	-
TOTAL REVENUES	1,406,255	607,896	361,034	298,661	55,508
EXPENDITURES					
Current:					
General Government					
Municipal Court	-	-	-	-	-
Building Operations	-	-	-	1,149,738	-
Transportation	-	-	-	-	-
Culture-Recreation	1,165,960	-	-	-	-
Non-Departmental	-	638,462	-	-	-
Public Safety - Police	-	-	-	-	-
Community Development	-	-	211,277	-	-
Debt Service:					
Principal Retirement	-	-	123,000	-	-
Interest and Fiscal Charges	-	-	30,289	-	-
Capital Outlay	-	-	-	5,542	-
TOTAL EXPENDITURES	1,165,960	638,462	364,566	1,155,280	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	240,295	(30,566)	(3,532)	(856,619)	55,508
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	832,654	-
Transfers Out	-	-	(126,440)	(2,495)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(126,440)	830,159	-
Net Change in Fund Balances	240,295	(30,566)	(129,972)	(26,460)	55,508
Fund Balances at Beginning of Year	2,920,696	271,530	-	26,460	249,487
FUND BALANCES AT END OF YEAR	\$ 3,160,991	\$ 240,964	\$ (129,972)	\$ -	\$ 304,995

Longmire Creek Estates PID	Wedgewood Falls PID	Municipal Court Technology Fund	Municipal Court Building Security Fund	Municipal Court Juvenile Case Manager	Municipal Court Efficiency Fee	Municipal Court Truancy Prevention
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	30,091	22,566	30,019	9,680	14,334
-	-	-	-	-	-	-
-	-	-	-	-	-	-
122	-	-	-	-	-	-
63,609	150,726	-	-	-	-	-
63,731	150,726	30,091	22,566	30,019	9,680	14,334
-	-	-	-	-	-	-
-	-	4,657	667	685	970	6,931
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,892	8,682	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,892	8,682	4,657	667	685	970	6,931
-	-	-	-	-	-	-
59,839	142,044	25,434	21,899	29,334	8,710	7,403
-	-	-	-	-	-	-
(47,754)	(96,488)	-	(20,000)	(40,237)	-	-
(47,754)	(96,488)	-	(20,000)	(40,237)	-	-
12,085	45,556	25,434	1,899	(10,903)	8,710	7,403
(190)	(3,949)	51,473	11,712	14,520	186,819	21,451
\$ 11,895	\$ 41,607	\$ 76,907	\$ 13,611	\$ 3,617	\$ 195,529	\$ 28,854

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, 2019

	Animal Shelter Reserve	FY14 Section 5307 Grant	FY15 Section 5307 Grant	FY16 Section 5307 Grant
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Lease Income	-	-	-	-
Fines and Forfeitures	-	-	-	-
Intergovernmental	179,400	1,632	46,296	244,190
Investment Income	-	-	-	-
Penalties and Interest	-	-	-	-
Miscellaneous Revenue	-	-	-	-
TOTAL REVENUES	<u>179,400</u>	<u>1,632</u>	<u>46,296</u>	<u>244,190</u>
EXPENDITURES				
Current:				
General Government				
Municipal Court	-	-	-	-
Building Operations	-	-	-	-
Transportation	-	1,632	46,296	244,190
Culture-Recreation	-	-	-	-
Non-Departmental	-	-	-	-
Public Safety - Police	14,104	-	-	-
Community Development	-	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Capital Outlay	37,957	-	-	-
TOTAL EXPENDITURES	<u>52,061</u>	<u>1,632</u>	<u>46,296</u>	<u>244,190</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>127,339</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	127,339	-	-	-
Fund Balances at Beginning of Year	79,734	-	-	-
FUND BALANCES AT END OF YEAR	<u>\$ 207,073</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FY17 Section 5307 Grant	FY18 Section 5307 Grant	HGAC Transit Commuter Bus Service	CDBG- Disaster Recovery GLO Grant - 2016 Floods & Storms	H-GAC Federal Transit Administration Grant	FY15-16 Section 5310 Grant	State Public Transportation Grant	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,339,915
-	-	-	-	-	-	-	298,661
-	-	-	-	-	-	-	106,690
336,074	277,225	327,016	34,900	349,560	46,694	87,384	2,346,901
-	-	-	-	-	-	-	79,153
-	-	-	-	-	-	-	2,567
-	-	-	-	-	-	-	806,985
<u>336,074</u>	<u>277,225</u>	<u>327,016</u>	<u>34,900</u>	<u>349,560</u>	<u>46,694</u>	<u>87,384</u>	<u>4,980,872</u>
-	-	-	-	-	-	-	13,910
-	-	-	-	-	-	-	1,149,738
170,714	277,225	327,016	-	-	46,694	87,384	1,201,151
-	-	-	-	-	-	-	1,165,960
-	-	-	-	-	-	-	651,036
-	-	-	-	-	-	-	14,104
-	-	-	34,900	-	-	-	246,177
-	-	-	-	-	-	-	123,000
-	-	-	-	-	-	-	30,289
-	-	-	-	349,560	-	-	393,059
<u>170,714</u>	<u>277,225</u>	<u>327,016</u>	<u>34,900</u>	<u>349,560</u>	<u>46,694</u>	<u>87,384</u>	<u>4,988,424</u>
165,360	-	-	-	-	-	-	(7,552)
-	-	-	-	-	-	-	832,654
(165,360)	-	-	-	-	-	-	(498,774)
(165,360)	-	-	-	-	-	-	333,880
-	-	-	-	-	-	-	326,328
-	-	-	-	-	-	-	3,829,743
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,156,071</u>
<i>Concluded</i>							

CITY OF CONROE, TEXAS

HOTEL/MOTEL OCCUPANCY TAX FUND

SPECIAL REVENUE FUND

BUDGET COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 1,487,603	\$ 1,487,603	\$ 1,339,915	\$ (147,688)
Investment Income	-	-	66,340	66,340
TOTAL REVENUES	<u>1,487,603</u>	<u>1,487,603</u>	<u>1,406,255</u>	<u>(81,348)</u>
EXPENDITURES				
General Government				
Culture-Recreation	1,060,121	1,160,121	1,165,960	(5,839)
TOTAL EXPENDITURES	<u>1,060,121</u>	<u>1,160,121</u>	<u>1,165,960</u>	<u>(5,839)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>427,482</u>	<u>327,482</u>	<u>240,295</u>	<u>(87,187)</u>
Fund Balance at Beginning of Year	2,920,696	2,920,696	2,920,696	-
FUND BALANCE AT END OF YEAR	<u><u>\$ 3,348,178</u></u>	<u><u>\$ 3,248,178</u></u>	<u><u>\$ 3,160,991</u></u>	<u><u>\$ (87,187)</u></u>

CITY OF CONROE, TEXAS

COMMUNITY DEVELOPMENT BLOCK GRANT ENTITLEMENT

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 632,204	\$ 632,204	\$ 361,034	\$ (271,170)
TOTAL REVENUES	<u>632,204</u>	<u>632,204</u>	<u>361,034</u>	<u>(271,170)</u>
EXPENDITURES				
Current:				
General Government				
Community Development	352,475	352,475	211,277	141,198
Debt Service:				
Principal Retirement	123,000	123,000	123,000	-
Interest and Fiscal Charges	30,289	30,289	30,289	-
TOTAL EXPENDITURES	<u>505,764</u>	<u>505,764</u>	<u>364,566</u>	<u>141,198</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>126,440</u>	<u>126,440</u>	<u>(3,532)</u>	<u>(129,972)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(126,440)	(126,440)	(126,440)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(126,440)</u>	<u>(126,440)</u>	<u>(126,440)</u>	<u>-</u>
Net Change in Fund Balance	-	-	(129,972)	(129,972)
Fund Balance at Beginning of Year	-	-	-	-
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (129,972)</u>	<u>\$ (129,972)</u>

CITY OF CONROE, TEXAS
THE CONROE TOWER
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Lease Income	\$ 307,850	\$ 307,850	\$ 298,661	\$ (9,189)
TOTAL REVENUES	<u>307,850</u>	<u>307,850</u>	<u>298,661</u>	<u>(9,189)</u>
EXPENDITURES				
Current:				
General Government				
Building Operations	672,512	1,162,422	1,149,738	12,684
Capital Outlay	-	5,542	5,542	-
TOTAL EXPENDITURES	<u>672,512</u>	<u>1,167,964</u>	<u>1,155,280</u>	<u>12,684</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(364,662)</u>	<u>(860,114)</u>	<u>(856,619)</u>	<u>3,495</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	367,000	856,572	832,654	(23,918)
Transfers Out	(2,495)	(2,495)	(2,495)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>364,505</u>	<u>854,077</u>	<u>830,159</u>	<u>(23,918)</u>
Net Change in Fund Balance	(157)	(6,037)	(26,460)	(20,423)
Fund Balance at Beginning of Year	26,460	26,460	26,460	-
FUND BALANCE AT END OF YEAR	<u>\$ 26,303</u>	<u>\$ 20,423</u>	<u>\$ -</u>	<u>\$ (20,423)</u>

CITY OF CONROE, TEXAS

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 10,289,990	\$ 10,289,990	\$ 10,262,719	\$ (27,271)
Investment Income	155,254	155,254	294,240	138,986
Net Change in Fair Value of Investments	-	-	38,023	38,023
Penalties and Interest	102,825	102,825	72,334	(30,491)
Miscellaneous Revenue	-	-	352,347	352,347
TOTAL REVENUES	<u>10,548,069</u>	<u>10,548,069</u>	<u>11,019,663</u>	<u>471,594</u>
EXPENDITURES				
Debt Service:				
Principal Retirement	7,785,000	7,785,000	7,660,000	125,000
Interest and Fiscal Charges	6,731,398	6,731,398	6,725,669	5,729
Bond Issuance Costs	210,000	447,337	445,337	2,000
TOTAL EXPENDITURES	<u>14,726,398</u>	<u>14,963,735</u>	<u>14,831,006</u>	<u>132,729</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,178,329)</u>	<u>(4,415,666)</u>	<u>(3,811,343)</u>	<u>604,323</u>
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	444,236	444,236	-
Transfers In	4,258,364	4,258,364	3,856,320	(402,044)
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,258,364</u>	<u>4,702,600</u>	<u>4,300,556</u>	<u>(402,044)</u>
Net Change in Fund Balance	80,035	286,934	489,213	202,279
Fund Balance at Beginning of Year	10,802,885	10,802,885	10,802,885	-
FUND BALANCE AT END OF YEAR	<u>\$ 10,882,920</u>	<u>\$ 11,089,819</u>	<u>\$ 11,292,098</u>	<u>\$ 202,279</u>



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

Signals CIP Fund – This fund is used to account for the design, construction, and improvement of traffic signals in the City.

Facilities CIP Fund – This fund is used to account for the design, construction, and improvement of City buildings, facilities, and related infrastructure.

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

Firearms Training Facility – This fund used to account for the design, construction, and improvement of the City's firearms training facility.

Drainage CIP Fund – This fund is used to account for the design, construction, and improvement of City drainage infrastructure.

Parks CIP Fund – This fund is used to account for the design, construction, and improvement of City parks and recreation facilities and infrastructure.

Streets CIP Fund – This fund is used to account for the design, construction, improvement, and rehabilitation of streets and roads.

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

Conroe MMD#1 Agreement – This fund is used to account for a Reimbursement Agreement and an Economic Development Agreement both entered into in 2013 between the City and the developer of Grand Central Park, acting through the Conroe Municipal Management District No.1 (Conroe MMD#1). The reimbursement agreement calls for the City to reimburse Conroe MMD#1 for the improvement costs, not to exceed \$10,000,000 plus interest, for infrastructure costs necessary for development of the property. The economic development agreement calls for the City to reimburse Conroe MMD#1 for costs, not to exceed \$8,699,473 plus interest, necessary for development of the property.

CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2019

	Signals CIP Fund	Facilities CIP Fund	Transportation Grants CIP Fund	Firearms Training Facility
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 33,039	\$ 12,505	\$ 60,374
Investments	-	662,205	-	-
Due from Other Funds	-	-	418,785	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 695,244</u>	<u>\$ 431,290</u>	<u>\$ 60,374</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for:				
Capital Project Funds	-	695,244	431,290	60,374
Committed for:				
TIRZ #3-Property Tax Receipts	-	-	-	-
Conroe MMD#1 Agreement	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>695,244</u>	<u>431,290</u>	<u>60,374</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 695,244</u>	<u>\$ 431,290</u>	<u>\$ 60,374</u>

Drainage CIP Fund	Parks CIP Fund	Streets CIP Fund	Tax Incr Reinv. Zone 3	Conroe MMD #1 Agreement	Total Nonmajor Capital Projects Funds
\$ 122,530	\$ 481,238	\$ 340,395	\$ 988	\$ 335,752	\$ 1,386,821
-	-	2,067,116	3,671,049	232,014	6,632,384
34,900	-	-	-	-	453,685
<u>\$ 157,430</u>	<u>\$ 481,238</u>	<u>\$ 2,407,511</u>	<u>\$ 3,672,037</u>	<u>\$ 567,766</u>	<u>\$ 8,472,890</u>
\$ -	\$ -	\$ 66,760	\$ -	\$ -	\$ 66,760
-	-	66,760	-	-	66,760
157,430	481,238	2,340,751	-	-	4,166,327
-	-	-	3,672,037	-	3,672,037
-	-	-	-	567,766	567,766
<u>157,430</u>	<u>481,238</u>	<u>2,340,751</u>	<u>3,672,037</u>	<u>567,766</u>	<u>8,406,130</u>
<u>\$ 157,430</u>	<u>\$ 481,238</u>	<u>\$ 2,407,511</u>	<u>\$ 3,672,037</u>	<u>\$ 567,766</u>	<u>\$ 8,472,890</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, 2019

	Signals CIP Fund	Facilities CIP Fund	Transportation Grants CIP Fund	Firearms Training Facility
REVENUES				
Intergovernmental	\$ 48,002	\$ -	\$ -	\$ -
Investment Income	-	19,597	-	-
Miscellaneous Revenue	-	-	-	-
TOTAL REVENUES	<u>48,002</u>	<u>19,597</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current:				
General Government				
Building Operations	-	38,982	-	-
Parks				
Parks Operations	-	-	-	-
Capital Outlay	513,885	274,198	-	-
TOTAL EXPENDITURES	<u>513,885</u>	<u>313,180</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(465,883)</u>	<u>(293,583)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(465,883)	(293,583)	-	-
Fund Balances at Beginning of Year	465,883	988,827	431,290	60,374
FUND BALANCES AT END OF YEAR	<u>\$ -</u>	<u>\$ 695,244</u>	<u>\$ 431,290</u>	<u>\$ 60,374</u>

Drainage CIP Fund	Parks CIP Fund	Streets CIP Fund	Tax Incr Reinv. Zone 3	Conroe MMD #1 Agreement	Total Nonmajor Capital Projects Funds
\$ -	\$ 2,575	\$ 569,053	\$ 1,722,114	\$ -	\$ 2,341,744
-	3,371	41,563	72,145	14	136,690
-	-	178,028	-	-	178,028
-	5,946	788,644	1,794,259	14	2,656,462
-	-	-	-	-	38,982
-	975	-	-	-	975
-	1,399	1,881,802	-	-	2,671,284
-	2,374	1,881,802	-	-	2,711,241
-	3,572	(1,093,158)	1,794,259	14	(54,779)
-	-	-	2,657,953	447,960	3,105,913
-	-	-	(3,712,078)	-	(3,712,078)
-	-	-	(1,054,125)	447,960	(606,165)
-	3,572	(1,093,158)	740,134	447,974	(660,944)
157,430	477,666	3,433,909	2,931,903	119,792	9,067,074
<u>\$ 157,430</u>	<u>\$ 481,238</u>	<u>\$ 2,340,751</u>	<u>\$ 3,672,037</u>	<u>\$ 567,766</u>	<u>\$ 8,406,130</u>



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

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

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

CITY OF CONROE, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2019

	<u>Fleet Services</u>	<u>Self-Funded Insurance</u>	<u>Total Internal Service Funds</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 183,692	\$ 954,946	\$ 1,138,638
Investments	100,006	3,000,175	3,100,181
Receivable (Net of Allowances for Uncollectibles):			
Accounts	35,595	-	35,595
Other	-	218,477	218,477
Inventories	61,479	-	61,479
Total Current Assets	<u>380,772</u>	<u>4,173,598</u>	<u>4,554,370</u>
Noncurrent Assets:			
Capital Assets (Net of Accumulated Depreciation)	128,340	-	128,340
Total Noncurrent Assets	<u>128,340</u>	<u>-</u>	<u>128,340</u>
TOTAL ASSETS	<u>509,112</u>	<u>4,173,598</u>	<u>4,682,710</u>
DEFERRED OUTFLOWS OF RESOURCES			
OPEB Contributions After Measurement Date	37,114	-	37,114
OPEB Other	14,863	-	14,863
Pension Contributions After Measurement Date	77,220	-	77,220
Pension Other	145,509	-	145,509
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>274,706</u>	<u>-</u>	<u>274,706</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	94,754	14,221	108,975
Other Payables	21,719	2,519	24,238
Health Claims Liability	-	505,216	505,216
Compensated Absences	3,425	-	3,425
Total Current Liabilities	<u>119,898</u>	<u>521,956</u>	<u>641,854</u>
Noncurrent Liabilities, net of current portion			
Compensated Absences	100,545	-	100,545
Net OPEB Liability	366,380	-	366,380
Net Pension Liability	668,855	-	668,855
Total Noncurrent Liabilities	<u>1,135,780</u>	<u>-</u>	<u>1,135,780</u>
TOTAL LIABILITIES	<u>1,255,678</u>	<u>521,956</u>	<u>1,777,634</u>
DEFERRED INFLOWS OF RESOURCES			
OPEB Other	44,563	-	44,563
Pension Other	20,274	-	20,274
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>64,837</u>	<u>-</u>	<u>64,837</u>
NET POSITION			
Net Investment in Capital Assets	128,340	-	128,340
Unrestricted	(665,037)	3,651,642	2,986,605
TOTAL NET POSITION	<u>\$ (536,697)</u>	<u>\$ 3,651,642</u>	<u>\$ 3,114,945</u>

CITY OF CONROE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Fleet Services	Self-Funded Insurance	Total Internal Service Funds
OPERATING REVENUES			
Charges for Sales and Services	\$ 2,180,709	\$ 13,645,845	\$ 15,826,554
TOTAL OPERATING REVENUES	<u>2,180,709</u>	<u>13,645,845</u>	<u>15,826,554</u>
OPERATING EXPENSES			
Fleet Services	2,247,349	-	2,247,349
General Government	-	12,100,696	12,100,696
Depreciation	16,240	-	16,240
TOTAL OPERATING EXPENSES	<u>2,263,589</u>	<u>12,100,696</u>	<u>14,364,285</u>
Operating Income (Loss)	<u>(82,880)</u>	<u>1,545,149</u>	<u>1,462,269</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Income	936	175	1,111
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>936</u>	<u>175</u>	<u>1,111</u>
Income (Loss) Before Transfers	<u>(81,944)</u>	<u>1,545,324</u>	<u>1,463,380</u>
Transfer Out	(7,558)	-	(7,558)
NET TRANSFERS	<u>(7,558)</u>	<u>-</u>	<u>(7,558)</u>
Change in Net Position	<u>(89,502)</u>	<u>1,545,324</u>	<u>1,455,822</u>
Net Position at Beginning of Year	(447,195)	2,106,318	1,659,123
NET POSITION AT END OF YEAR	<u>\$ (536,697)</u>	<u>\$ 3,651,642</u>	<u>\$ 3,114,945</u>

CITY OF CONROE, TEXAS

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Fleet Services Fund	Self-Funded Insurance	Total Internal Service Funds
Cash Flows from Operating Activities			
Receipts from Customers	\$ 2,149,412	\$ 13,615,096	\$ 15,764,508
Payments to Employees	(851,235)	-	(851,235)
Payments to Vendors	(1,202,796)	(12,145,861)	(13,348,657)
Net Cash Provided by Operating Activities	95,381	1,469,235	1,564,616
Cash Flows from Non-Capital Financing Activities:			
Transfers To Other Funds	(7,558)	-	(7,558)
Net Cash Used for Non-Capital Financing Activities	(7,558)	-	(7,558)
Cash Flows from Investing Activities:			
Purchase of Investments	-	(3,000,175)	(3,000,175)
Sale and Maturities of Investments	74,564	-	74,564
Interest received	936	175	1,111
Net Cash Provided by Investing Activities	75,500	(3,000,000)	(2,924,500)
Net Increase in Cash and Cash Equivalents	163,323	(1,530,765)	(1,367,442)
Cash and Cash Equivalents at Beginning of Year	20,369	2,485,711	2,506,080
Cash and Cash Equivalents at End of Year	\$ 183,692	\$ 954,946	\$ 1,138,638
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ (82,880)	\$ 1,545,149	\$ 1,462,269
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	16,240	-	16,240
Changes in Assets and Liabilities:			
Decrease (Increase) in Receivables	(31,297)	(30,749)	(62,046)
Decrease (Increase) in Inventories	(21,439)	-	(21,439)
Increase (Decrease) in Payables	45,984	(45,165)	819
Increase (Decrease) in Compensated Absences	10,393	-	10,393
Increase (Decrease) in OPEB Liability (includes deferred amounts)	63,778	-	63,778
Increase (Decrease) in Net Pension Liability (includes deferred amounts)	94,602	-	94,602
Net Cash Provided by Operating Activities	\$ 95,381	\$ 1,469,235	\$ 1,564,616

CITY OF CONROE, TEXAS, TEXAS
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2019

	Conroe Industrial Development Corporation	Oscar Johnson, Jr Community Center	Total Component Units
ASSETS			
Cash and Cash Equivalents	\$ 6,520,663	\$ 80,780	\$ 6,601,443
Investments	59,857,327	-	59,857,327
Receivables (Net of Allowances for Uncollectibles):			
Interest	32,337	-	32,337
Other	684,533	-	684,533
Receivable from Primary Government	1,963,036	-	1,963,036
TOTAL ASSETS	\$ 69,057,896	\$ 80,780	\$ 69,138,676
LIABILITIES			
Accounts Payable	496,197	52,216	548,413
Other Payables	13,462	-	13,462
Payable to Primary Government	2,612,300	-	2,612,300
TOTAL LIABILITIES	3,121,959	52,216	3,174,175
FUND BALANCES			
Restricted for Debt Service	6,215,879	-	6,215,879
Restricted for Capital Projects	22,938,364	-	22,938,364
Assigned to: Land Sales	8,339,904	-	8,339,904
Unrestricted	28,441,790	28,564	28,470,354
TOTAL FUND BALANCES	65,935,937	28,564	65,964,501
TOTAL LIABILITIES AND FUND BALANCES	\$ 69,057,896	\$ 80,780	\$ 69,138,676
Reconciliation from Fund Balance to Net Position:			
Fund Balance	\$ 65,935,937	\$ 28,564	\$ 65,964,501
Land Held for Resale	41,161,364	-	41,161,364
Capital Assets, Net of Depreciation	-	866,238	866,238
Deferred Outflows of Resources	1,187,568	-	1,187,568
Accrued Interest Payable	(124,045)	-	(124,045)
Long-Term Liabilities	(78,018,951)	-	(78,018,951)
Net Position	\$ 30,141,873	\$ 894,802	\$ 31,036,675

CITY OF CONROE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - DISCRETELY PRESENTED COMPONENT UNITS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Conroe Industrial Development Corporation	Oscar Johnson, Jr Community Center	Total Component Units
REVENUES			
Taxes	\$ 12,030,638	\$ -	\$ 12,030,638
Charges for Sales and Services	-	817,164	817,164
Intergovernmental	-	593,106	593,106
Investment Income	825,887	-	825,887
Net Change in Fair Value of Investments	20,559	-	20,559
Land Sales	10,999,609	-	10,999,609
Miscellaneous Revenue	-	8,665	8,665
TOTAL REVENUES	23,876,693	1,418,935	25,295,628
EXPENDITURES			
General Government	11,614,246	-	11,614,246
Parks and Recreation Administration	-	1,354,742	1,354,742
Debt Service:			
Principal Retirement	3,010,000	-	3,010,000
Interest and Fiscal Charges	2,143,391	-	2,143,391
Bond Issuance Costs	225,603	-	225,603
Capital Outlay	647,187	-	647,187
TOTAL EXPENDITURES	17,640,427	1,354,742	18,995,169
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,236,266	64,193	6,300,459
OTHER FINANCING SOURCES (USES)			
Bonds Issued	20,195,000	-	20,195,000
Premium on Bonds Issued	3,767,320	-	3,767,320
TOTAL OTHER FINANCING SOURCES (USES)	23,962,320	-	23,962,320
Net Change in Fund Balances	30,198,586	64,193	30,262,779
Fund Balances at Beginning of Year	35,737,351	(35,629)	35,701,722
FUND BALANCES AT END OF YEAR	\$ 65,935,937	\$ 28,564	\$ 65,964,501
Reconciliation from Changes in Fund Balance to Changes in Net Position:			
Change in Fund Balances	\$ 30,198,586	\$ 64,193	\$ 30,262,779
Depreciation Expense	-	(57,819)	(57,819)
Sale of Land Held for Resale	(2,866,673)	-	(2,866,673)
Debt Issued	(20,195,000)	-	(20,195,000)
Premium on Bonds Issued	(3,767,320)	-	-
Principal Payments	3,010,000	-	3,010,000
Accrued Interest on Bonds Payable	(29,411)	-	(29,411)
Amortization of Bond Premium	92,809	-	92,809
Amortization of Deferred Amount on Refundings	(109,882)	-	(109,882)
Change in Net Position	\$ 6,333,109	\$ 6,374	\$ 10,106,803

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		
	2010	2011	2012
Governmental Activities:			
Net Investment in Capital Assets	\$ 45,594,829	\$ 44,291,192	\$ 46,590,472
Restricted for:			
Severance Pay 2% Sinking Fund	-	-	-
Seized Assets	-	-	-
Red Light Cameras	-	-	-
State Cable Franchise 1% PEG Fee	-	-	-
Debt Service	5,114,405	6,293,542	7,028,107
Special Revenue Funds	-	-	-
Other Purposes	-	-	-
Unrestricted	22,393,150	30,316,480	33,221,815
Total Governmental Activities Net Position	<u>\$ 73,102,384</u>	<u>\$ 80,901,214</u>	<u>\$ 86,840,394</u>
Business-type Activities:			
Net Investment in Capital Assets	\$ 42,313,096	\$ 41,092,795	\$ 38,394,869
Restricted for:			
Debt Service	768,607	2,011,388	3,469,710
Unrestricted	3,482,423	6,574,281	10,849,396
Total Business-type Activities Net Position	<u>\$ 46,564,126</u>	<u>\$ 49,678,464</u>	<u>\$ 52,713,975</u>
Primary Government:			
Net Investment in Capital Assets	\$ 87,907,925	\$ 85,383,987	\$ 84,985,341
Restricted for:			
Severance Pay 2% Sinking Fund	-	-	-
Seized Assets	-	-	-
Red Light Cameras	-	-	-
State Cable Franchise 1% PEG Fee	-	-	-
Debt Service	5,883,012	8,304,930	10,497,817
Special Revenue Funds	-	-	-
Other Purposes	-	-	-
Unrestricted	25,875,573	36,890,761	44,071,211
Total Primary Government Net Position	<u>\$ 119,666,510</u>	<u>\$ 130,579,678</u>	<u>\$ 139,554,369</u>

Effective 2015, GASB 68 was implemented and CIDC is a discrete component unit and is not included.
Effective 2018, GASB 75 was implemented for OPEB.

TABLE 1

Fiscal Year						
2013	2014	2015	2016	2017	2018	2019
\$ 49,087,033	\$ 54,366,984	\$ 53,413,374	\$ 97,563,851	\$ 96,191,181	\$ 103,697,091	\$ 105,543,177
-	-	-	-	-	24,599	25,886
-	-	-	-	-	1,025,255	1,647,201
-	-	-	-	-	353,663	303,683
-	-	-	-	-	449,544	560,187
8,342,744	10,623,507	12,178,899	11,401,030	11,386,141	10,589,482	10,837,081
-	-	-	-	-	3,557,935	3,981,048
-	-	3,290,940	4,032,707	-	-	-
42,229,165	46,836,093	(11,517,169)	(17,337,700)	(12,182,607)	(23,425,202)	(17,866,973)
<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>	<u>\$ 96,272,367</u>	<u>\$ 105,031,290</u>
\$ 38,080,390	\$ 38,527,503	\$ 43,883,640	\$ 66,592,348	\$ 60,403,915	\$ 62,490,423	\$ 66,615,544
2,883,757	4,169,587	5,455,067	5,455,067	5,779,189	5,000,982	5,119,774
14,536,011	15,274,317	12,468,751	3,414,929	13,757,251	16,037,500	12,945,174
<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>	<u>\$ 83,528,905</u>	<u>\$ 84,680,492</u>
\$ 87,167,423	\$ 92,894,487	\$ 97,297,014	\$ 164,156,199	\$ 156,595,096	\$ 166,187,514	\$ 172,158,721
-	-	-	-	-	24,599	25,886
-	-	-	-	-	1,025,255	1,647,201
-	-	-	-	-	353,663	303,683
-	-	-	-	-	449,544	560,187
11,226,501	14,793,094	17,633,966	16,856,097	17,165,330	15,590,464	15,956,855
-	-	-	-	-	3,557,935	3,981,048
-	-	3,290,940	4,032,707	-	-	-
56,765,176	62,110,410	951,582	(13,922,771)	1,574,644	(7,387,702)	(4,921,799)
<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>	<u>\$ 179,801,272</u>	<u>\$ 189,711,782</u>

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

TABLE 2

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities:										
General Government										
Finance	\$ 15,821,856	\$ 16,197,260	\$ 20,069,578	\$ 10,710,512	\$ 11,396,885	\$ 15,956,134	\$ 18,032,626	\$ 16,691,463	\$ 16,320,758	\$ 19,049,426
Public Safety	1,829,867	1,366,931	2,025,523	1,384,161	1,555,692	1,654,077	2,092,724	2,154,266	2,123,585	2,081,717
Community Development	24,091,284	24,932,831	25,729,415	26,579,331	31,524,935	36,628,246	38,529,641	41,127,109	39,533,724	43,724,780
Parks	5,712,279	6,309,608	5,531,230	5,872,870	6,989,269	7,227,345	8,248,715	2,035,327	2,143,044	2,879,575
Public Works	6,858,838	7,462,982	7,202,936	8,408,438	9,658,450	10,252,452	14,263,646	8,353,387	8,374,548	8,973,409
Debt Service:								13,578,466	11,674,468	19,615,191
Interest and Fiscal Charges	4,935,903	4,908,920	5,649,013	5,928,039	5,749,864	5,079,185	4,603,547	4,953,104	4,938,891	6,694,721
Total Governmental Activities Expenses	59,250,027	61,178,532	66,207,695	58,883,351	66,875,095	76,797,439	85,770,899	88,893,122	85,109,018	103,018,819
Business-Type Activities:										
Water and Sewer	15,432,772	17,552,228	18,470,310	21,378,030	25,440,644	29,304,349	30,902,787	32,915,139	41,500,428	44,861,241
Fleet Services	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	16,462,203	18,660,945	19,723,209	22,679,972	26,677,930	30,901,308	32,593,189	32,915,139	41,500,428	44,861,241
Total Primary Government Expenses	\$ 75,712,230	\$ 79,839,477	\$ 85,930,904	\$ 81,563,323	\$ 93,553,025	\$ 107,698,747	\$ 118,364,088	\$ 121,808,261	\$ 126,609,446	\$ 147,880,060
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 6,725,603	\$ 7,577,554	\$ 8,199,459	\$ 1,982,113	\$ 2,500,520	\$ 3,588,771	\$ 2,774,101	\$ 3,637,237	\$ 3,863,812	\$ 4,747,666
Public Safety	2,430,917	4,350,954	3,725,515	3,489,063	3,835,258	2,746,233	2,030,468	1,781,480	1,614,644	1,586,992
Parks	877,457	1,084,825	1,157,025	1,194,628	1,246,186	1,279,923	1,214,957	1,161,772	1,263,210	1,332,262
Public Works	618,137	722,668	718,931	742,027	696,136	1,256,432	875,737	1,117,197	1,231,274	1,167,360
Operating Grants & Contributions:										
General Government	649,953	1,247,405	1,698,203	1,758,848	2,240,844	1,860,483	2,452,942	2,486,525	2,439,828	3,555,202
Public Safety	87,564	62,070	353,102	494,595	594,235	595,556	826,864	1,053,099	1,025,017	1,592,588
Community Development	-	-	-	-	-	-	-	611,708	487,903	525,906
Public Works	896,259	-	-	104,520	426,960	2,601,443	894,808	-	22,875	45,750
Capital Grants & Contributions										
General Government	-	-	-	-	-	-	-	12,377	650,827	-
Parks	-	-	-	-	-	-	-	-	-	3,205,577
Public Works	-	-	-	-	-	-	155,748	-	618,705	5,774,460
Total Governmental Activities Program Revenues	12,285,890	15,045,476	15,852,235	9,765,794	11,540,139	13,928,841	11,225,625	11,861,395	13,218,095	23,533,763
Business-type Activities:										
Charges for Services:										
Water and Sewer	15,451,810	21,660,846	20,963,406	24,239,291	26,350,214	30,034,855	33,379,807	35,025,871	39,098,028	40,859,420
Service Center	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	-	-	-	-	-	-	-	697,566	700,568	989,529
Capital Grants & Contributions										
Water and Sewer	-	-	-	-	-	-	130,785	2,005,738	28,800	80,000
Total Business-type Activities Program Revenues	16,540,388	22,817,679	22,174,452	25,536,992	27,709,758	31,887,635	35,462,934	37,729,175	39,827,396	41,928,949
Total Primary Government Program Revenues	\$ 28,826,278	\$ 37,863,155	\$ 38,026,687	\$ 35,302,786	\$ 39,249,897	\$ 45,816,476	\$ 46,688,559	\$ 49,590,570	\$ 53,045,491	\$ 65,462,712

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expense) Revenues										
Governmental Activities	\$ (46,964,137)	\$ (46,133,056)	\$ (50,355,460)	\$ (49,117,557)	\$ (55,334,956)	\$ (62,868,598)	\$ (74,545,274)	\$ (77,031,727)	\$ (71,890,923)	\$ (79,485,056)
Business-type Activities	78,185	4,156,734	2,451,243	2,857,020	1,031,828	986,327	2,869,745	4,814,036	(1,673,032)	(2,932,292)
Total Net Expense	<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>	<u>\$ (73,563,955)</u>	<u>\$ (82,417,348)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	\$ 14,490,433	\$ 14,512,982	\$ 15,551,084	\$ 16,887,252	\$ 18,258,675	\$ 20,045,759	\$ 26,473,354	\$ 30,262,334	\$ 31,657,147	\$ 34,613,130
In Lieu of Taxes	480,206	489,904	570,277	587,634	682,113	592,302	682,266	776,838	803,625	883,162
Gross Receipts Tax	4,189,983	4,715,542	4,837,834	5,275,521	5,498,112	5,794,059	6,205,833	6,323,185	6,786,464	7,068,208
Sales and Other Taxes	27,168,790	30,033,856	31,967,819	36,640,659	40,261,541	32,013,059	31,280,147	32,151,158	36,720,480	36,091,913
Hotel Occupancy Taxes	690,112	591,940	801,963	926,572	1,103,093	1,237,267	1,220,471	1,163,561	1,365,057	1,339,915
Mixed Beverage Taxes	173,790	168,103	141,111	149,146	219,547	298,859	288,852	288,852	331,830	317,139
Miscellaneous	811,074	839,882	1,044,394	305,564	413,617	1,807,243	3,446,410	2,870,562	3,640,230	3,923,011
Donations	161,124	193,335	173,978	397,521	110,556	167,455	47,035	51,750	94,740	83,063
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	1,571,800	1,777,610
Unrestricted Investment Earnings	240,119	176,010	160,852	122,179	135,095	132,911	291,145	517,778	903,985	2,293,186
Net Change in Fair Value of Investments	(83,186)	38,218	14,930	(221,800)	(126,115)	18,778	6,761	(119,860)	(121,586)	169,282
Transfers	642,277	1,300,059	160,208	1,108,072	(104,155)	(1,002,698)	(380,889)	240,845	(567,690)	(315,640)
Total Governmental Activities	<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>	<u>83,186,082</u>	<u>88,243,979</u>
Business-type Activities:										
Miscellaneous	31,492	120,155	126,429	356,157	305,613	563,412	306,949	338,943	6,723,274	782,856
Donations	880	105	1,000	500	-	-	-	-	-	158,625
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	24,326	36,412	41,335	32,490	36,200	28,576	109,148	200,594	617,904	2,746,863
Net Change in Fair Value of Investments	(26,802)	52,831	(1,016)	(36,457)	(37,068)	(695)	(1,967)	(6,785)	(30,651)	79,895
Transfers	(642,277)	(1,300,059)	(160,208)	(1,108,072)	104,155	1,002,698	380,889	(240,845)	567,690	315,640
Total Business-type Activities	<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>	<u>7,878,217</u>	<u>4,083,879</u>
Total Primary Government	<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>	<u>\$ 91,064,299</u>	<u>\$ 92,327,858</u>
Change in Net Position										
Governmental Activities	\$ 3,636,979	\$ 7,798,830	\$ 5,939,180	\$ 14,045,157	\$ 12,167,642	\$ (645,236)	\$ (3,954,659)	\$ (893,105)	\$ 11,295,159	\$ 8,758,923
Business-type Activities	(415,134)	3,114,338	3,035,511	3,601,638	2,471,249	9,193,000	8,669,156	5,105,943	6,205,185	1,151,587
Total Primary Government	<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>	<u>\$ 17,500,344</u>	<u>\$ 9,910,510</u>

Effective 2015, CIDC is a discrete component unit and is not included.
Effective 2017, Fleet Services are recognized as Governmental Activities.

CITY OF CONROE, TEXAS

PROGRAM REVENUES BY FUNCTIONS/PROGRAMS LAST TEN FISCAL YEARS

Functions/Programs	Fiscal Year		
	2010	2011	2012
Governmental Activities:			
Charges for Services			
General Government	\$ 6,725,603	\$ 7,577,554	\$ 8,199,459
Public Safety	2,430,917	4,350,954	3,725,515
Parks	877,457	1,084,825	1,157,025
Public Works	618,137	722,668	718,931
Operating Grants & Contributions			
General Government	649,953	1,247,405	1,698,203
Public Safety	87,564	62,070	353,102
Community Development	-	-	-
Public Works	896,259	-	-
Capital Grants & Contributions			
General Government	-	-	-
Parks	-	-	-
Public Works	-	-	-
Total Governmental Activities	12,285,890	15,045,476	15,852,235
Business-type Activities:			
Charges for Services			
Water and Sewer	15,451,810	21,660,846	20,963,406
Fleet Services	1,088,578	1,156,833	1,211,046
Operating Grants & Contributions			
Enterprise	-	-	-
Capital Grants & Contributions			
Water and Sewer	-	-	-
Total Business-type Activities	16,540,388	22,817,679	22,174,452
Total Primary Government	\$ 28,826,278	\$ 37,863,155	\$ 38,026,687

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

Effective 2017, Fleet Services are recognized as Governmental Activities.

TABLE 3

Fiscal Year						
2013	2014	2015	2016	2017	2018	2019
\$ 1,982,113	\$ 2,500,520	\$ 3,588,771	\$ 2,774,101	\$ 3,637,237	\$ 3,863,812	\$ 4,747,666
3,489,063	3,835,258	2,746,233	2,030,468	1,781,480	1,614,644	1,586,992
1,194,628	1,246,186	1,279,923	1,214,957	1,161,772	1,263,210	1,332,262
742,027	696,136	1,256,432	875,737	1,117,197	1,231,274	1,167,360
1,758,848	2,240,844	1,860,483	2,452,942	2,486,525	2,439,828	3,555,202
494,595	594,235	595,556	826,864	1,053,099	1,025,017	1,592,588
-	-	-	-	611,708	487,903	525,906
104,520	426,960	2,601,443	894,808	-	22,875	45,750
-	-	-	-	12,377	650,827	-
-	-	-	-	-	-	3,205,577
-	-	-	155,748	-	618,705	5,774,460
<u>9,765,794</u>	<u>11,540,139</u>	<u>13,928,841</u>	<u>11,225,625</u>	<u>11,861,395</u>	<u>13,218,095</u>	<u>23,533,763</u>
24,239,291	26,350,214	30,034,855	33,379,807	35,025,871	39,098,028	40,859,420
1,297,701	1,359,544	1,852,780	1,952,342	-	-	-
-	-	-	-	697,566	700,568	989,529
-	-	-	130,785	2,005,738	28,800	80,000
<u>25,536,992</u>	<u>27,709,758</u>	<u>31,887,635</u>	<u>35,462,934</u>	<u>37,729,175</u>	<u>39,827,396</u>	<u>41,928,949</u>
<u>\$ 35,302,786</u>	<u>\$ 39,249,897</u>	<u>\$ 45,816,476</u>	<u>\$ 46,688,559</u>	<u>\$ 49,590,570</u>	<u>\$ 53,045,491</u>	<u>\$ 65,462,712</u>

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

	Fiscal Year		
	2010	2011	2012
General Fund			
Reserved	\$ 165,106	\$ -	\$ -
Unreserved	17,838,511	-	-
Nonspendable:			
Prepaid Items	-	120,070	116,910
Inventories	-	25,373	42,871
Restricted for:			
Court Efficiency Fund	-	-	204,460
Court Security Fund	-	-	188,541
Court Technology Fund	-	100,395	-
Juvenile Case Manager	-	-	-
Truancy Prevention Fund	-	-	-
Severance Pay 2% Sinking Fund	-	-	-
Seized Assets	-	236,503	394,828
Red Light Cameras	-	312,564	405,739
State Franchise 1% PEG Fee	-	11,905	54,311
Commercial Vehicle Enforcement Program	-	-	-
Assigned to:			
Tree Mitigation Revenue	-	-	-
Equipment Replacement	2,686,253	2,659,177	3,082,043
General Fund-Balance Appropriations	-	-	-
Self-Funded Insurance	-	-	-
Unassigned	-	19,911,074	23,483,574
Total General Fund	\$ 20,689,870	\$ 23,377,061	\$ 27,973,277
All Other Governmental Funds			
Reserved for:			
Debt Service	\$ 5,028,864	\$ -	\$ -
Unreserved, designated for, reported in:			
Special Revenue Funds - CIDC Fund	4,910,240	-	-
Unreserved, Undesignated for, reported in:			
Capital Project Funds	29,668,367	-	-
Special Projects	740,551	-	-
Restricted for:			
4B Sales Tax	-	5,718,604	6,444,898
Debt Service	-	6,441,765	10,451,194
Capital Project Funds	-	28,774,112	23,677,654
Special Revenue Funds	-	822,755	1,146,480
Committed for:			
CIDC-Land Sales	-	3,439,652	1,621,505
Police Projects-Settlement Proceeds	-	362,504	362,451
TIRZ #2-Property Tax Receipts	-	3	5
TIRZ #3-Property Tax Receipts	-	2,922,942	3,023,439
Conroe MMD#1 Agreement	-	-	-
Conroe Park N. Ind. Park-Infrastructure	-	2,516,382	-
Conroe Tower-Lease Income	-	385,084	466,711
Owen Theatre-Ticket Sales	-	97,514	100,739
Woodlands Township Reg. Participation	-	35,360	44,042
Assigned to:			
Parks Foundation-Donations	-	4,604	4,604
CIDC-Balance Appropriations	-	-	-
Unassigned	-	-	(4,872,753)
Total All Other Governmental Funds	\$ 40,348,022	\$ 51,521,281	\$ 42,470,969

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						
2013	2014	2015	2016	2017	2018	2019
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
113,750	110,590	107,430	104,270	117,691	123,967	121,801
43,791	42,208	19,681	31,622	39,984	38,540	60,627
151,170	152,115	161,308	158,386	-	-	-
105,605	30,333	-	-	-	-	-
31,497	-	-	-	-	-	-
-	72,160	57,906	60,548	-	-	-
-	2,433	3,392	6,844	-	-	-
15,829	20,266	19,927	19,376	24,980	24,599	25,886
184,389	311,048	413,679	612,575	904,793	1,025,255	1,647,201
416,273	519,200	526,237	526,237	353,663	353,663	303,683
93,998	79,778	142,926	285,076	313,914	449,544	560,187
-	16,032	-	-	-	-	-
15,353	31,353	45,838	75,507	296,658	376,807	323,514
3,906,728	4,977,087	4,418,234	4,031,972	3,107,409	6,347,680	8,177,733
1,751,375	4,352,573	575,163	629,322	1,017,905	1,711,579	4,192,505
-	1,600,000	1,600,000	1,872,000	-	-	-
24,887,074	20,500,016	20,477,898	20,237,960	23,458,420	26,795,709	26,160,875
<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>	<u>\$ 37,247,343</u>	<u>\$ 41,574,012</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
8,591,820	4,471,517	-	-	-	-	-
12,260,043	14,537,182	12,084,748	11,356,765	11,569,373	10,802,885	11,292,098
12,796,545	40,358,188	29,207,699	12,409,574	15,019,976	6,015,379	40,029,484
1,446,517	2,313,400	1,965,565	2,363,665	2,994,088	3,557,935	3,981,048
2,461,268	12,300,254	-	-	-	-	-
340,554	-	-	-	-	-	-
8	10	11	25	142	-	-
3,463,184	3,867,574	878,632	447,238	1,817,868	2,931,903	3,672,037
-	-	-	-	-	119,792	567,766
-	-	-	-	-	-	-
385,950	344,253	350,164	319,548	213,004	26,460	-
98,386	30,121	43,738	42,539	49,055	-	-
54,123	63,510	98,322	146,421	194,268	249,487	304,995
-	-	-	-	-	-	-
421,649	-	-	-	-	-	-
-	-	-	-	-	(5,603,466)	(129,972)
<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>	<u>\$ 18,100,375</u>	<u>\$ 59,717,456</u>

CITY OF CONROE, TEXAS

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

	Fiscal Year		
	2010	2011	2012
Revenues			
Taxes	\$ 46,779,434	\$ 50,327,235	\$ 53,584,786
Licenses and Permits	1,293,727	1,240,026	1,414,723
Charges for Sales and Services	1,545,589	1,833,902	1,909,626
Lease Income	312,867	332,526	339,640
Fines and Forfeitures	2,247,748	4,204,363	3,480,694
Intergovernmental	3,789,076	2,705,939	3,610,177
Investment Income	290,805	183,455	277,440
Gain (Loss) on Investments	(78,519)	33,809	(9,121)
Penalties and Interest	150,095	107,349	140,798
Sale of Assets	-	3,439,652	1,621,505
Land Sales	751,187	-	-
Miscellaneous	614,992	677,273	830,787
Total Revenues	<u>57,697,001</u>	<u>65,085,529</u>	<u>67,201,055</u>
Expenditures			
General Government	10,469,930	9,858,475	12,912,210
Finance	1,259,066	1,302,032	1,354,043
Public Safety	21,289,975	22,150,568	22,534,671
Community Development	-	-	-
Parks	4,403,634	4,724,826	4,124,585
Public Works	5,269,914	5,772,043	5,519,381
Debt Service:			
Principal Retirement	6,687,970	6,916,093	7,437,033
Interest and Fiscal Charges	4,859,814	4,889,929	5,751,981
Bond Issuance Costs	-	453,738	239,023
Capital Outlay	13,646,743	29,127,940	21,033,141
Total Expenditures	<u>67,887,046</u>	<u>85,195,644</u>	<u>80,906,068</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,190,045)	(20,110,115)	(13,705,013)
Other Financing Sources (Uses)			
Issuance of Bonds and COs	9,270,000	32,080,000	8,970,000
Refunding Bonds Issued	4,035,000	-	7,560,000
Premiums and (Discounts)	425,757	590,506	258,044
Payment to Refunded Bond Escrow Agent	(4,064,917)	-	(7,697,335)
Insurance Proceeds	-	-	-
Transfers In	9,374,078	7,848,088	7,289,803
Transfers Out	(9,796,314)	(6,548,029)	(7,129,595)
Total Other Financing Sources (Uses)	<u>9,243,604</u>	<u>33,970,565</u>	<u>9,250,917</u>
Net Change in Fund Balances	<u>\$ (946,441)</u>	<u>\$ 13,860,450</u>	<u>\$ (4,454,096)</u>
Debt Service as a Percentage of Noncapital Expenditures	21.3%	21.1%	22.0%

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

TABLE 5

Fiscal Year						
2013	2014	2015	2016	2017	2018	2019
\$ 60,358,883	\$ 65,879,766	\$ 59,891,274	\$ 65,987,138	\$ 70,396,808	\$ 77,316,094	\$ 80,241,614
1,752,598	2,260,525	3,336,634	2,498,341	3,236,949	3,194,609	4,131,413
1,979,380	1,966,939	2,573,767	2,149,135	2,328,436	2,537,383	2,592,866
331,029	357,568	365,578	370,173	396,898	657,513	591,585
3,344,824	3,693,068	2,595,380	1,877,614	1,735,403	1,583,435	1,518,416
3,342,357	4,312,558	6,202,707	5,349,585	5,775,328	6,816,955	15,959,093
116,658	130,335	130,154	289,731	514,299	892,769	2,292,075
(191,185)	(121,797)	18,538	7,578	(119,860)	(121,586)	169,282
112,655	106,932	129,761	208,097	453,641	200,293	228,837
2,645,283	4,777,829	-	-	-	-	-
-	-	-	-	-	-	-
852,106	627,045	2,116,637	3,820,410	3,245,271	3,668,120	1,959,195
74,644,588	83,990,768	77,360,430	82,557,802	87,963,173	96,745,585	109,684,376
11,444,046	13,396,364	14,835,320	17,279,501	15,176,318	15,774,476	17,776,698
1,333,034	1,421,763	1,540,445	1,880,428	1,979,328	2,045,039	2,067,817
24,048,252	26,836,475	31,447,082	31,980,626	32,763,616	35,827,508	37,694,272
-	-	-	-	2,426,261	2,244,684	2,513,556
4,238,271	4,905,220	5,039,267	5,351,321	5,204,310	5,908,595	6,700,873
6,703,354	7,369,859	8,032,281	10,220,162	8,823,990	9,408,362	9,176,138
13,183,048	7,194,144	5,300,320	8,766,586	9,029,940	8,507,387	7,849,930
5,887,124	5,530,863	4,662,641	4,691,019	4,796,391	5,114,397	6,764,207
433,014	345,651	520,406	162,484	270,944	85,350	445,337
18,897,565	14,557,532	27,735,071	31,299,653	20,545,856	18,366,313	21,908,009
86,167,708	81,557,871	99,112,833	111,631,780	101,016,954	103,282,111	112,896,837
(11,523,120)	2,432,897	(21,752,403)	(29,073,978)	(13,053,781)	(6,536,526)	(3,212,461)
13,080,000	31,100,000	8,795,000	11,275,000	20,110,000	-	42,870,000
12,305,000	-	33,370,000	-	-	6,845,000	-
(11,377,320)	3,637,580	2,843,082	718,839	1,855,211	944,976	5,428,236
13,761,078	-	(36,111,136)	-	-	(7,875,068)	-
-	-	-	-	-	363,722	1,166,057
(12,653,006)	8,258,452	17,073,716	3,970,565	7,088,953	7,058,730	8,208,431
-	(8,362,607)	(18,498,029)	(4,351,454)	(10,244,662)	(6,946,307)	(8,516,513)
15,115,752	34,633,425	7,472,633	11,612,950	18,809,502	391,053	49,156,211
\$ 3,592,632	\$ 37,066,322	\$ (14,279,770)	\$ (17,461,028)	\$ 5,755,721	\$ (6,145,473)	\$ 45,943,750
28.3%	19.0%	14.0%	16.8%	17.2%	16.0%	16.1%

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

	Fiscal Year			
	2010	2011	2012	2013
Expenditures				
General Government	\$ 10,469,930	\$ 9,858,475	\$ 12,912,210	\$ 11,444,046
Finance	1,259,066	1,302,032	1,354,043	1,333,034
Public Safety	21,289,975	22,150,568	22,534,671	24,048,252
Community Development	-	-	-	-
Parks	4,403,634	4,724,826	4,124,585	4,238,271
Public Works	5,269,914	5,772,043	5,519,381	6,703,354
Debt Service - principal	6,687,970	6,916,093	7,437,033	13,183,048
Debt Service - interest	4,859,814	4,889,929	5,751,981	5,887,124
Debt Service - bond issuance costs	-	453,738	239,023	433,014
Capital Outlay	13,646,743	29,127,940	21,033,141	18,897,565
Total	<u>\$ 67,887,046</u>	<u>\$ 85,195,644</u>	<u>\$ 80,906,068</u>	<u>\$ 86,167,708</u>

Distribution of Spending				
General Government	15.4%	11.6%	16.0%	13.3%
Finance	1.9%	1.5%	1.7%	1.5%
Public Safety	31.4%	26.0%	27.9%	27.9%
Community Development	0.0%	0.0%	0.0%	0.0%
Parks	6.5%	5.5%	5.1%	4.9%
Public Works	7.8%	6.8%	6.8%	7.8%
Debt Service - principal	9.9%	8.1%	9.2%	15.3%
Debt Service - interest	7.2%	5.7%	7.1%	6.8%
Debt Service - bond issuance costs	0.0%	0.5%	0.3%	0.5%
Capital Outlay	20.1%	34.2%	26.0%	21.9%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Per Capita Expenditures Adjusted for CPI				
Population	56,207	56,257	56,530	61,564
Per Capita	\$ 1,208	\$ 1,514	\$ 1,431	\$ 1,400
CPI Index (National)	218	227	231	234
Per Capita Spending Adjusted to 2010 Dollars	\$ 1,208	\$ 1,458	\$ 1,351	\$ 1,306

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 2010 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
2014	2015	2016	2017	2018	2019		
\$ 13,396,364	\$ 14,835,320	\$ 17,279,501	\$ 15,176,318	\$ 15,774,476	\$ 17,776,698	69.8%	6.06%
1,421,763	1,540,445	1,880,428	1,979,328	2,045,039	2,067,817	64.2%	5.67%
26,836,475	31,447,082	31,980,626	32,763,616	35,827,508	37,694,272	77.1%	6.55%
-	-	-	2,426,261	2,244,684	2,513,556	12.0%	5.82%
4,905,220	5,039,267	5,351,321	5,204,310	5,908,595	6,700,873	52.2%	4.78%
7,369,859	8,032,281	10,220,162	8,823,990	9,408,362	9,176,138	74.1%	6.36%
7,194,144	5,300,320	8,766,586	9,029,940	8,507,387	7,849,930	17.4%	1.80%
5,530,863	4,662,641	4,691,019	4,796,391	5,114,397	6,764,207	39.2%	3.74%
345,651	520,406	162,484	270,944	85,350	445,337	86.3%	0.31%
14,557,532	27,735,071	31,299,653	20,545,856	18,366,313	21,908,009	60.5%	5.40%
<u>\$ 81,557,871</u>	<u>\$ 99,112,833</u>	<u>\$ 111,631,780</u>	<u>\$ 101,016,954</u>	<u>\$ 103,282,111</u>	<u>\$ 112,896,837</u>	<u>66.3%</u>	<u>5.81%</u>
16.4%	15.0%	15.5%	15.0%	15.3%	15.7%		
1.7%	1.6%	1.7%	2.0%	2.0%	1.8%		
32.9%	31.7%	28.6%	32.4%	34.7%	33.4%		
0.0%	0.0%	0.0%	2.4%	2.2%	2.2%		
6.0%	5.1%	4.8%	5.2%	5.7%	5.9%		
9.0%	8.1%	9.2%	8.7%	9.1%	8.1%		
8.8%	5.3%	7.9%	8.9%	8.2%	7.0%		
6.8%	4.7%	4.2%	4.7%	5.0%	6.0%		
0.4%	0.5%	0.1%	0.3%	0.1%	0.4%		
17.8%	28.0%	28.0%	20.3%	17.8%	19.4%		
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>		
71,592	71,879	71,879	82,275	84,378	87,654		Compounded Growth Rate
							5.06%
\$ 1,139	\$ 1,379	\$ 1,553	\$ 1,228	\$ 1,224	\$ 1,288		0.72%
238	238	241	245	250	255		1.74%
\$ 1,045	\$ 1,266	\$ 1,408	\$ 1,094	\$ 1,070	\$ 1,103		-1.00%

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
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
2018	31,308,638	36,720,480	1,365,057	6,786,464	1,135,455	77,316,094
2019	34,541,277	36,091,913	1,339,915	7,068,208	1,200,301	80,241,614
Change 2010-2019	144%	33%	94%	69%	112%	72%

(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
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
2018	5,169,879,327	2,265,444,873	1,785,773,366	1,664,971,163	7,556,126,403	0.4175
2019	5,617,851,273	2,641,337,119	1,889,881,854	1,796,740,568	8,352,329,678	0.4175

Source: Montgomery Central Appraisal District

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

Tax rates are per \$100 of assessed value.

CITY OF CONROE, TEXAS

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

Fiscal Year	City Direct Rates			Overlapping Rates						
	Operations & Maintenance	General Obligation Debt Service	Total Direct Rate	Montgomery County	Mont. Co. Hospital District	Lone Star College	Conroe ISD	Montgomery ISD	Willis ISD	Conroe MMD#1
2010	\$ 0.2450	\$ 0.1750	\$ 0.4200	\$ 0.4838	\$ 0.0755	\$ 0.1101	\$1.2700	\$ -	\$ 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	-
2018	0.2925	0.1250	0.4175	0.4667	0.0664	0.1078	1.2800	1.3700	1.3900	-
2019	0.2925	0.1250	0.4175	0.4667	0.0599	0.1078	1.2800	1.3700	1.3900	0.9000

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 #128A	Mont. Co. MUD #138	Mont. Co. MUD #142	Utility District #3	Utility District #4
\$ 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	0.6000	0.7000	0.6000	0.7000	0.9000	-	0.8800	-	0.0900	0.0800
0.6000	0.6000	0.7000	0.6000	0.7000	0.9000	-	0.8800	1.0000	0.0900	0.0775
0.6000	0.6000	0.6900	0.6000	0.7000	0.9000	1.1000	0.8800	1.0000	0.0900	0.0775
0.6000	0.6000	0.6800	0.6000	0.7000	0.9000	1.1000	0.8800	1.0000	0.0900	0.0775

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

TABLE 10

Taxpayer	2019			2010		
	2018 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	2009 Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
McKesson Corporation	\$ 155,798,317	1	1.87%	\$ 50,317,739	3	1.47%
National Oilwell Varco LP/Brandt	84,265,332	2	1.01%	-		
National Oilwell Varco DHT LP	78,450,170	3	0.94%			
Conroe Hospital Corporation	66,332,660	4	0.79%	72,501,440	1	2.11%
I-45/Loop 336 Associates LLC	53,877,950	5	0.64%			
Entergy Texas Inc.	52,345,600	6	0.63%	26,883,610	8	0.78%
Wal-Mart Real Estate Bus. Trust	51,141,581	7	0.61%	45,946,670	4	1.34%
Conroe Marketplace S C LP	43,192,110	8	0.52%	28,703,210	7	0.84%
Western Rim Investors 2012-3 LP	42,327,150	9	0.51%			
Western Rim Investors 2013-6 LP	41,190,900	10	0.49%			
Maverick Tube Texas Works				53,135,090	2	1.55%
Crown Cork & Seal Company				28,999,810	5	0.85%
Consolidated Communications				28,861,250	6	0.84%
Conroe Regional Medical Center				25,970,426	9	0.76%
MS Energy Service				24,646,430	10	0.72%
	<u>\$ 668,921,770</u>		<u>8.01%</u>	<u>\$ 385,965,675</u>		<u>11.26%</u>

Source: Montgomery Central Appraisal District

CITY OF CONROE, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

TABLE 11

Fiscal Year Ended Sept 30	Original Tax Levy for Fiscal Year	Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 14,378,880	\$ 14,478,675	\$ 14,263,883	98.34%	\$ 183,849	\$ 14,447,732	99.79%
2011	14,452,462	14,518,031	14,288,180	98.42%	203,802	14,491,982	99.82%
2012	15,205,842	15,273,485	14,463,042	94.69%	780,412	15,243,454	99.80%
2013	16,858,196	16,806,944	16,610,584	98.83%	157,855	16,768,439	99.77%
2014	18,076,015	18,136,531	17,950,171	98.97%	157,684	18,107,855	99.84%
2015	20,245,827	19,981,925	19,787,780	99.03%	164,495	19,952,275	99.85%
2016	26,641,542	26,530,207	26,191,555	98.72%	271,393	26,462,948	99.75%
2017	29,778,208	29,384,676	29,014,410	98.74%	230,566	29,244,976	99.52%
2018	31,649,428	31,507,578	31,108,498	98.73%	247,108	31,355,606	99.52%
2019	34,964,999	34,626,010	34,359,051	99.23%	-	34,359,051	99.23%

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		
	2009	2010	2011
Agriculture			
Forestry & Fishing	\$ -	\$ 4	\$ 6
Mining	11,892	11,915	6,053
Construction	28,214	27,992	23,958
Manufacturing	57,968	55,559	75,498
Transportation,			
Communication & Utilities	3,813	4,117	1,524
Wholesale Trade	58,721	56,385	72,428
Retail Trade	745,719	775,226	786,202
Information	23,303	23,282	29,425
Finance,			
Insurance & Real Estate	22,009	20,163	28,683
Services	198,447	193,343	201,872
Other	-	-	-
Total	<u>\$ 1,150,086</u>	<u>\$ 1,167,986</u>	<u>\$ 1,225,649</u>
City and CIDC Direct Sales Tax Rate	2.00%	2.00%	2.00%

Source: Texas Comptroller of Public Accounts

TABLE 12

Calendar Year						
2012	2013	2014	2015	2016	2017	2018
\$ 54	\$ 55	\$ 39	\$ 21	\$ 10	\$ 12	\$ 2
25,385	32,553	53,172	56,577	23,090	29,434	49,496
33,488	31,336	38,737	44,597	38,883	60,709	52,222
115,291	141,766	144,822	107,946	92,886	127,656	204,012
843	562	1,227	2,112	2,627	2,789	3,030
93,319	113,592	139,891	159,804	166,854	196,965	202,984
850,416	952,609	1,033,821	1,046,251	1,035,813	1,017,702	1,037,728
31,573	35,432	42,848	50,631	53,663	46,319	52,855
28,226	37,252	42,252	55,274	55,070	70,288	87,177
218,972	237,869	307,646	307,164	326,144	352,789	387,623
-	-	1	-	31	140	239
<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>	<u>\$ 1,904,803</u>	<u>\$ 2,077,368</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)	
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%
2018	1.00%	0.50%	0.50%	2.00%
2019	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 2008 AND 2018
(DOLLARS ARE IN MILLIONS)

<u>Tax Remitter</u>	Fiscal Year 2008				Fiscal Year 2018			
	Number of Filers	% of Total	Tax Liability	% of Total	Number of Filers	% of Total	Tax Liability	% of Total
Agriculture, Forestry & Fishing	28	0.32%	\$ -	0.00%	36	0.28%	\$ -	0.00%
Mining	51	0.58%	0.22	0.85%	116	0.88%	0.99	2.38%
Construction	718	8.15%	0.91	3.50%	1,249	9.52%	1.04	2.51%
Manufacturing	648	7.36%	1.56	6.01%	1,098	8.37%	4.08	9.82%
Transportation, Communication & Utilities	89	1.01%	0.14	0.54%	109	0.83%	0.06	0.15%
Wholesale Trade	500	5.68%	1.73	6.66%	789	6.01%	4.06	9.77%
Retail Trade	3,199	36.32%	15.81	60.88%	4,572	34.85%	20.76	49.96%
Information	100	1.14%	1.05	4.04%	188	1.43%	1.06	2.55%
Finance, Insurance & Real Estate	352	4.00%	0.77	2.96%	459	3.50%	1.75	4.21%
Services	3,060	34.75%	3.78	14.56%	4,466	34.03%	7.75	18.65%
Other	62	0.70%	-	0.00%	40	0.30%	-	0.00%
Total	8,807	100.00%	\$ 25.97	100.00%	13,122	100.00%	\$ 41.55	100.00%

Source: Texas Comptroller of Public Accounts

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

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

Fiscal Year	Governmental Activities			
	Refunding Bonds, CO Bonds & Sales Tax Revenue Bonds ⁽¹⁾	Capital Leases	Notes	Total Long-Term Debt
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
2018	142,295,795	214,914	530,002	143,040,711
2019	182,018,991	147,984	407,002	182,573,977

(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⁾
\$ 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
116,578,976	1,570,925	118,149,901	261,190,612	10.20%	3,095
209,258,071	1,065,482	210,323,553	392,897,530	14.77%	4,482

CITY OF CONROE, TEXAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

TABLE 16

Fiscal Year	General Bonded Debt Outstanding			Less: Amounts Restricted for Debt Service ⁽¹⁾	Net Total	Percentage of Taxable Assessed Value of Property	Per Capita
	Refunding Bonds	Certificates of Obligation	Total				
2010	\$19,084,735	\$73,711,569	\$92,796,304	\$ 5,114,405	\$87,681,899	2.56%	\$ 1,560
2011	16,036,643	90,451,528	106,488,171	6,293,542	100,194,629	2.90%	1,781
2012	19,831,478	90,832,124	110,663,602	7,028,107	103,635,495	2.85%	1,833
2013	15,704,830	84,000,514	99,705,344	8,342,744	91,362,600	2.28%	1,484
2014	12,661,361	117,096,025	129,757,386	10,623,507	119,133,879	2.76%	1,664
2015	45,626,859	90,078,945	135,705,804	12,178,899	123,526,905	2.56%	1,719
2016	43,116,188	95,524,412	138,640,600	11,401,030	127,239,570	2.02%	1,770
2017	40,455,518	110,799,386	151,254,904	11,386,141	139,868,763	1.96%	1,700
2018	47,002,984	95,292,811	142,295,795	10,589,482	131,706,313	1.74%	1,561
2019	44,115,693	137,903,298	182,018,991	10,837,081	171,181,910	2.05%	1,953

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

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

See Table 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, 2019

(DOLLARS IN THOUSANDS)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt Repaid with Property Taxes			
Montgomery County	\$ 522,350	14.42%	\$ 75,323
Conroe Independent School District	1,207,585	18.40%	222,196
Willis Independent School District	145,813	25.60%	37,328
Lone Star College	579,645	3.77%	21,853
Montgomery Independent School District	366,897	2.99%	10,970
MUD #90	7,350	100.00%	7,350
MUD #92	4,620	100.00%	4,620
MUD #107	22,400	100.00%	22,400
MUD #126	7,065	100.00%	7,065
MUD #132	5,990	100.00%	5,990
MUD #138	12,895	100.00%	12,895
MUD #142	2,100	100.00%	2,100
MUD #148	3,270	100.00%	3,270
Conroe MUD #1	4,520	100.00%	4,520
Conroe MMD #1	20,105	100.00%	20,105
UD #4	10,935	100.00%	10,935
Subtotal, Overlapping Debt			468,920
City Direct Debt (Net of original issuance discounts and premiums)	\$ 182,574		182,574
Total Direct and Overlapping Debt (Estimated \$7,433 Per Capita) (a)			<u>\$ 651,494</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 87,654.

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		
	2010	2011	2012
Assessed Value	\$ 3,427,354,014	\$ 3,450,170,655	\$ 3,630,957,910
Debt Limit <5% of assessed value>	<u>\$ 171,367,701</u>	<u>\$ 172,508,533</u>	<u>\$ 181,547,896</u>
Debt Applicable to Limit:			
Total Bonded Debt	\$ 92,520,000	\$ 105,360,000	\$ 109,345,000
Less: Assets in Debt Service Funds available for payment of principal	<u>(5,028,864)</u>	<u>(6,441,765)</u>	<u>(10,451,194)</u>
Total Net Debt Applicable to Limit	<u>87,491,136</u>	<u>98,918,235</u>	<u>98,893,806</u>
Net Legal Debt Margin	<u>\$ 83,876,565</u>	<u>\$ 73,590,298</u>	<u>\$ 82,654,090</u>
 Total Net Debt Applicable to the Debt Limit As a Percentage of Debt Limit	 51.05%	 57.34%	 54.47%
Total Net Debt Margin as a Percentage of Debt Limit	48.95%	42.66%	45.53%
Total Bonded Debt as a Percentage of Assessed Value	2.70%	3.05%	3.01%

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, 2018 is \$0.4175 per \$100.00 with valuation at 100% of assessed value.

TABLE 18

Fiscal Year						
2013	2014	2015	2016	2017	2018	2019
\$ 4,002,688,279	\$ 4,322,826,131	\$ 4,829,793,550	\$ 6,309,739,745	\$ 7,126,248,737	\$ 7,556,126,403	\$ 8,352,329,678
\$ 200,134,414	\$ 216,141,307	\$ 241,489,678	\$ 315,486,987	\$ 356,312,437	\$ 377,806,320	\$ 417,616,484
\$ 98,475,000	\$ 124,930,000	\$ 128,305,000	\$ 130,980,000	\$ 163,825,000	\$ 171,885,000	\$ 292,200,000
(12,260,043)	(14,537,182)	(12,084,748)	(11,356,765)	(11,569,373)	(10,802,885)	(11,292,098)
86,214,957	110,392,818	116,220,252	119,623,235	152,255,627	161,082,115	280,907,902
\$ 113,919,457	\$ 105,748,489	\$ 125,269,426	\$ 195,863,752	\$ 204,056,810	\$ 216,724,205	\$ 136,708,582
43.08%	51.07%	48.13%	37.92%	42.73%	42.64%	67.26%
56.92%	48.93%	51.87%	62.08%	57.27%	57.36%	32.74%
2.46%	2.89%	2.66%	2.08%	2.30%	2.27%	3.50%

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

TABLE 19

	Water and Sewer Bonded Debt					
		Less:				
Fiscal Year	Utility Service Charge	Adjusted Operating Expenses ⁽¹⁾	Net Available Revenue	Debt Service (2)		Coverage
				Principal	Interest	
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
2018	39,098,028	27,418,288	11,679,740	5,150,000	4,201,415	1.25
2019	40,859,420	23,498,660	17,360,760	6,545,000	8,375,211	1.16

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.

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

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

Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
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%
2018	84,378	2,560,704	30,348	33.8	17,335	3.6%
2019	87,654	2,841,743	32,420	33.7	17,239	3.3%

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	2019			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Conroe Independent School District	9,794	1	23.05%	6,000	1	21.92%
Montgomery County	2,211	2	5.20%	1,975	2	7.21%
HCA Houston Healthcare Conroe (Conroe Regional Medical Center)	1,700	3	4.00%	1,200	3	4.38%
City of Conroe	816	4	1.92%	479	6	1.75%
NOV Wellbore Technologies (formally NOV Downhole)	647	5	1.52%			
Cantel (formally Medivators, Inc.)	600	6	1.41%			
NOV Fluid Control (3 Locations)	375	7	0.88%			
Turbo Drill	332	8	0.78%			
Consolidated Communications of Texas	320	9	0.75%			
Professional Directional	316	10	0.74%			
NOV Texas Oil Tools	250	11	0.59%			
Borden	226	12	0.53%			
Sadler Clinic			0.00%	600	4	2.19%
National Oilwell Varco - Reed Hycalog (now NOV Wellbore Technologies)			0.00%	550	5	2.01%
Tenaris			0.00%	396	7	1.45%
Wal-Mart			0.00%	300	8	1.10%
National Oilwell Varco - Brandt			0.00%	279	9	1.02%
Byrne Medical			0.00%	243	10	0.89%
	<u>17,587</u>		<u>41.39%</u>	<u>12,022</u>		<u>43.92%</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

	2010 ⁽¹⁾	2011 ⁽²⁾	2012	2013 ⁽³⁾	2014 ⁽⁴⁾	2015 ⁽⁵⁾	2016 ⁽⁶⁾	2017 ⁽⁷⁾	2018	2019 ⁽⁸⁾
Functions/Programs										
General Government										
Administration	3	3	2	3	3	3	3	3	3	3
Mayor & Council	2	2	2	2	2	2	2	2	2	3
Arts & Communications	1	1	1	1	-	-	-	-	-	-
Downtown Development	1	1	1	-	-	-	-	-	-	-
Legal	3	3	3	3	3	3	3	3	3	4
Municipal Court	10	10	10	10	10	10	10	10	10	10
CDBG Administration	2	2	2	2	2	2	1	1	1	1
Warehouse Purchasing	5	5	5	5	5	5	4	4	4	4
Human Resources	5	5	5	5	6	6	6	6	6	7
Finance	10	10	10	10	10	10	12	12	12	12
Transportation	-	-	-	-	1	1	1	1	1	2
Information Technology	7	7	11	11	11	11	11	11	11	12
Public Safety										
Police Administration	5	6	5	7	9	9	9	9	9	9
Police Support	29	28	28	28	12	12	13	14	14	14
Police Patrol	64	63	63	63	99	100	102	102	102	102
Police Investigative Services	28	28	29	29	32	33	34	34	34	36
Police Professional Services	14	14	14	15	-	-	-	-	-	-
Police Animal Services	5	5	5	5	5	2	2	2	2	2
Red Light Program	-	1	1	1	1	-	-	-	-	-
Traffic Services	-	2	2	2	2	2	-	-	-	-
Commercial Vehicle Enforcement	-	-	-	-	-	1	1	1	1	1
Fire	88	88	88	86	87	117	117	129	129	135
Community Development	26	25	13	15	15	19	19	19	19	23
Parks										
Parks & Rec. Administration	13	13	2	2	2	2	2	4	4	4
Recreation Center	5	5	5	5	6	6	6	5	5	5
Aquatic Center	7	7	7	7	7	7	7	7	7	7
Parks Operations	-	-	11	11	11	11	11	10	10	12
Public Works										
Drainage Maintenance	7	7	7	7	7	7	8	8	8	8
Streets	28	28	28	28	28	27	36	36	36	31
Signal Maintenance	-	2	2	3	3	3	4	4	4	4
Sign Maintenance	-	-	-	-	-	-	-	-	-	8
Engineering	-	-	8	21	21	22	22	22	23	23
Conroe Tower	1	1	1	1	1	1	1	1	1	1
Hotel/Motel Occupancy Tax	2	2	3	3	4	4	4	4	4	4
Component Unit										
Oscar Johnson, Jr. CC	4	4	4	4	4	4	4	4	4	4
Conroe Industrial Development	-	-	-	5	4	4	4	4	4	4

TABLE 22

	<u>2010</u> ⁽¹⁾	<u>2011</u> ⁽²⁾	<u>2012</u>	<u>2013</u> ⁽³⁾	<u>2014</u> ⁽⁴⁾	<u>2015</u> ⁽⁵⁾	<u>2016</u> ⁽⁶⁾	<u>2017</u>	<u>2018</u>	<u>2019</u>
Water & Sewer										
Utility Billing	9	9	9	9	9	9	10	10	10	11
Public Works	6	6	5	5	6	6	7	7	7	7
Water Conservation	-	-	-	1	1	1	-	-	-	-
Water	15	15	15	15	15	11	12	12	12	16
Wastewater Treatment	11	11	11	11	10	10	11	11	11	14
Sewer	20	20	20	20	20	12	18	18	18	18
Pump & Motor Maint.	7	7	7	7	6	6	9	9	9	9
Project Engineering	12	13	13	-	-	-	-	-	-	-
Project Construction	17	17	17	17	17	29	-	-	-	-
Fleet Services	7	6	6	7	8	8	8	8	8	10
Self Funded Insurance	1	1	1	1	-	-	-	-	-	-
Total	<u>480</u>	<u>483</u>	<u>482</u>	<u>493</u>	<u>505</u>	<u>538</u>	<u>534</u>	<u>547</u>	<u>548</u>	<u>580</u>

Source: City Finance Department.

Notes:

- (1) In FY 2010, Police Animal Services was added to the Public Safety function. Hotel/Motel Occupancy Tax was added.
- (2) In FY 2011, Red Light Cameras and Traffic Services were added to the Public Safety function and Signal Maintenance was added to the Public Works function.
- (3) In FY 2013, Downtown Development was moved to the Conroe Industrial Development Corporation (CIDC) Fund; Engineering and Project Engineering were combined; and Water Conservation was added.
- (4) In FY 2014, The Arts & Communications position was moved to the Recreation Center; the Self Funded Insurance position was moved to Human Resources; One position previously in CIDC was moved to the newly created Transit fund; the Communications Officers in Police Support were moved to Police Patrol; the positions in Professional Services were moved to Police Administration, Police Patrol, and Criminal Investigations; and the secretary position previously in Waste Water Treatment Plant was moved to Public Works.
- (5) In FY 2015, the citizens voted to eliminate Red Light Cameras thereby moving the position to Police Patrol Department; the Animal Shelter was out-sourced to a private company reducing the number of positions needed; the Commercial Vehicle Enforcement division was added; the annexation of April Sound included the need for another Fire Station which increased the number of Fire personnel by 30; and four positions from Water and eight positions from Sewer were moved to Project Construction.
- (6) In FY 2016, the Project Construction division was closed and all remaining positions were transferred to the General Fund and Water & Sewer Fund.
- (7) In FY 2017, the Parks Superintendent position was transferred from Parks Operations to Parks & Rec Administration and the Recreation Manager position was transferred from Recreation Center to Parks & Rec Administration.
- (8) In FY 2019, the Sign Maintenance department was created, some of the employees were previously assigned to Streets.

CITY OF CONROE, TEXAS

OPERATING INDICATORS BY FUNCTIONS/PROGRAMS

LAST TEN FISCAL YEARS

Functions/Programs	Fiscal Year		
	2010	2011	2012
General Government			
Building Permits Issued	645	489	520
Building Inspections Conducted	16,950	15,317	14,957
Police			
Physical Arrests	4,163	3,915	4,313
Parking Violations	2,485	3,113	4,554
Traffic Violations	13,865	26,673	27,181
Fire			
Emergency Responses	5,425	6,111	6,417
Fires Extinguished	180	320	133
Inspections	2,863	2,724	1,675
Refuse Collection			
Refuse Collected (tons per day) (a)	58.07	38.00	37.50
Recyclables Collected (tons per day) (a)	0.61	9.48	12.10
Other Public Works			
Street Resurfacing (miles)	1.50	5.63	2.20
Potholes Repaired (b)	N/A	N/A	550
Parks and Recreation			
Athletic Field Permits Issued	288	326	297
Community Center Admissions	298,261	307,662	366,045
Water			
New Connections (c)	387	787	400
Water Main Breaks	770	888	800
Average Daily Consumption (thousands of gallons)	8,554	11,291	9,893
Peak Monthly Consumption (thousands of gallons)	384,058	500,038	395,510
Wastewater			
Average Daily Sewage Treatment (thousands of gallons)	7,000	7,000	7,000
Transit			
Total Route Miles - OJJCC	8,100	7,140	8,330
Total Route Miles - Conroe Connection (d)	-	-	-
Passenger - OJJCC	13,140	12,175	12,222
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						
2013	2014	2015	2016	2017	2018	2019
789	1,443	1,486	1,089	1,453	1,667	1,803
16,995	17,871	20,924	20,365	25,995	33,783	37,836
4,758	4,502	4,289	4,237	4,805	4,815	4,649
2,972	3,724	2,560	1,672	798	802	1,798
15,482	16,142	14,449	12,919	20,302	23,148	25,419
7,124	7,083	8,427	9,018	8,784	10,261	10,208
129	222	204	244	274	312	240
1,017	1,778	1,333	2,537	2,540	3,034	1,678
58.00	41.00	73.20	65.58	68.25	70.45	50.87
16.00	10.00	17.20	16.53	16.86	19.35	14.83
5.10	9.00	11.00	3.00	9.00	6.00	5.00
582	415	2,193	1,360	2,011	2,500	1,850
304	290	292	272	247	194	216
424,640	353,024	422,884	452,564	461,683	452,174	476,207
736	923	613	2,418	790	892	992
775	692	1,072	622	495	885	781
9,652	9,189	9,249	9,770	9,990	14,000	10,202
393,936	377,559	281,344	415,278	381,427	413,795	433,717
7,000	7,200	7,800	7,700	7,900	8,200	9,020
11,219	12,240	9,912	11,018	12,145	13,425	20,100
-	-	54,108	83,258	85,373	92,668	131,357
14,020	14,232	18,420	19,984	16,329	16,825	17,747
-	-	22,811	34,487	27,650	33,633	48,430

CITY OF CONROE, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTIONS/PROGRAMS

LAST TEN FISCAL YEARS

Functions/Programs	Fiscal Year		
	2010	2011	2012
Police			
Stations	1	1	1
Zone Offices	1	1	1
Patrol Units	46	48	46
Fire Stations	5	5	5
Refuse Collection			
Collection trucks	8	8	8
Other Public Works			
Streets (miles)	248.00	268.00	276.00
Streetlights	3,200	3,200	3,518
Traffic Signals	6	6	80
Parks and Recreation			
Acreage	354.00	354.00	407.00
Playgrounds	17	18	19
Baseball/Softball Diamonds	28	25	27
Soccer/Football Fields	18	21	18
Community Centers	4	4	4
Water (b)			
Water Mains (miles)	340.61	342.44	367.00
Fire Hydrants	2,996	3,009	3,009
Storage Capacity (thousands of gallons)	9,490	11,490	11,490
Wastewater (b)			
Sanitary Sewers (miles)	357.65	360.21	389.00
Storm Sewers (miles) (a)	40.162	40.280	41.720
Treatment capacity (thousands of gallons)	10,000	10,000	10,000
Transit			
Buses	4	4	4
Vans	-	-	-

Source: Various City Departments

Notes:

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

(b) Estimates were utilized for FY2010.

TABLE 24

Fiscal Year						
2013	2014	2015	2016	2017	2018	2019
1	1	1	2	1	1	1
1	1	1	1	1	1	1
55	56	56	56	59	68	73
5	5	6	6	6	7	7
8	9	10	10	12	12	13
270.00	270.00	315.00	350.00	346.00	346.00	420.00
3,530	3,550	3,550	3,550	3,321	4,300	3,994
82	102	110	125	105	120	120
407.00	407.00	407.00	407.00	407.00	407.00	492
19	19	19	20	20	20	20
27	27	27	27	27	27	21
18	18	18	18	18	18	19
4	4	4	4	4	4	5
403.00	403.00	409.50	417.22	444.00	461.00	479.00
3,009	3,335	3,410	3,032	3,084	3,085	3,115
11,490	11,490	11,490	11,589	12,849	13,250	12,349
391.00	398.00	404.00	427.10	432.00	421.00	419.00
42.000	42.953	49.000	50.530	50.530	108.000	139.000
10,000	10,000	10,000	10,000	12,000	12,000	12,000
4	4	8	4	4	6	6
-	-	-	2	2	2	2

CITY OF CONROE, TEXAS**TABLE 25**

*WATERWORKS SYSTEM - TOP TEN WATER & SEWER USERS (IN GALLONS)
AS OF SEPTEMBER 30, 2019*

Customer	Fiscal Year Total 2019 Water Consumption	Fiscal Year Total 2019 Water Revenues	Percent of Total 2019 Water Revenues
EvoQua Water Technologies LLC	155,655,000	\$ 432,734	3.1%
Borden Inc.	96,404,000	274,534	2.0%
Ball Metal Container Group	72,371,000	213,151	1.5%
The Geo Group	52,923,000	157,561	1.1%
Montgomery County MUD #126	51,565,000	159,452	1.1%
Crown Cork & Seal	27,182,000	91,215	0.7%
Montgomery County Jail	23,095,000	78,799	0.6%
Strata Woodland	22,812,000	78,284	0.6%
Houston Methodist Hospital	22,401,000	70,745	0.5%
The Geo - Montgomery Processing	18,088,000	66,087	0.5%

Customer	Fiscal Year Total 2019 Sewer Consumption	Fiscal Year Total 2019 Sewer Revenues	Percent of Total 2019 Sewer Revenues
EvoQua Water Technologies LLC	155,655,000	\$ 613,527	4.1%
Borden Inc.	96,404,000	380,078	2.5%
Ball Metal Container Group	71,692,000	282,713	1.9%
City of Willis	62,565,000	100,795	0.7%
The Geo Group	52,915,000	208,732	1.4%
Montgomery County MUD #126	51,565,000	207,688	1.4%
Crown Cork & Seal	27,182,000	107,344	0.7%
Montgomery County Jail	23,095,000	91,241	0.6%
Strata Woodland	22,812,000	91,158	0.6%
Houston Methodist Hospital	22,401,000	90,326	0.6%

CITY OF CONROE, TEXAS

WATER AND SEWER RATES

AS OF SEPTEMBER 30, 2019

TABLE 26

Minimum Monthly Base Charge By Meter Size

Meter Size	Minimum Base Charge	Life Line Base Charge
5/8 Inch*	\$ 12.48	\$ 9.36
1 Inch	18.72	15.60
1.5 Inch	26.00	22.88
2 Inch	36.40	33.28
3 Inch	47.84	47.84
4 Inch	67.60	67.60
6 Inch	93.60	93.60
8 Inch	150.80	150.80
10 Inch	260.00	260.00

* 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 \$3.15 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		\$ 32.36
Per thousand gallons		
4,000 - 10,999 gallons, per thousand	\$ 2.66	3.94
11,000 - 15,999 gallons, per thousand	3.28	
16,000 - 25,999 gallons, per thousand	3.89	
26,000 - 35,999 gallons, per thousand	4.44	
36,000 gallons and over	7.77	
Total Charge at 10,000 gallons		71.94

Non-Residential Rates Inside City Limits

Usage	Water Rate Base Charge	Sanitary Sewer Rate
Minimum 0 - 3,999 gallons		\$ 32.36
Per thousand gallons		
4,000 - 10,999 gallons, per thousand	\$ 2.90	3.94
11,000 - 15,999 gallons, per thousand	3.42	
16,000 - 25,999 gallons, per thousand	4.07	
26,000 - 35,999 gallons, per thousand	4.64	
36,000 - 150,999 gallons, per thousand	8.12	
151,000 gallons and over	2.67	

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

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

Life Line Residential Rates Inside City Limits

Usage	Water Rate Base Charge	Sanitary Sewer Rate
Minimum 0 - 3,999 gallons		\$ 24.28
Per thousand gallons		
4,000 - 10,999 gallons, per thousand	\$ 2.13	3.16
11,000 - 15,999 gallons, per thousand	2.79	
16,000 - 25,999 gallons, per thousand	3.89	
26,000 - 35,999 gallons, per thousand	4.44	
36,000 - and Up	7.77	
Total Charge at 10,000 gallons		55.67

