

Comprehensive Annual Financial Report Year Ending September 30, 2015



*"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, 2015

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

City of Conroe, Texas
Comprehensive Annual Financial Report
For the Year Ended September 30, 2015

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March 10, 2016

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, 2015, 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.

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 the Mayor and all Council positions are for four consecutive years. The Mayor and 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 funds are appropriated annually. The City of Conroe Other Post Employment Benefit Trust Fund also does not have an annual appropriated budget.

The Assistant City Administrator/Chief Financial Officer may, at any time with the consent of the City Administrator, transfer any unencumbered appropriation from one line item to another line item within the same department. Provided, however that no unencumbered appropriation may be transferred from one department or

fund to another, except upon the express approval of the City Council. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. The legal level of budgetary control (that is, the level at which expenditures may not legally exceed appropriation) is the department level.

Purchase orders that exceed appropriated balances are not released until they have been further reviewed and approved by the City Administrator or his representative. Departmental appropriations that have not been expended by the departments lapse at the end of the fiscal year. The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances outstanding at year-end are voided. Remaining commitments must be re-appropriated and encumbered in the new fiscal year.

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

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

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

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

MAJOR REPORTING CHANGES

The Conroe Industrial Development Corporation (CIDC) was previously reported as a blended component unit, effective FY2015, the CIDC is now recorded as a discrete component unit and is not included in governmental and business-type activities. This change had a significant impact on total primary governmental assets and liabilities. Total capital assets (less depreciation) were decreased by \$55,206,129 and the total liabilities were decreased by CIDC debt totaling \$37,386,622.

Implementation of GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long term obligation for pension benefits as a liability for the first time and to more comprehensively and comparably measure the annual cost of pension benefits. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. This change significantly impacted primary government liabilities with increases in Net Pension Liabilities for TMRS by \$20,234,199 and Conroe Fire Fighters' Relief and Retirement Fund by \$17,721,835.

LOCAL ECONOMY

Because of the strength of the regional and local economy, Conroe continues to experience growth in residential, commercial, and light industrial development. The United States Census Bureau released the 2014 Census data for Texas. The population of the City of Conroe was listed at 65,871. Conroe's estimated population for 2016 is 71,879, which includes increases in population related to growth and annexation.

The tax roll certified by the Montgomery Central Appraisal District for 2015 (FY15-16) increased by \$1,479,946,195, or 30.6%. New improvements accounted for approximately \$157,502,461 of this amount, while increased appraisals

made up the remaining \$372,398,966. Newly annexed property added approximately \$950,044,768 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 \$506,967,419, or 11.7%.

Sales tax is the largest revenue source for the City. Sales tax revenue totaled \$32,013,059 (excluding CIDC) for the fiscal year ending September 30, 2015. This amount represents an increase of \$1,816,903, or 6.0%, from the prior fiscal year.

The City issued 1,486 building permits for properties and improvements valued at \$482,064,930. This included 682 building permits for single family housing starts totaling \$119,403,141. The average single family home value, exclusive of land, was \$175,078. The City reported a total labor force within city limits of 31,438, with an unemployment rate of 3.9% as of September 2015. These data are compiled by Labor Market & Career Information (LMCI.com).

SUMMARY OF SIGNIFICANT CAPITAL IMPROVEMENT PROJECTS

Numerous capital improvement projects were begun, under construction, or completed within the last fiscal year. The largest project was the construction of a new Police and Municipal Court Facility on Plantation Drive, which is anticipated for completion in Spring of 2016. A partial list of other projects from FY 14-15 includes the following (dollar amounts represent amounts expended in FY 14-15):

Streets

- Crighton Road – TIRZ #3 - \$1,878,828
- Pedestrian access and transit improvements - \$1,335,227
- Anderson Crossing Road - \$1,042,219 (completed)
- Drennan Road – East - \$550,045
- Walden Road Overlay - \$396,677 (completed)
- Plantation Drive North and South and Drennan Road West - \$387,013 (completed)
- Vine/Gladiola/Avenue M Overlay - \$386,811 (completed)
- McDade Estates Subdivision Overlay - \$236,087 (completed)
- Wilson Road widening - \$278,264
- Longmire Road, Phase II-B and III - \$212,694
- Street rehabilitations in the Dugan area - \$159,917

Drainage

- West Fork Detention (McDade) - \$239,842 (completed)
- East Grand Lake Creek - \$134,539

Transit

- Park and Ride at FM 2854 - \$153,473
- State Highway (SH) 105 access management and safety - \$375,638

Signals

- Crighton Road at Ed Kharbat Drive - \$320,250
- 1st Street at Silverdale - \$219,382
- SH 75 at North Loop 336 - \$217,410
- FM 3083 at Pollock Drive - \$215,247

Facilities

- Police and Municipal Court Facility - \$9,105,751
- Dean Towery Service Center Upgrades - \$134,266

Parks & Recreation

- Candy Cane Park Access and Entrances - \$687,482
- Carl Barton Park Amenity Center - \$426,962
- Park Restrooms - \$77,705 (completed)
- Aquatic Center Improvements - \$42,201 (completed)

Water & Sewer

- Existing Waste Water Treatment Plant Rehabilitation - \$10,185,177
- Surface Water System Improvements - \$7,085,010
- MUD No. 95 Extension - \$3,498,093
- Water Wells No. 23 and No. 24 - \$1,836,370
- LaSalle @ League Line Road sewer line - \$1,807,459
- Live Oak and White Oak Creek sewer line - \$1,721,529
- New Waste Water Treatment Plant - \$1,313,744
- Panorama/Shenandoah Catahoula well - \$1,197,667
- Surface Water Generators - \$1,046,148
- Sanitary Sewer Overflow Initiative (SSOI) - \$959,771
- Sewer line at SH 242 and FM 1488 - \$895,745
- Water line at FM 1488, Phase 1 - \$396,122 (completed)
- Plantation Drive Trunk Line - \$373,682
- Anderson Crossing Road - \$29,032 (completed)

LONG-TERM FINANCIAL PLANNING

The \$20,477,898 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, 2020, in the current operating budget. As a result of the multi-year review, the City has been able to maintain its property tax rate of \$0.4200 per \$100 of value.

General bonded debt per capita increased from \$1,597 in 2014 to \$1,617 in 2015. The current ratio of net bonded debt to assessed value of all taxable property is 2.41%. The City continues to maintain its current Moody's rating of Aa2 and Standard & Poor's rating of AA on its Certificates of Obligation and its current Moody's rating of Aa3 and Standard & Poor's rating of AA on its Water and Sewer Revenue Bonds.

In addition, the City has recognized the long-term financial implications of its pension and retiree health benefits. Regarding pensions, the City funds the full contribution rate to the Texas Municipal Retirement System to ensure the long-term sustainability of the plan. For retiree health care, the City implemented several changes that were designed to provide a sustainable benefit to our employees. A major component included replacing eligibility based solely on years of service with the "Rule of 80", which is defined as the sum of age plus service at retirement being equal to at least 80. The City funded 86% of the annual required contribution (ARC). In the past, 100% of the effective premiums were paid by the City. Fifty percent is committed by policy to be paid into the trust fund, while the remaining 50% is considered and reviewed annually by City Council.

MAJOR INITIATIVES

In September 2015, the City issued \$14,400,000 in Water & Sewer Revenue Bonds and \$8,795,000 in Certificates of Obligation. The Water & Sewer Revenue Bonds (RBs) will be used to fund \$590,000 in water projects, \$13,688,000 in sewer projects, and bond issuance costs. Water projects include the Panorama/Shenandoah Catahoula Water Well, water line to MUD#95 (SH 242), and Robinwood Subdivision's water line replacement. Additional water projects include the rehabilitation of water lines at Milltown Area, 3rd Street, 1st Street, Montrose, Halo, and Reaves Street.

Sewer projects include the existing waste water treatment plant rehabilitation (Phase II) and the construction of a new waste water treatment plant (Phase IV). Additional sewer projects include the Sanitary Sewer Overflow Initiative (SSOI) program and sewer lines at MUD#95 (SH 242), SH 242 and FM 1488, and the Plantation Drive trunk line.

The Certificates of Obligation (COs) will be used to fund the following street improvement projects: Longmire Road (Phase 2B and Phase 3), Walden Road, Grace Crossing, Vine/Gladiola/Avenue M, and McDade Estates Subdivision overlay. The COs will fund the signals at FM 1488 at Grace Crossing, North Loop 336 at Oxford Drive, Crighton Road at Ed Kharbat Drive, and Loop 336 at Owen Drive. Additional projects include the construction of the Police & Municipal Court facility, repairs and upgrades to the Dean Towery Service Center, Candy Cane Park Access & Entrances, Park and Ride at FM 2854, and infrastructure improvements near College Park and Windsor Lakes.

Refunding bonds amounting to \$33,650,000 replaced the remaining balance of the 2006, 2007, and 2008 issues. Refunding these bonds will save the City \$4,598,974.

The City achieved a significant milestone at the start of calendar year 2015 with the start of two fixed route bus services and Americans with Disabilities (ADA) complementary paratransit service (Conroe Connection). The City also successfully kicked off the Federal Transit Administration (FTA) Section 5310 Program for the Conroe – The Woodlands Urbanized Area (UZA) with the allocation of federal funds to the Friendship Center (TFC) for demand response service for seniors and persons with disabilities. The City will continue the consulting agreement with The Goodman Corporation in the areas of grant management and oversight, Section 5310 Administration, financial planning, pursuit of funding, transit & roadway planning, program development, coordination & management procurement assistance, federal & state implementation assistance and oversight, transit safety, and transit asset management plans.

Major transit projects included the following:

- Conducted a federal/state procurement for bike racks and initiated procurement of two ADA mini-vans.
- Created a strategy with TxDOT to expend the remaining JARC funds before expiration; successful at recovering \$141,000 in reimbursement.
- Completed first Federal Transit Administration Triennial Review.
- Received approval from TxDOT to utilize State Public Transportation Appropriations for FY13 to FY15 for operating costs and ADA Mini-Van reimbursement.
- HGAC TIP Subcommittee approved the following Conroe Projects – Old Conroe Road, SH 75, and the Conroe Safe School Access Program, which included transit-pedestrian access improvements.
- Completed the construction contract with Montgomery Building Services for the Pedestrian Access & Transit Improvement project on Frazier Street and bus route.
- Conducted a four week, “Fixed Route Data Collection” survey to provide a look at the performance of the transit system, identify any needed amenities for the fixed route, and form a base line for future data collection, surveys, and ridership analyses.
- Administered the Program of Projects for Section 5310 - Enhanced Mobility of Seniors & Individuals Program and awarded the FY15 & FY16 funding to Senior Rides and New Danville.
- In the first year of service, Conroe Connection provided 22,811 trips to transit riders.

On December 31, 2014, the City completed the annexation of 1,295 acres of land along SH 105, which generally includes April Sound (Utility Districts No. 3 and No. 4), April Villas, Lake View Village, Water Oak, and Waterpoint. The City provides for the delivery of certain municipal services to the annexed area in accordance with state law, as well as through Strategic Partnership Agreements (SPAs) with UDs No. 3 and No. 4. Other areas annexed include Sapp Road, Longmire 1 and 2, Girl Scout Camp, SH-105 Area I, II, and III, RP MUD, and MUD #138 for a total of 5,244 acres and approximately 10,028 citizens added to the City.

The City is a participant in the San Jacinto River Authority (SJRA) Groundwater Reduction Plan (GRP). The SJRA constructed a surface water treatment facility and transmission system to provide treated surface water to the City.

The transmission system was interconnected to the City's water system, and the City began receiving surface water in December 2015.

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

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Conroe for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2014. This was the ninth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and all applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and it will be submitted for consideration.

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

Independent Audit. The City Charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the City by an independent certified public accountant. The accounting firm of Hereford, Lynch, Sellars, & Kirkham, P.C., was selected by the City Council. This requirement has been fulfilled, and the auditors' opinion is included in this report. Hereford, Lynch, Sellars, & Kirkham, P.C., has issued an unmodified ("clean") opinion of the City's financial statements for the year ended September 30, 2015. 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

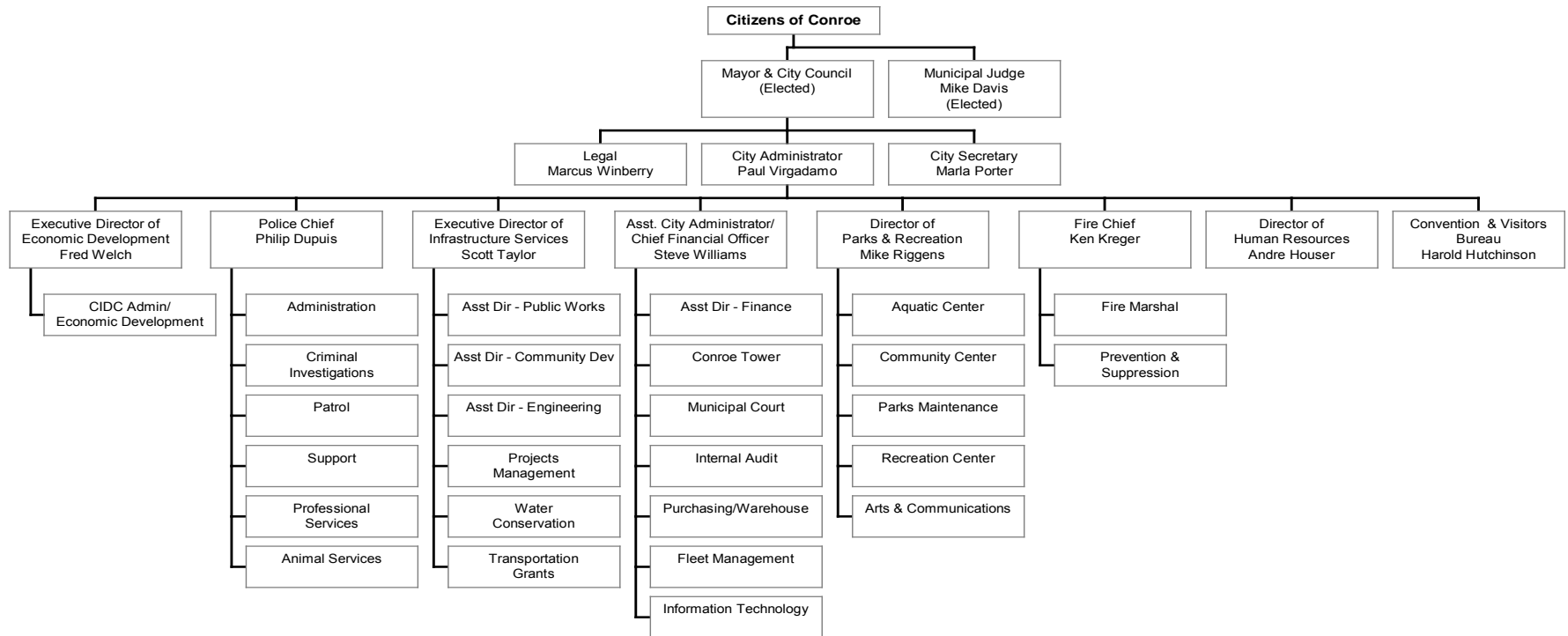
**City of Conroe
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

City of Conroe, Texas Organization Chart



City of Conroe, Texas

Listing of City Officials

September 30, 2015

Elected Officials

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

Appointed Officials

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





Hereford, Lynch, Sellars & Kirkham

Certified Public Accountants

A Professional Corporation

Conroe
1406 Wilson Rd., Suite 100
Conroe, Texas 77304
Tel 936-756-8127
Metro 936-441-1338
Fax 936-756-8132

Members of the
American Institute of Certified Public Accountants
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Cleveland
111 East Boothe
Cleveland, Texas 77327
Tel 281-592-6443
Fax 281-592-7706

INDEPENDENT AUDITORS' REPORT

The City Council of
City of Conroe, Texas
P.O. Box 3066
Conroe, Texas 77305

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Conroe, Texas (City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the 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.

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 City of Conroe, Texas, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A.2., in 2015 the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

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 Information and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Conroe'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. 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 Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2016 on our consideration of the City of Conroe's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Conroe's internal control over financial reporting and compliance.

Respectfully,

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

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

Conroe, Texas
February 22, 2016

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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, 2015. Please read it in conjunction with the City's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The financial statements presented herein include the activities of the City and its component units.

Government-wide Financial Statements

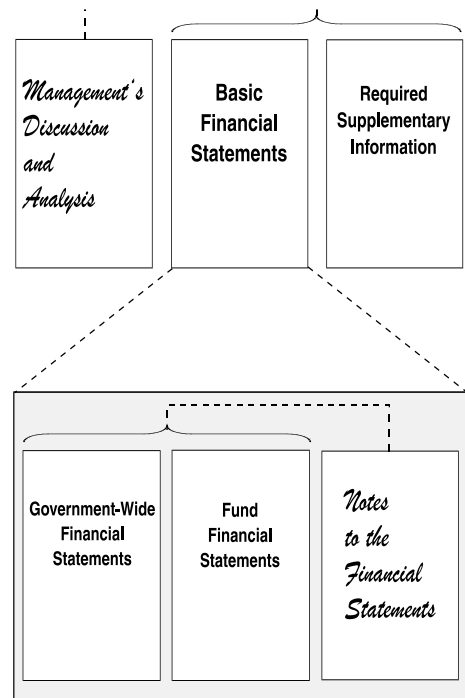
The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The Statement of Net Position presents information on all of the City'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 as opposed to the modified accrual basis used in prior reporting models.

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. Financial information for the component units is reported separately from the financial information presented for the primary government.

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



Summary Detail

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

- **Governmental activities** - Most of the City's basic services are reported here, including general government, police and fire protection, streets and drainage maintenance, planning, traffic control, sanitation, park and recreational activities, and cultural events. Sales and property taxes and franchise fees provide the majority of the financing for these activities.
- **Business-type activities** - Activities for which the City charges a fee to customers to pay most or all of the costs of a service it provides are reported here. The City's business-type activities include water and wastewater services, health insurance program, and fleet services.

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

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

Fund Financial Statements

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

The City has the following kinds of funds:

- **Governmental funds**— Governmental funds are used to account for the majority of the City's activities, which are essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains 19 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, Facilities CIP Fund, Debt Service Fund, and Street Improvements Fund, all of which are considered to be major funds. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements later in this report.

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

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations, which is considered to be a major fund. These services are primarily provided to outside, or non-governmental, customers.

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

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Conroe exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$119,173,502.
- The City's total net position increased by \$8,547,764. The majority of the increase is attributable to sales tax, property tax, grants, and contributions.
- As of September 30, 2015, the City of Conroe's governmental funds reported combined ending fund balances of \$73,198,498 a decrease of \$14,279,770 in comparison with the prior year. Approximately 30 percent of this total amount, \$20,477,898, is available for spending at the government's discretion (unassigned fund balance). Of the \$73,198,498 fund balance, \$127,111 is classified as nonspendable, \$44,583,387 is classified as restricted, \$1,370,867 is classified as committed, \$6,639,235 is classified as assigned, and \$20,477,898 is classified as unassigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$20,477,898, or 32 percent of total General Fund expenditures.

- The City of Conroe's gross bonded debt increased by \$14,830,000 during the current fiscal year. The key factors in this increase were debt payments amounting to \$8,365,000, issuing Refunding Bonds in the amount of \$33,370,000 and the issuance of \$23,195,000 in Certificates of Obligation and Revenue Bonds.

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

Net Position – Total assets of the City at September 30, 2015, were \$434,142,963, deferred outflows of resources were \$8,169,885, while total liabilities were \$322,666,233 and deferred inflows of resources were \$473,113, resulting in a net position balance of \$119,173,502 (Table A-1).

The largest portion of the City's net position, \$97,297,014 (82%), 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. CIDC was previously reported as a blended component unit. Effective 2015, CIDC is recorded as a discrete component unit and is not included in governmental and business-type activities. This change decreased total governmental and business-type assets and liabilities by \$71,299,733 and \$37,386,622, respectively (see Exhibit A-1 on page 23). The implementation of GASB Statement No. 68, increased total governmental activities liabilities by \$28,003,202 (see Notes to Financial Statements item O).

Table A-1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 87,843,298	\$ 119,753,515	\$ 43,374,995	\$ 46,747,137	\$ 131,218,293	\$ 166,500,652
Capital Assets	159,711,080	186,671,721	143,213,590	115,953,949	302,924,670	302,625,670
Total Assets	247,554,378	306,425,236	186,588,585	162,701,086	434,142,963	469,126,322
Total Deferred Outflows of Resources	7,336,382	418,724	833,503	-	8,169,885	418,724
Long-term Liabilities Outstanding	183,041,027	187,763,963	114,386,514	98,312,089	297,427,541	286,076,052
Other Liabilities	14,114,661	7,253,413	11,124,031	6,417,590	25,238,692	13,671,003
Total Liabilities	197,155,688	195,017,376	125,510,545	104,729,679	322,666,233	299,747,055
Total Deferred Inflows of Resources	369,028	-	104,085	-	473,113	-
Net Position:						
Net Investment in Capital Assets	53,413,374	54,366,984	43,883,640	38,527,503	97,297,014	92,894,487
Restricted	15,469,839	10,623,507	5,455,067	4,169,587	20,924,906	14,793,094
Unrestricted	(11,517,169)	46,836,093	12,468,751	15,274,317	951,582	62,110,410
Total Net Position	\$ 57,366,044	\$ 111,826,584	\$ 61,807,458	\$ 57,971,407	\$ 119,173,502	\$ 169,797,991

A portion of the City's net position, \$20,924,906 (15%), is restricted for debt service.

Change in Net Position – At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental activities. The City's combined changes in net position were \$8,547,764 at September 30, 2015, which is less of an increase than in the prior year (See Table A-2).

Governmental Activities

The City's total revenues were \$77,154,901 from all governmental activities. A significant portion, \$32,013,059, or 41%, comes from sales taxes, while property tax revenue accounts for \$20,045,759, or 26%, and charges for services include \$8,871,359, or 11%. (See Figure A-3.)

The total cost of all governmental programs and services was \$76,797,439. The general government and public safety functions accounted for \$52,584,380, or 68%, of this total. (See Figure A-4.)

Program revenues of \$13,928,841 are comprised in large part (39%) of general government revenues of \$5,449,254. The public safety function makes up 24% of program revenues at \$3,341,789; which includes Municipal Court's traffic and criminal fines. The parks function is 9% at \$1,279,923, and the public works function 28% at \$3,857,875. As expected, general revenues provided the required support and coverage for expenses not covered by program revenues.

The governmental activities showed a decrease in net position of \$645,236, which is attributable to expenditures and transfers out in excess of revenues. A summary of key elements attributable to the change in net position is as follows:

- Although the City's tax rate remained at \$0.4200 per \$100 assessed value, the taxable assessed value increased from \$4,322,826,131 for FY13-14 to \$4,829,793,550 for FY14-15, yielding additional property tax revenues.
- Sales tax revenues for the City have increased due to improved consumer spending and growth within the county. Effective 2015, CIDC is recorded as a discrete component unit and their sales tax allocation is not included in governmental activities.
- Licenses and permits increased due to building permits for single and multi-family housing starts.
- Lower interest rates contributed to lower average yields on the City's portfolio.
- The City received grant funding from the Federal Transportation Authority for the Conroe Transit program.

Table A-2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$ 8,871,359	\$ 8,278,100	\$ 31,887,635	\$ 27,709,758	\$ 40,758,994	\$ 35,987,858
Operating Grants and Contributions	5,057,482	3,262,039	-	-	5,057,482	3,262,039
General Revenues:						
Property Taxes	20,045,759	18,258,675	-	-	20,045,759	18,258,675
In Lieu of Taxes	592,302	682,113	-	-	592,302	682,113
Gross Receipts Taxes	5,794,059	5,498,112	-	-	5,794,059	5,498,112
Sales and Other Taxes	32,013,059	40,261,541	-	-	32,013,059	40,261,541
Hotel Occupancy Taxes	1,237,267	1,103,093	-	-	1,237,267	1,103,093
Mixed Beverage Taxes	272,002	219,547	-	-	272,002	219,547
Miscellaneous ⁽¹⁾	1,807,243	413,617	563,412	305,613	2,370,655	719,230
Donations	167,455	110,556	-	-	167,455	110,556
Grants and Contributions Not						-
Restricted to Specific Programs	1,145,225	1,050,519	6,612,682	1,030,521	7,757,907	2,081,040
Unrestricted Investment Earnings	132,911	135,095	28,576	36,200	161,487	171,295
Gain (Loss) on Investments	18,778	(126,115)	(695)	(37,068)	18,083	(163,183)
Total Revenues	77,154,901	79,146,892	39,091,610	29,045,024	116,246,511	108,191,916
Expenses:						
Governmental Activities:						
General Government	15,956,134	11,396,885	-	-	15,956,134	11,396,885
Finance	1,654,077	1,555,692	-	-	1,654,077	1,555,692
Public Safety	36,628,246	31,524,935	-	-	36,628,246	31,524,935
Parks	7,227,345	6,989,269	-	-	7,227,345	6,989,269
Public Works	10,252,452	9,658,450	-	-	10,252,452	9,658,450
Interest and Fiscal Charges	5,079,185	5,749,864	-	-	5,079,185	5,749,864
Total Governmental Activities	76,797,439	66,875,095	-	-	76,797,439	66,875,095
Business-Type Activities:						
Water and Sewer	-	-	29,304,349	25,440,644	29,304,349	25,440,644
Fleet Services	-	-	1,596,959	1,237,286	1,596,959	1,237,286
Total Business-Type Activities	-	-	30,901,308	26,677,930	30,901,308	26,677,930
Total Expenses	76,797,439	66,875,095	30,901,308	26,677,930	107,698,747	93,553,025
Excess (Deficiency) before Transfers	357,462	12,271,797	8,190,302	2,367,094	8,547,764	14,638,891
Transfers In (Out)	(1,002,698)	(104,155)	1,002,698	104,155	-	-
Change in Net Position	(645,236)	12,167,642	9,193,000	2,471,249	8,547,764	14,638,891
Net Position - Beginning	88,136,749	99,658,942	57,971,407	55,500,158	146,108,156	155,159,100
Prior Period Adjustment ⁽²⁾	(30,125,469)	-	(5,356,949)	-	(35,482,418)	-
Net Position - Beginning, as restated	58,011,280	99,658,942	52,614,458	55,500,158	110,625,738	155,159,100
Net Position - Ending	\$ 57,366,044	\$ 111,826,584	\$ 61,807,458	\$ 57,971,407	\$ 119,173,502	\$ 169,797,991

(1) Included in miscellaneous revenues is a payment in the amount of \$1,268,121 which was received from CIDC for Parks and Recreation related debt.

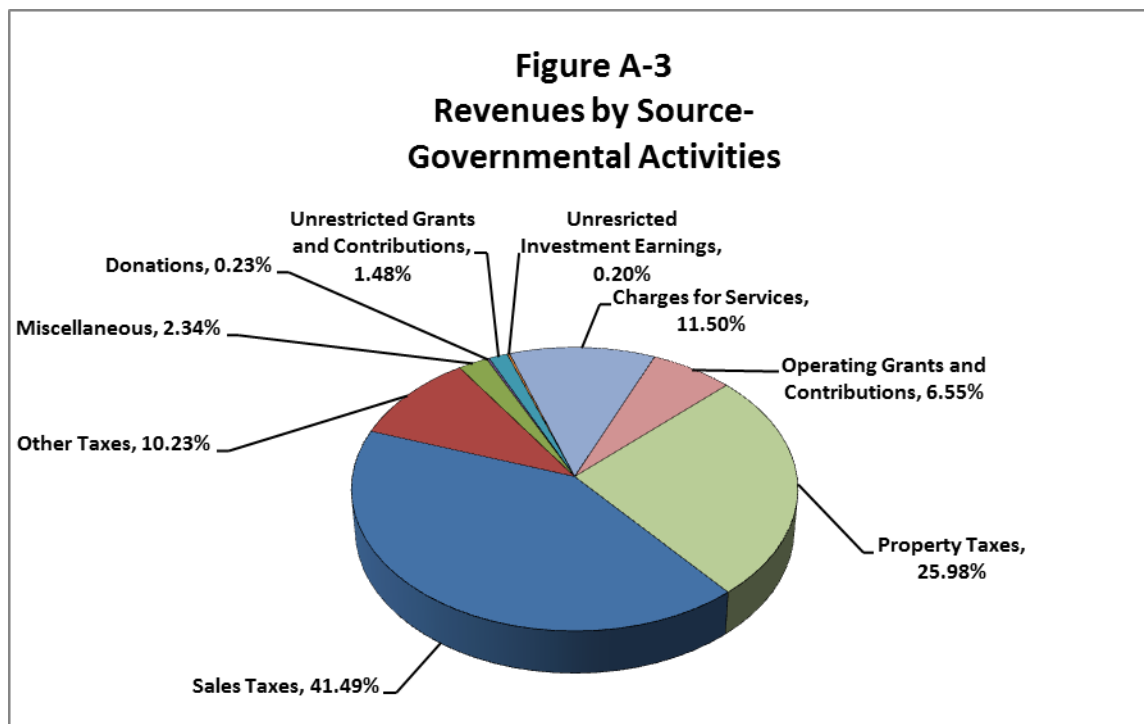
(2) Prior period adjustment detail can be found Notes to the Financial Statements, item O.

Business-type Activities

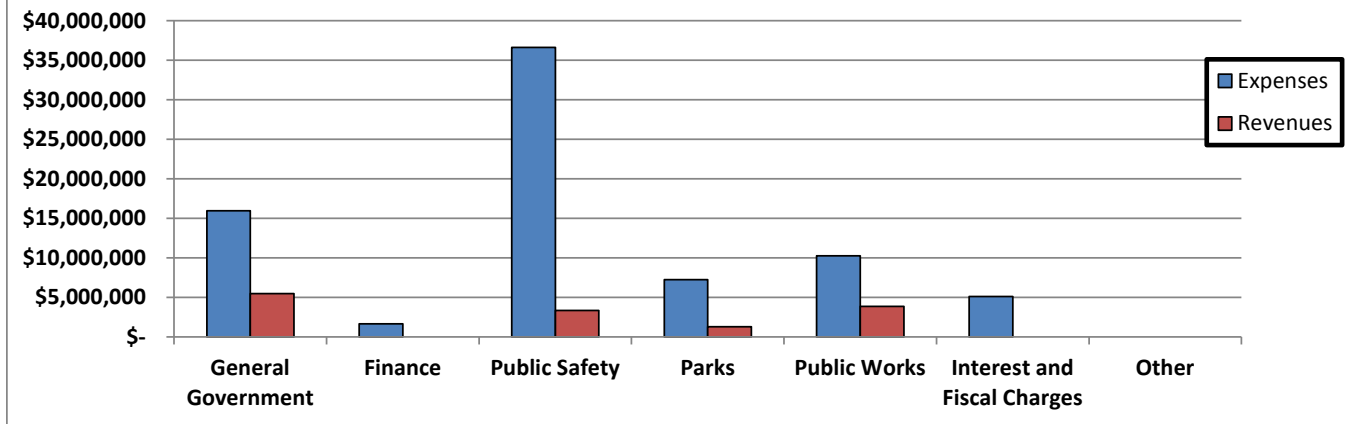
Business-type activities are financed in whole or part by fees charged to external users for goods or services. They are usually reported in an Enterprise Fund. Business-type activities increased the City's net position by \$9,193,000. Revenue can be reported as program revenue or general revenue—all revenues are general unless they are required to be reported as program revenues. There are two categories under which program revenues can be reported. The first is charges for services, which includes revenues attributable to a specific program because they result from exchange-like transactions or other events, such as charges to customers. Charges for services reduce the net cost of the program financed from general revenues. The second is program-specific grants and contributions, which are not generated by the program, and generally the grantor is not the beneficiary of the goods, services, or privileges provided. Charges for services were \$31,887,635 and program expenses were \$30,901,308.

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

- Water and sewer rates were increased on October 1, 2014, to ensure financial stability of the water and sewer systems. Sewer rates were increased 7.0% across the board, while volumetric water rates were increased by approximately 2%. Base meter charges were increased relative to the size of the meter. The demand for new services due to growth in both residential and business construction and the replacement and/or rehabilitation of aging water and sewer infrastructure required necessary capital investments.
- The surface water conversion fee increased from \$2.10 cents to \$2.70 cents per 1,000 gallons consumed for residential, sprinkler and non-residential customers. This fee was implemented to help transition to treated surface water and is passed through from the San Jacinto River Authority (SJRA).
- Total water accounts increased from 17,265 in September 2014 to 17,812 in September 2015.



**Figure A-4
Expenses and Program Revenues -
Governmental Activities**



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

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

The General Fund is the chief operating fund of the City. At the end of the current year, its unassigned fund balance was \$20,477,898, while the total fund balance reached \$28,569,619. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned and total fund balance to its expenditures. Unassigned fund balance was \$20,477,898, or 35% of total General Fund expenditures. The number of days in unassigned fund balance is 165 days of General Fund expenditures. The General Fund also had nonspendable amounts of \$19,681 for inventories and \$107,430 for prepaid items; restricted amounts of \$161,308 for Court Efficiency, \$57,906 for Juvenile Case Manager, \$3,392 for Truancy Prevention Fund, \$19,927 for Severance Pay 2% Sinking Fund, \$413,679 for Seized Assets, \$526,237 for Red Light Cameras and, \$142,926 for the State Cable Franchise 1% PEG fee; and assigned amounts of \$45,838 for Tree Mitigation Revenue, \$4,418,234 for vehicle and equipment replacement, \$575,163 for General Fund-Balance FY2016 Appropriations and \$1,600,000 for Self-Funded Insurance at year end.

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

- \$1,452,354 in Debt Service, due to increased property tax revenue, \$1,268,121 received from the CIDC for parks and recreation related debt of \$1,342,676, and a transfer of \$2,100,127 from TIRZ#3 for street improvement debt.
- \$1,169,217 in Facilities CIP Fund, which is due to the issuance of Certificate of Obligation bonds.

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 (\$2,304,820). The total increase in net position of \$3,567,327 was largely due an increase in operating revenues, netted against prior period adjustment for net investments in capital assets, as restated for CIDC.

General Fund Budgetary Highlights

During the year, there was a \$6,209,105 increase in appropriations between the original and final amended budget.

Following are the main components of the increase:

- \$166,341 to the Police Patrol Department for down payment of equipment for a radio system upgrade to a digital system (\$90,000) and purchase of new police vehicle equipment (\$76,341).
- \$259,380 to the Red Light Program Department for the increased payment to the State due to increased revenues.
- \$300,000 to the Fire Department to hire and train 27 new firefighters due to the SH 105 West annexation.
- \$236,000 to the Fire Department for the remodel of Fire Station #6.
- \$489,215 to the Non-Departmental Department for The Goodman Corporation contract for grant services (\$67,600) and a transfer to the City's Self-Funded Insurance Fund (\$421,615).
- \$199,991 to the Non-Departmental Department for additional funding for the purchase of vehicles and equipment from ESD #3 and Lake Conroe Fire Department due to the SH 105 West Annexation.
- \$284,076 to the Fire Department for the upgrade of Fire Department radios to P25 Phase II Compliance.
- \$136,518 to the Fire Department for the purchase of a Public Safety Radio System.
- \$140,904 to the Parks Operations Department for improvements to the median at Frazier and Gladstell Street.
- \$325,000 to the Non-Departmental Department for improvements to the Crighton Theatre.
- \$1,445,000 to the Non-Departmental Department to fund the Drennan Road East project in the Streets CIP Fund (\$345,000) and the Dean Towery Service Center Upgrades/Repairs project in the Facilities CIP Fund (\$1,100,000).
- \$268,000 to the Fire Department for the purchase of firefighter equipment and apparatus for the SH 105 West annexation area.
- \$150,000 to the Non-Departmental Department for leasehold interest from the ESD #3 land purchase.
- \$990,341 to the Non-Departmental Department for Red Light Camera Violations receivable write-off.
- \$110,000 to the Warehouse-Purchasing Department for retirement costs of the Purchasing Director.
- \$134,000 to the Red Light Program Department for costs due to the discontinuation of the Red Light Camera Program.

Actual General Fund revenues exceeded original and amended budgeted revenues by \$2,648,899 during FY2015. This increase includes the positive variance of \$1,465,963 for licenses and permits which is primarily due to increased building activity within the City. The revenue budget increase also includes a positive variance of \$737,908 for charges for sales and services primarily from planning and zoning fees.

Total expenditures were lower than budgeted amounts by \$2,478,898 for the fiscal year. This decrease is mainly due to less expenditures for capital outlay than were expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY2015, the City had cumulatively invested \$302,924,670 in a broad range of capital assets, including land, equipment, buildings, infrastructure, and construction in progress. (See Table A-3.) Effective 2015, CIDC is recorded as a discrete component unit and the associated capital assets have been removed from governmental and business-type activities through a prior period adjustment, see Notes to the Financial Statements, item O.

Table A-3
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land and Easements	\$ 13,971,139	\$ 36,328,957	\$ 1,933,880	\$ 1,323,939	\$ 15,905,019	\$ 37,652,896
Construction in Progress	23,528,646	25,263,274	56,096,495	27,214,116	79,625,141	52,477,390
Buildings and Improvements	71,303,877	70,103,840	1,973,847	1,145,823	73,277,724	71,249,663
Machinery and Equipment	28,451,664	24,769,258	12,096,444	11,800,201	40,548,108	36,569,459
Infrastructure	111,691,016	112,851,516	153,591,827	153,878,344	265,282,843	266,729,860
Totals	\$ 248,946,342	\$ 269,316,845	\$ 225,692,493	\$ 195,362,423	\$ 474,638,835	\$ 464,679,268
Total Accumulated Depreciation	\$ (89,235,262)	\$ (82,645,124)	\$ (82,478,903)	\$ (79,408,474)	\$ (171,714,165)	\$ (162,053,598)
Capital Assets, Net	\$ 159,711,080	\$ 186,671,721	\$ 143,213,590	\$ 115,953,949	\$ 302,924,670	\$ 302,625,670

At year end, the City had \$28,229,678 in remaining commitments for ongoing capital projects. These commitments are shown in the following funds:

- Water and Sewer Fund - \$12,194,692
- Facilities CIP Fund - \$12,167,318
- Street Improvements - \$3,732,729
- Parks CIP Fund - \$134,939

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

Long-Term Debt

At year-end the City had \$297,427,541 in long-term debt outstanding (See Table A-4), of which \$229,385,000 is bonded. During the year, the City issued \$14,400,000 in Water & Sewer Revenue Bonds, \$33,370,000 in Refunding Bonds and \$8,795,000 in Certificates of Obligation Bonds. The City's Standard & Poor's credit rating for the Water and Wastewater Revenue Bonds remained unchanged at AA and the General Obligation Bonds also remained unchanged at AA. General bonded debt per capita increased from \$1,597 in 2014 to \$1,617 in 2015. The current ratio of net bonded debt to assessed value of all taxable property is 2.41%. More detailed information about the City's debt is presented in Note F of the basic financial statements.

Effective 2015, CIDC is recorded as a discrete component unit and the associated long-term debt has been removed from governmental activities through a prior period adjustment. The implementation of GASB Statement No. 68 has increased the net pension liabilities for TMRS and Fire R/R, see Notes to the Financial Statements, item O for detail.

Table A-4
Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Capital Leases	\$ 400,827	\$ 458,149	\$ 2,974,909	\$ 3,407,795	\$ 3,375,736	\$ 3,865,944
Bonds Payable, Net	135,705,804	172,569,882	105,404,059	92,995,074	241,109,863	265,564,956
Notes Payable	868,002	971,000	-	-	868,002	971,000
Health Claims Liability	527,897	666,041	-	-	527,897	666,041
OPEB Liability	3,510,055	3,282,187	-	-	3,510,055	3,282,187
Net Pension Liability/TMRS	15,782,675	1,192,254	4,451,524	356,627	20,234,199	1,548,881
Net Pension Liability/Fire R/R	17,721,835	606,000	-	-	17,721,835	606,000
Severance Payable	996,365	1,013,297	-	-	996,365	1,013,297
Compensated Absences	7,527,567	7,005,153	919,233	905,858	8,446,800	7,911,011
Customer Deposits	-	-	636,789	646,735	636,789	646,735
Total Long-Term Debt	\$ 183,041,027	\$ 187,763,963	\$ 114,386,514	\$ 98,312,089	\$ 297,427,541	\$ 286,076,052

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- Appraised value used for the FY2016 budget preparation is up \$1,479,946,195, or 30.6%, from FY2015.
- Sales tax revenue for the City are projected to increase as a result of growth through annexation and increased building activity.
- Spending in the General Fund increases in the FY2016 budget from \$57,983,755 to \$62,076,417. This is a 7.1% increase.

These indicators were taken into account when adopting the General Fund budget for FY2016. Amounts available for appropriation in the General Fund budget are \$63,098,929, a decrease of 4.0% over the final FY2015 budget of \$65,618,210. Property taxes will increase, due to the increasing values, annexations, and new construction. The City will use these increases in revenues to finance new programs, as well as those currently offered.

If these estimates are realized, the City's budgetary General Fund fund balance is expected to decrease by approximately \$516,142 at the close of FY2016. The decrease in the General Fund's fund balance is due to planned capital expenditures.

ANNEXATION AND STRATEGIC PARTNERSHIP AGREEMENTS

The City's annexation of areas along State Highway 105 West, including but not limited to, Montgomery County Utility Districts No. 3 and No. 4 (the "Districts") was completed in FY2015. The City has agreed to (1) pay \$0.05 per \$100 of assessed valuation plus \$60,000 annually to each of the Districts in consideration for services to be provided by the District (i.e., drainage); (2) pay a share of the non-flow related expenses related to the regional sewage treatment plant partly owned by each of the Districts as a reservation fee for 300,000 gallons per day of capacity in the plant reserved for the City by the District; (3) after deliveries of sewage from the City begin, pay a share of other sewage treatment plant expenses; (4) make

payments to the Districts each year from 2015 to 2036, which are designed to cover debt service on the Districts' existing bonds and are designated as consideration for the reservation of capacity in the sewage treatment plant; and (5) make certain payments to Utility District No. 3 to defray part of a lease-purchase obligation previously incurred by that District.

SAN JACINTO RIVER AUTHORITY GROUNDWATER REDUCTION PLAN

The City is a participant in the San Jacinto River Authority (SJRA) Groundwater Reduction Plan (GRP). The SJRA 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.

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, 2015

EXHIBIT A-1

	Primary Government			Component Units	
	Governmental	Business-type	Total	Oscar Johnson, Jr Community Center	Conroe Industrial Development Corporation
	Activities	Activities			
ASSETS					
Pooled Cash and Cash Equivalents	\$ 3,903,444	\$ 1,304,965	\$ 5,208,409	\$ -	\$ 190,256
Non-pooled Cash and Cash Equivalents	14,072	2,011,571	2,025,643	13,039	606,947
Investments	73,711,738	34,067,523	107,779,261	-	13,438,704
Receivables (net of allowances for uncollectibles):					
Property Taxes	766,490	-	766,490	-	-
Gross Receipts Tax	701,682	-	701,682	-	-
Accounts	6	5,305,031	5,305,037	-	-
Interest	88,000	8,916	96,916	-	19,597
Other	863,819	6,116	869,935	4	3
Due from Component Unit	178,933	-	178,933	-	-
Due from Other Governments	7,352,519	-	7,352,519	-	-
Receivables from External Parties	135,484	-	135,484	-	-
Due from Primary Government	-	-	-	-	1,838,097
Prepaid Items	107,430	-	107,430	-	-
Inventories	19,681	670,873	690,554	-	-
Capital Assets:					
Land and Easements	13,971,139	1,933,880	15,905,019	108,770	23,331,197
Buildings and Improvements	71,303,877	1,973,847	73,277,724	1,421,618	26,811
Machinery and Equipment	28,451,664	12,096,444	40,548,108	226,003	-
Infrastructure	111,691,016	153,591,827	265,282,843	-	21,240,096
Construction in Progress	23,528,646	56,096,495	79,625,141	-	11,543,041
Less Accumulated Depreciation	(89,235,262)	(82,478,903)	(171,714,165)	(667,786)	(935,016)
<i>Total Capital Assets (net of depreciation)</i>	<i>159,711,080</i>	<i>143,213,590</i>	<i>302,924,670</i>	<i>1,088,605</i>	<i>55,206,129</i>
TOTAL ASSETS	247,554,378	186,588,585	434,142,963	1,101,648	71,299,733
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charge on Refunding	2,670,757	-	2,670,757	-	81,211
Deferred Outflows for Pensions	4,665,625	833,503	5,499,128	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,336,382	833,503	8,169,885	-	81,211
LIABILITIES					
Current Liabilities:					
Accounts Payable and Other Current Liabilities	10,723,662	9,219,609	19,943,271	59,406	28,894
Unearned Revenue	1,343,698	576,949	1,920,647	-	-
Payable to External Parties	-	-	-	-	-
Due to Primary Government	-	-	-	178,933	-
Due to Component Unit	1,838,097	-	1,838,097	-	-
Accrued Interest Payable	209,204	1,327,473	1,536,677	-	59,768
Noncurrent Liabilities:					
Due within One Year	9,453,127	4,455,584	13,908,711	-	1,110,000
Due in More Than One Year	173,587,900	109,930,930	283,518,830	-	36,187,960
TOTAL LIABILITIES	197,155,688	125,510,545	322,666,233	238,339	37,386,622
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows for Pensions	369,028	104,085	473,113	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	369,028	104,085	473,113	-	-
NET POSITION					
<i>Net Investment in Capital Assets</i>	<i>53,413,374</i>	<i>43,883,640</i>	<i>97,297,014</i>	<i>1,088,605</i>	<i>17,989,380</i>
Restricted for:					
<i>Debt Service</i>	<i>12,178,899</i>	<i>5,455,067</i>	<i>17,633,966</i>	<i>-</i>	<i>3,329,663</i>
<i>Other Purposes</i>	<i>3,290,940</i>	<i>-</i>	<i>3,290,940</i>	<i>-</i>	<i>-</i>
<i>Unrestricted</i>	<i>(11,517,169)</i>	<i>12,468,751</i>	<i>951,582</i>	<i>(225,296)</i>	<i>12,675,279</i>
TOTAL NET POSITION	\$ 57,366,044	\$ 61,807,458	\$ 119,173,502	\$ 863,309	\$ 33,994,322

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, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
General Government	\$ 15,956,134	\$ 3,588,771	\$ 1,860,483
Finance	1,654,077	-	-
Public Safety	36,628,246	2,746,233	595,556
Parks	7,227,345	1,279,923	-
Public Works	10,252,452	1,256,432	2,601,443
Debt Service:			
Interest and Fiscal Charges	5,079,185	-	-
Total Governmental Activities	<u>76,797,439</u>	<u>8,871,359</u>	<u>5,057,482</u>
		-	-
Business-type Activities:			
Water and Sewer	29,304,349	30,034,855	-
Fleet Services	1,596,959	1,852,780	-
Total Business-type Activities	<u>30,901,308</u>	<u>31,887,635</u>	<u>-</u>
Total Primary Government	<u>\$ 107,698,747</u>	<u>\$ 40,758,994</u>	<u>\$ 5,057,482</u>
COMPONENT UNITS:			
Oscar Johnson, Jr. Community Center	\$ 1,197,056	\$ 654,966	\$ -
Conroe Industrial Development Corporation	<u>\$ 5,841,161</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

- Property Taxes
- In Lieu of Taxes
- Gross Receipts Tax
- Sales and Other Taxes
- Hotel Occupancy Taxes
- Mixed Beverage Taxes
- Miscellaneous
- Donations
- Grants and Contributions Not Restricted to Specific Programs
- Unrestricted Investment Earnings
- Gain (Loss) on Investments

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position - Beginning, as restated

Net Position - Ending

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

EXHIBIT A-2

Net (Expense) Revenue and Changes in Net Position			Component Units	
Governmental Activities	Business-type Activities	Total	Oscar Johnson Jr. Community Center	Conroe Industrial Development Corporation
\$ (10,506,880)	\$ -	\$ (10,506,880)	\$ -	\$ -
(1,654,077)	-	(1,654,077)	-	-
(33,286,457)	-	(33,286,457)	-	-
(5,947,422)	-	(5,947,422)	-	-
(6,394,577)	-	(6,394,577)	-	-
(5,079,185)	-	(5,079,185)	-	-
(62,868,598)	-	(62,868,598)	-	-
-	730,506	730,506	-	-
-	255,821	255,821	-	-
-	986,327	986,327	-	-
(62,868,598)	986,327	(61,882,271)	-	-
			(542,090)	(5,841,161)
20,045,759	-	20,045,759	-	-
592,302	-	592,302	-	-
5,794,059	-	5,794,059	-	-
32,013,059	-	32,013,059	-	10,671,020
1,237,267	-	1,237,267	-	-
272,002	-	272,002	-	-
1,807,243	563,412	2,370,655	7	397,618
167,455	-	167,455	6,900	-
1,145,225	6,612,682	7,757,907	472,262	-
132,911	28,576	161,487	-	9,719
18,778	(695)	18,083	-	11,732
(1,002,698)	1,002,698	-	-	-
62,223,362	8,206,673	70,430,035	479,169	11,090,089
(645,236)	9,193,000	8,547,764	(62,921)	5,248,928
88,136,749	57,971,407	146,108,156	848,102	23,624,933
(30,125,469)	(5,356,949)	(35,482,418)	78,128	5,120,461
58,011,280	52,614,458	110,625,738	926,230	28,745,394
\$ 57,366,044	\$ 61,807,458	\$ 119,173,502	\$ 863,309	\$ 33,994,322

CITY OF CONROE, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund	Debt Service Fund
ASSETS		
Pooled Cash and Cash Equivalents	\$ 3,254,678	\$ -
Non-pooled Cash and Cash Equivalents	4,505	-
Investments	23,456,511	12,707,716
Receivable (Net of Allowances for Uncollectibles):		
Property Taxes	456,217	310,273
Gross Receipts Tax	701,682	-
Accounts	-	-
Interest	63,092	18,116
Other	129,539	-
Due from Other Funds	1,376,875	-
Due from Other Governments	7,352,519	-
Prepaid Items	107,430	-
Inventories	19,681	-
TOTAL ASSETS	\$ 37,101,662	\$ 13,036,105
LIABILITIES		
Accounts Payable	\$ 2,668,341	\$ 5,188
Accrued Expenditures/Expenses	2,300,464	-
Retainage Payable	-	-
Due to Other Funds	50,327	642,814
Due to Component Unit	1,838,097	-
Customer Deposits	-	-
Unearned Revenue	1,341,352	-
TOTAL LIABILITIES	8,198,581	648,002
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue-Property Taxes	333,462	303,355
TOTAL DEFERRED INFLOWS OF RESOURCES	333,462	303,355
FUND BALANCES		
Nonspendable:		
Prepaid Items	107,430	-
Inventories	19,681	-
Restricted for:		
Court Efficiency	161,308	-
Juvenile Case Manager	57,906	-
Truancy Prevention Fund	3,392	-
Severance Pay 2% Sinking Fund	19,927	-
Seized Assets	413,679	-
Red Light Cameras	526,237	-
State Cable Franchise 1% PEG Fee	142,926	-
Debt Service	-	12,084,748
Capital Project Funds	-	-
Special Revenue Funds	-	-
Committed for:		
TIRZ #2-Property Tax Receipts	-	-
TIRZ #3-Property Tax Receipts	-	-
Conroe Tower-Lease Income	-	-
Owen Theatre-Ticket Sales	-	-
Woodlands Township Reg. Participation	-	-
Assigned to:		
Tree Mitigation Revenue	45,838	-
Equipment Replacement	4,418,234	-
Fund Balance FY2016 Appropriations	575,163	-
Self-Funded Insurance	1,600,000	-
Unassigned	20,477,898	-
TOTAL FUND BALANCES	28,569,619	12,084,748
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 37,101,662	\$ 13,036,105

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

EXHIBIT A-3

Street Improvements Fund	Facilities CIP Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 47,642	\$ 92,711	\$ 508,413	\$ 3,903,444
-	-	9,567	14,072
9,856,417	18,843,046	8,497,173	73,360,863
-	-	-	766,490
-	-	-	701,682
-	-	6	6
2,974	1,922	1,618	87,722
159,373	-	561,684	850,596
-	-	50,327	1,427,202
-	-	-	7,352,519
-	-	-	107,430
-	-	-	19,681
<u>\$ 10,066,406</u>	<u>\$ 18,937,679</u>	<u>\$ 9,628,788</u>	<u>\$ 88,770,640</u>
\$ 2,372,672	\$ 1,380,185	\$ 813,533	\$ 7,239,919
-	-	526,118	2,826,582
135,953	437,127	66,392	639,472
-	-	343,900	1,037,041
-	-	-	1,838,097
-	-	10,517	10,517
-	-	2,345	1,343,697
<u>2,508,625</u>	<u>1,817,312</u>	<u>1,762,805</u>	<u>14,935,325</u>
-	-	-	636,817
-	-	-	636,817
-	-	-	107,430
-	-	-	19,681
-	-	-	161,308
-	-	-	57,906
-	-	-	3,392
-	-	-	19,927
-	-	-	413,679
-	-	-	526,237
-	-	-	142,926
-	-	-	12,084,748
7,557,781	17,120,367	4,529,551	29,207,699
-	-	1,965,565	1,965,565
-	-	11	11
-	-	878,632	878,632
-	-	350,164	350,164
-	-	43,738	43,738
-	-	98,322	98,322
-	-	-	45,838
-	-	-	4,418,234
-	-	-	575,163
-	-	-	1,600,000
-	-	-	20,477,898
<u>7,557,781</u>	<u>17,120,367</u>	<u>7,865,983</u>	<u>73,198,498</u>
<u>\$ 10,066,406</u>	<u>\$ 18,937,679</u>	<u>\$ 9,628,788</u>	<u>\$ 88,770,640</u>



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

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015*

Total Fund Balances - Governmental Funds (Exhibit A-3) \$ 73,198,498

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

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

Governmental Capital Assets Costs	\$ 248,946,342	
Accumulated Depreciation of Governmental Capital Assets	<u>(89,235,262)</u>	159,711,080

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.	636,816
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items consist of:

Bonds Payable, at Original Par	\$ (128,305,000)	
Premiums/Discounts on Bonds Payable	(7,400,804)	
Deferred Charge on Refunding	2,670,757	
Accrued Interest on Bonds	(209,204)	
Capital Lease Payable	(400,827)	
Notes Payable	(868,002)	
Net Pension Liability - TMRS	(15,782,675)	
Net Pension Liability - Firefighters' Retirement	(17,721,835)	
Deferred Outflows for Pensions	4,665,625	
Deferred Inflows for Pensions	(369,028)	
Severance Benefits	(996,365)	
Compensated Absences	<u>(7,527,567)</u>	(172,244,925)

The Self Funded Insurance internal service fund is used by the City to charge the costs of health insurance to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	<u>(3,935,425)</u>
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Total Net Position - Governmental Activities (Exhibit A-1) \$ 57,366,044

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

CITY OF CONROE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Debt Service Fund
REVENUES		
Taxes	\$ 50,585,339	\$ 8,068,668
Licenses and Permits	3,336,634	-
Charges for Sales and Services	2,573,767	-
Lease Income	89,332	-
Fines and Forfeitures	2,595,380	-
Intergovernmental	2,120,974	-
Investment Income	72,864	15,746
Gain (Loss) on Investment	8,813	12,070
Penalties and Interest	73,555	55,702
Other	478,448	1,356,404
TOTAL REVENUES	61,935,106	9,508,590
EXPENDITURES		
Current:		
General Government	-	7,799
Administration	1,189,267	-
Legal	489,899	-
Municipal Court	1,101,712	-
CDBG	270,216	-
Warehouse/Purchasing	572,814	-
Information Technology	1,862,692	-
Human Resources	696,023	-
Non-Departmental	5,984,500	-
Finance	1,540,445	-
Public Safety		
Police	18,245,239	-
Fire	13,201,843	-
Parks		
Parks and Recreation Administration	511,707	-
Recreation Center	1,578,618	-
Aquatic Center	1,326,360	-
Parks Operations	1,622,582	-
Public Works		
Community Development	1,448,142	-
Drainage Maintenance	483,441	-
Streets	3,164,682	-
Signal Maintenance	743,920	-
Engineering	2,192,096	-
Debt Service:		
Principal Retirement	57,322	5,140,000
Interest and Fiscal Charges	17,856	4,590,687
Bond Issuance Costs	-	442,496
Capital Outlay	4,837,936	-
TOTAL EXPENDITURES	63,139,312	10,180,982
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,204,206)	(672,392)
OTHER FINANCING SOURCES (USES)		
Issuance of Refunding Bonds	-	33,370,000
Issuance of Certificates of Obligation	-	-
Payment to Escrow Agent	-	(36,111,136)
Premium on Issuance of Bonds	-	2,765,755
Transfers In	136,110	2,100,127
Transfers Out	(3,694,411)	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,558,301)	2,124,746
Net Change in Fund Balances	(4,762,507)	1,452,354
Fund Balances at Beginning of Year	32,817,192	10,632,394
Prior Period Adjustment	514,934	-
FUND BALANCES AT END OF YEAR	\$ 28,569,619	\$ 12,084,748

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

Street Improvements Fund	Facilities CIP Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,237,267	\$ 59,891,274
-	-	-	3,336,634
-	-	-	2,573,767
-	-	276,246	365,578
-	-	-	2,595,380
1,326,906	-	2,754,827	6,202,707
13,379	12,962	15,203	130,154
340	1,110	(3,795)	18,538
-	-	504	129,761
-	14,069	267,716	2,116,637
<u>1,340,625</u>	<u>28,141</u>	<u>4,547,968</u>	<u>77,360,430</u>
-	33,802	2,626,596	2,668,197
-	-	-	1,189,267
-	-	-	489,899
-	-	-	1,101,712
-	-	-	270,216
-	-	-	572,814
-	-	-	1,862,692
-	-	-	696,023
-	-	-	5,984,500
-	-	-	1,540,445
-	-	-	18,245,239
-	-	-	13,201,843
-	-	-	511,707
-	-	-	1,578,618
-	-	-	1,326,360
-	-	-	1,622,582
-	-	-	1,448,142
-	-	-	483,441
-	-	-	3,164,682
-	-	-	743,920
-	-	-	2,192,096
-	-	102,998	5,300,320
-	-	54,098	4,662,641
16,059	37,764	24,087	520,406
<u>9,971,216</u>	<u>9,206,217</u>	<u>3,719,702</u>	<u>27,735,071</u>
<u>9,987,275</u>	<u>9,277,783</u>	<u>6,527,481</u>	<u>99,112,833</u>
<u>(8,646,650)</u>	<u>(9,249,642)</u>	<u>(1,979,513)</u>	<u>(21,752,403)</u>
-	-	-	33,370,000
1,812,925	4,262,688	2,719,387	8,795,000
-	-	-	(36,111,136)
15,940	37,478	23,909	2,843,082
4,711,431	6,584,000	3,542,048	17,073,716
<u>(6,976,146)</u>	<u>(465,307)</u>	<u>(7,362,165)</u>	<u>(18,498,029)</u>
<u>(435,850)</u>	<u>10,418,859</u>	<u>(1,076,821)</u>	<u>7,472,633</u>
(9,082,500)	1,169,217	(3,056,334)	(14,279,770)
16,640,281	15,951,150	11,437,251	87,478,268
-	-	(514,934)	-
<u>\$ 7,557,781</u>	<u>\$ 17,120,367</u>	<u>\$ 7,865,983</u>	<u>\$ 73,198,498</u>

CITY OF CONROE, TEXAS**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Total Net Change in Fund Balances - Governmental Funds (Exhibit A-5) **\$ (14,279,770)**

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

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

Capital Assets <i>increased</i>	\$ 27,781,405	
Depreciation Expense	<u>(8,593,856)</u>	19,187,549

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position. (158,706)

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. (66,083)

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

Par Value	\$ (42,165,000)	
(Premium) Discount	<u>(2,843,082)</u>	(45,008,082)

Payment to the escrow agent to refund bonds from refunding proceeds reduces long-term liabilities. 36,111,136

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 5,140,000

Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 57,322

Repayment of notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 102,998

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The (increase) decrease in interest reported in the statement of activities consists of the following:

Accrued Interest on Current Interest Bonds Payable (<i>increase</i>) <i>decrease</i>	\$ (44,157)	
Amortization of Bond Premium/Discount	269,664	
Amortization of Deferred Amount on Refunding	<u>(121,645)</u>	103,862

An internal service fund (Self Funded Insurance Fund) is used by the City to charge the costs of health insurance benefits to the individual funds. The net activity of the internal service fund was reported in the government-wide statements. (915,395)

The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. (457,512)

The (increase) decrease in net pension liability for firefighters' retirement is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. (2,665,676)

The (increase) decrease in net pension liability for TMRS is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. 105,020

The increase (decrease) of deferred outflows for firefighters pension		1,710,480
The increase (decrease) of deferred outflows for TMRS pension		739,717
The (increase) decrease of deferred inflows for TMRS pension		<u>(369,028)</u>

The (increase) decrease in severance benefits is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. 16,932

Change in Net Position - Governmental Activities (Exhibit A-2) **\$ (645,236)**

The accompanying notes are an integral part of this statement.

CITY OF CONROE, TEXAS

EXHIBIT A-7

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET (GAAP BASIS) AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 48,764,789	\$ 50,427,535	\$ 50,585,339	\$ 157,804
Licenses and Permits	1,870,671	1,870,671	3,336,634	1,465,963
Charges for Sales and Services	1,835,859	1,835,859	2,573,767	737,908
Lease Income	54,760	54,760	89,332	34,572
Fines and Forfeitures	2,456,813	2,935,138	2,595,380	(339,758)
Intergovernmental	1,910,122	1,868,080	2,120,974	252,894
Investment Income	58,356	58,356	72,864	14,508
Gain (Loss) on Investment	-	-	8,813	8,813
Penalties and Interest	63,865	63,865	73,555	9,690
Other	131,943	171,943	478,448	306,505
TOTAL REVENUES	57,147,178	59,286,207	61,935,106	2,648,899
EXPENDITURES				
Current:				
General Government				
Administration	1,080,900	1,095,900	1,189,267	(93,367)
Legal	564,193	564,193	489,899	74,294
Municipal Court	1,133,337	1,148,043	1,101,712	46,331
CDBG	260,599	260,599	270,216	(9,617)
Warehouse/Purchasing	468,134	578,134	572,814	5,320
Information Technology	1,879,835	1,892,835	1,862,692	30,143
Human Resources	796,836	796,836	696,023	100,813
Non-Departmental	5,999,675	6,822,747	5,984,500	838,247
Finance	1,466,529	1,564,227	1,540,445	23,782
Public Safety				
Police	17,379,617	18,004,632	18,245,239	(240,607)
Fire	12,490,109	13,655,685	13,201,843	453,842
Parks				
Parks and Recreation Administration	443,512	408,512	511,707	(103,195)
Recreation Center	1,358,847	1,403,647	1,578,618	(174,971)
Aquatic Center	1,346,962	1,346,962	1,326,360	20,602
Parks Operations	1,605,715	1,637,756	1,622,582	15,174
Public Works				
Community Development	1,601,814	1,625,814	1,448,142	177,672
Drainage Maintenance	798,875	798,875	483,441	315,434
Streets	2,877,874	2,877,874	3,164,682	(286,808)
Signal Maintenance	668,060	668,060	743,920	(75,860)
Engineering	2,513,324	2,513,324	2,192,096	321,228
Debt Service:				
Principal Retirement	57,322	57,322	57,322	-
Interest and Fiscal Charges	17,856	17,856	17,856	-
Capital Outlay	2,599,180	5,878,377	4,837,936	1,040,441
TOTAL EXPENDITURES	59,409,105	65,618,210	63,139,312	2,478,898
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(2,261,927)	(6,332,003)	(1,204,206)	5,127,797
OTHER FINANCING SOURCES (USES)				
Transfers In	10,891	136,110	136,110	-
Transfers Out	(3,029,968)	(3,519,183)	(3,694,411)	(175,228)
TOTAL OTHER FINANCING SOURCES (USES)	(3,019,077)	(3,383,073)	(3,558,301)	(175,228)
Net Change in Fund Balance	(5,281,004)	(9,715,076)	(4,762,507)	4,952,569
Fund Balance at Beginning of Year	32,817,192	32,817,192	32,817,192	-
Prior Period Adjustment	-	-	514,934	514,934
FUND BALANCE AT END OF YEAR	\$ 27,536,188	\$ 23,102,116	\$ 28,569,619	\$ 5,467,503

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

CITY OF CONROE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015

EXHIBIT A-8

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
ASSETS		
Current Assets:		
Pooled Cash and Cash Equivalents	\$ 1,147,362	\$ 157,603
Non-pooled Cash and Cash Equivalents	2,011,571	-
Investments	33,754,236	664,162
Receivables (Net of Allowances for Uncollectibles):		
Accounts	5,305,031	-
Interest	8,911	283
Other	6,116	13,223
Receivables from External Parties	-	135,484
Inventories	622,229	48,644
Total Current Assets	42,855,456	1,019,399
Noncurrent Assets:		
Capital Assets (Net of Accumulated Depreciation)	143,213,590	-
Total Noncurrent Assets	143,213,590	-
TOTAL ASSETS	186,069,046	1,019,399
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows for Pensions	833,503	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	833,503	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	7,323,561	29,667
Due to Other Funds	-	390,161
Retainage Payable	1,482,310	-
Accrued Expenditures/Expenses	357,416	33,827
Health Claims Liability	-	527,897
Compensated Absences	13,816	1,548
Customer Deposits	350,234	-
Unearned Revenue	576,949	-
Capital Lease	449,986	-
Accrued Interest Payable	1,327,473	-
Revenue Bonds Payable	3,640,000	-
Total Current Liabilities	15,521,745	983,100
Noncurrent Liabilities, net of current portion		
Compensated Absences	815,771	88,098
OPEB Liability	-	3,510,055
Net Pension Liability	4,451,524	-
Customer Deposits	286,555	-
Capital Lease	2,524,923	-
Revenue Bonds, Net	101,764,059	-
Total Noncurrent Liabilities	109,842,832	3,598,153
TOTAL LIABILITIES	125,364,577	4,581,253
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows for Pensions	104,085	-
TOTAL DEFERRED INFLOWS OF RESOURCES	104,085	-
NET POSITION		
Net Investment in Capital Assets	58,283,640	-
Restricted for Debt Service	5,455,067	-
Unrestricted	(2,304,820)	(3,561,854)
TOTAL NET POSITION	\$ 61,433,887	\$ (3,561,854)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	373,571	
Net Position of Business-type Activities (Exhibit A-1)	\$ 61,807,458	

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

CITY OF CONROE, TEXAS**EXHIBIT A-9**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION – PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
OPERATING REVENUES		
Charges for Sales and Services	\$ 30,034,855	\$ 8,340,303
TOTAL OPERATING REVENUES	<u>30,034,855</u>	<u>8,340,303</u>
OPERATING EXPENSES		
Public Works	11,458,106	1,596,959
Utility Billing and Collection	814,017	-
Water Conservation	49,890	-
Water Production	3,757,008	-
Sewage Treatment	2,938,333	-
Project Construction	1,290,182	-
Pump and Motor Maintenance	1,014,056	-
General Government	-	7,827,530
Depreciation	4,355,607	-
TOTAL OPERATING EXPENSES	<u>25,677,199</u>	<u>9,424,489</u>
Operating Income (Loss)	<u>4,357,656</u>	<u>(1,084,186)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	28,422	2,911
Gain (Loss) on Investment	(695)	240
Other Income	7,176,094	-
Interest Expense	(3,598,229)	-
Bond Issuance Costs	(28,921)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>3,576,671</u>	<u>3,151</u>
Income (Loss) Before Transfers	<u>7,934,327</u>	<u>(1,081,035)</u>
Transfers In	1,145,967	421,615
Transfers Out	(134,631)	(8,638)
NET TRANSFERS	<u>1,011,336</u>	<u>412,977</u>
Change in Net Position	8,945,663	(668,058)
Net Position at Beginning of Year	57,866,560	(2,915,183)
Prior Period Adjustment	(5,378,336)	21,387
NET POSITION AT END OF YEAR	<u>\$ 61,433,887</u>	<u>\$ (3,561,854)</u>
Change in Net Position	\$ 8,945,663	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>247,337</u>	
Change in Net Position of Business-type Activities (Exhibit A-2)	<u>\$ 9,193,000</u>	

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



CITY OF CONROE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT A-10

	Enterprise Fund Water and Sewer Fund	Internal Service Funds
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 28,562,167	\$ 1,853,831
Cash Received from External Parties	-	98,121
Cash Received from Employees	-	559,586
Cash Received from Other Funds	-	5,787,178
Cash Received from Customer Deposits	920,627	
Cash Payments to Employees for Services	(5,134,908)	(652,345)
Cash Payments to Other Suppliers for Goods and Services	(12,563,236)	(2,287,030)
Cash Payments for Loss Claims	-	(5,991,969)
Cash Payments for Return of Customer Deposits	(930,573)	
Net Cash Provided by (Used for) Operating Activities	<u>10,854,077</u>	<u>(632,628)</u>
Cash Flows from Non-Capital Financing Activities:		
Transfer To Other Funds	(44,631)	412,977
Transfer From Other Funds	1,055,967	-
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>1,011,336</u>	<u>412,977</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from Revenue Bonds	14,400,000	-
Proceeds from Sale of Capital Assets	436,759	-
Proceeds from Bond Premium	1,132,195	-
Intergovernmental Reimbursements	7,008,975	-
Principal and Interest Paid	(6,769,816)	-
Acquisition or Construction of Capital Assets	(32,896,136)	-
Bond Issue Expense	(207,131)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(16,895,154)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Purchase of Investment Securities	(25,764,038)	273,618
Proceeds from Sale and Maturities of Securities	32,823,102	3,150
Interest and Dividends on Investments	31,316	-
Net Cash Provided by (Used for) Investing Activities	<u>7,090,380</u>	<u>276,768</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,060,639	57,117
Cash and Cash Equivalents at Beginning of Year	1,059,007	100,486
Cash and Cash Equivalents at End of Year	<u>\$ 3,119,646</u>	<u>\$ 157,603</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Operating Income (Loss)	\$ 4,357,656	\$ (1,084,186)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Depreciation	4,355,607	-
Changes in Assets and Liabilities:		
Decrease (Increase) in Receivables	(1,641,429)	(4,230)
Decrease (Increase) in Other Receivables	(2,920)	-
Decrease (Increase) from External Parties	-	(37,363)
Decrease (Increase) in Inventories	316,565	(6,560)
Decrease (Increase) in Deferred Outflows	(833,503)	-
Increase (Decrease) in Accounts Payable	3,395,651	662
Increase (Decrease) in Due to Other Funds	-	390,161
Increase (Decrease) in Compensated Absences	2,531	10,844
Increase (Decrease) in Accrued Expenses	42,876	(129,824)
Increase (Decrease) of Customer Deposits	(9,946)	-
Increase (Decrease) in Unearned Revenue	171,661	-
Increase (Decrease) in OPEB Liability	-	227,868
Increase (Decrease) in Net Pension Liability/TMRS	595,243	-
Increase (Decrease) in Deferred Inflows	104,085	-
Total Adjustments	<u>6,496,421</u>	<u>451,558</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 10,854,077</u>	<u>\$ (632,628)</u>

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

CITY OF CONROE, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2015

EXHIBIT A-11

	City of Conroe OPEB Trust Fund
ASSETS	
Pooled Cash and Cash Equivalents	\$ 282,684
Investments, at fair value:	
Stable Value/PARS Fund	3,008,870
Receivables (Net of Allowances for Uncollectibles):	
Other	<u>5</u>
TOTAL ASSETS	<u>3,291,559</u>
LIABILITIES	
Payable to External Parties	<u>135,484</u>
TOTAL LIABILITIES	<u>135,484</u>
NET POSITION	
Assets Held in Trust for OPEB	<u>3,156,075</u>
TOTAL NET POSITION	<u>\$ 3,156,075</u>

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

CITY OF CONROE, TEXAS**EXHIBIT A-12****STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	City of Conroe OPEB Trust Fund
ADDITIONS	
Contributions:	
Employer Contributions	\$ 1,471,512
Investment Earnings:	
Investment Income	146,810
Gain (Loss) on Investment	(185,988)
TOTAL ADDITIONS	<u>1,432,334</u>
DEDUCTIONS	
Benefits and Refunds Paid to Members and Beneficiaries	<u>597,753</u>
TOTAL DEDUCTIONS	<u>597,753</u>
Change in Net Position	834,581
Net Position at Beginning of the Year	<u>2,321,494</u>
NET POSITION AT END OF YEAR	<u><u>\$ 3,156,075</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, 2015

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The City's combined financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 61 "The Financial Reporting Entity," include whether:

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

BLENDED COMPONENT UNIT

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

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

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 expend the proceeds of any sales and use taxes levied for the City's benefit in order to promote economic development. Directors are appointed by the governing body of the City. The CIDC does not issue separate financial statements.

RELATED ORGANIZATIONS

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

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2015

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

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

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

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

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

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

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

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

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

2. Implementation of New Standards

In fiscal year 2015, the City adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*
- Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Government Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*

Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts) in which:

1. Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
2. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
3. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trust funds in the financial statements of another government, and

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. Distinctions are made regarding the particular presentation requirements depending upon the type of pension plan administered. For defined contribution plans, the Statement provides specific note disclosure requirements.

The adoption of Statement No. 67 has no impact on the City's financial statements.

Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the City's governmental fund financial statements, which continue to report expenditures in the contribution amount determined annually by the actuary for TMRS or based on TLFFRA requirements for the Conroe Fire Fighters' Relief and Retirement Fund. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the City's beginning net position for the fiscal year 2014 government-wide and proprietary fund financial statements to reflect the reporting of net pension liability and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement. Net position as of October 1, 2014, was decreased by \$17,528,548 to reflect the cumulative effect of adoption. The net pension liability of \$20,368,840 and the deferred outflows of resources of \$2,840,292 at September 30, 2014, were reported as a prior period adjustment to the net position on October 1, 2014, for the TMRS pension plan. Net position as of October 1, 2014, was decreased by \$15,056,159, to reflect the cumulative effect of adoption. The net pension liability of \$15,056,159 on September 30, 2014 was reported as a prior period adjustment to the net position on October 1, 2014, for the Conroe Fire Fighters' Relief and Retirement Fund. Refer to Note J for more information regarding the City's pensions.

Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services.

There was no impact on the City's financial statements as a result of the implementation of Statement No. 69.

Statement No. 70 was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed

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obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

There was no impact on the City's financial statements as a result of the implementation of Statement No. 70.

Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognizes a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different from the City's fiscal year-end, the effects from the City's reported contributions to the plan subsequent to the respective measurement date of the plan as an increase in deferred outflow of resources and a decrease in net position are as follows:

TMRS – The beginning deferred outflow includes contributions from January 1, 2014 through September 30, 2014, totaling \$2,840,292.

3. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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The City reports the following *major governmental funds*:

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

Debt Service Fund. This fund is used to account for the accumulation of resources and payment of general obligation bonds, contractual obligations, and certificates of obligation. The primary source of revenue is property taxes. Other sources of revenue include 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.

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

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

The City reports the following *major proprietary fund*:

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

The City reports the following *internal service funds*:

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

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

The City reports the following *fiduciary fund*:

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

Government-wide Financial Statements:

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

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Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property and sales taxes. Property tax revenues and revenues received from Federal and State governments are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt and claims and judgments which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

a. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City only has two items that qualify for reporting in this category. They are the deferred charge on refunding and deferred outflows for pensions reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflow for pensions results from the difference in projected and actual earnings on plan investments and the effects of actuarial differences and changes in assumptions. The plan's investment earnings difference is amortized over 5 years and the actuarial differences and changes in assumptions is amortized over a period equal to the average of the expected remaining service lives of all employees.

In addition to the liabilities, the Statement of Net Position and the balance sheet – governmental funds 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 or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two items that qualifies for reporting in this category, unavailable revenue and deferred inflows for pensions, which arises under the modified accrual basis of accounting and the accrual basis of accounting, respectively. Accordingly, the item, *unavailable revenue – property taxes*, is reported only in the governmental funds balance sheet under the modified accrual basis of accounting. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. Deferred inflow for pensions, arises only under the accrual basis of accounting and results from the difference in projected and actual earnings on plan investments and the effects of actuarial differences and changes in assumptions. The plan's investment earnings difference is amortized over 5 years and the actuarial differences and changes in assumptions is amortized over a period equal to the average of the expected remaining service lives of all employees.

b. Net Position Flow Assumption

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

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

c. Fund Balance Flow Assumptions

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

d. 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.

5. Financial Statement Amounts

a. Cash and Investments

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

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

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

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

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

b. Property Taxes

Property taxes attach as an enforceable lien on property on February 1. Taxes are levied and become payable on October 1. The Montgomery County Tax Assessor-Collector is responsible for billing and collecting City property taxes. City property tax revenues are recognized when levied to the extent that they result in current receivables. The combined current tax rate to finance general governmental services and payment of principal and interest on long-term debt for the year ended September 30, 2015, was \$0.4200 per \$100, allocated \$0.2500 for the General Fund and \$0.1700 for the Debt Service Fund. The tax rate for the year ended September 30, 2014, was \$0.4200 per \$100, which was allocated \$0.2500 to the General Fund and \$0.1700 to the Debt Service Fund. However, not all outstanding property taxes are expected to be collected within one year of the financial statements.

c. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded when purchased rather than when consumed.

d. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized cost of the assets constructed. During the year ended September 30, 2015, no interest was capitalized by the City.

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

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

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e. Receivable and Payable Balances

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

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

f. Compensated Absences

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

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

g. Interfund Activity

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

h. Use of Estimates

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

i. Fund Balances

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.

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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.

6. Budgetary Control

a. Budgetary Information

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

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

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

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are 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, 2015, expenditures exceeded appropriations in the following departments (the legal level of budgetary control):

- (1) Administration department of the General Fund by \$93,367. These over expenditures were funded by fund balance.
- (2) CDBG department of the General Fund by \$9,617. These over expenditures were funded by fund balance.

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- (3) Police department of the General Fund by \$240,607. These over expenditures were funded by fund balance.
- (4) Parks and Recreation Administration department of the General Fund by \$103,195. These over expenditures were funded by fund balance.
- (5) Recreation Center department of the General Fund by \$174,971. These over expenditures were funded by fund balance.
- (6) Streets department of the General Fund by \$286,808. These over expenditures were funded by under spending within the department's capital budget.
- (7) Signal Maintenance department of the General Fund by \$75,860. These over expenditures were funded by fund balance.

B. Compliance and Accountability

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

The Self-Funded Insurance Fund had a deficit fund net position of (\$3,935,425) at September 30, 2015. Exclusive of the City's OPEB liability of \$3,510,055, the City would recognize a negative net position of only (\$425,370).

Effective January 2016, the City offers an HMO plan (Kelsey Care) as an alternative to the Health Savings Account Plan (HSA) and a Buy-Up plan with the current insurance carrier. The City also increased employee and dependent premiums for medical and dental insurance, as well as retiree premiums for medical insurance. The City also increased the employer contribution for employee insurance. Based on calculations performed by our insurance advisors, the Self-Funded Insurance Fund's current year deficit is expected to be reduced to approximately \$32,000.

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

<u>Description</u>	<u>Government- Wide</u>	<u>Fund</u>	<u>Difference</u>	<u>Remarks</u>
Total Assets	\$ 186,588,585	\$ 186,069,046	\$ 519,539	Due to Other funds shown in Government-wide as reduction in Assets instead of a Liability and inclusion of Fleet Services Assets in the Government-wide level and not at Fund level.
Total Liabilities	\$ 125,510,545	\$ 125,364,577	\$ 145,968	Due to Other funds shown in Government-wide as reduction in Assets instead of a Liability and inclusion of Fleet Services Liabilities in the Government-wide level and not at Fund level.

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C. Deposits and Investments

As of September 30, 2015 the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 27,759,038	25.76%	AAAm	-
TexSTAR	24,287,612	22.53%	AAAm	-
Texas CLASS	23,897,762	22.17%	AAAm	-
Insured Deposit Portal (IDP)	1,261,213	1.17%	AA+	-
U.S. Government Securities, Long-term	12,012,940	11.15%	AA+	1.81
Municipal Securities, Long-term	6,489,584	6.02%	AA-	2.02
U.S. Government Securities, Short-term	12,046,090	11.18%	AA+	0.79
Municipal Securities, Short-term	-	0.00%	N/A	-
Money Market	25,021	0.02%	AAAm	-
Total Fair Value	<u>\$ 107,779,260</u>	<u>100.00%</u>		
Portfolio Weighted Average Maturity				<u>0.41</u>

Interest rate risk. In compliance with the City's Investment Policy, as of September 30, 2015, the City minimized the interest rate risk, related to current events market turmoil in the portfolio by: limiting the effective duration of security types not to exceed three years; structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act; and investing operating funds primarily in short-term securities, money market funds, or similar government investment pools. TexPool, TexSTAR, and TexasCLASS operate in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940. The Insured Deposit Portal ("IDP") invests funds in various well-capitalized banks in amounts that are covered by FDIC insurance. The City's investment policy is to concentrate its portfolio in short-term securities in order to limit principal risk caused by changes in interest rates. The maximum dollar-weighted average maturities for the entire portfolio shall be limited to 365 days unless the securities are being held for long-term goals.

Credit Risk. In compliance with the City's Investment Policy, as of September 30, 2015, the City minimized credit risk losses due to default of a security issuer or backer by:

- limiting investments to the safest types of securities;
- investing in a money market mutual fund (Wells Fargo Advantage Government Money Market Fund) and local government investment pools (TexPool, TexSTAR, and TexasCLASS) that were rated AAAm by Standard and Poor's;
- purchasing investments in obligations of the United States of America, its agencies or instrumentalities;
- purchasing commercial paper investments that were rated A-1, P-1 or equivalent by at least two nationally recognized credit rating agencies;
- pre-qualifying the financial institutions and broker/dealers with which the City will do business; and
- diversifying the investment portfolio so that potential losses on individual securities were minimized.

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

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. The City's Investment Policy provides that, consistent with the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all uninsured City funds on deposit with a depository bank, other than investments. The City's deposits were fully insured or collateralized as required by the state statutes and the City's investment policy. At year-end, the carrying amounts of the City's deposits were \$7,516,738. Of the total bank balance of \$9,388,349 (including CIDC deposits), demand deposits of \$6,919,442 (including CIDC deposits) held in the depository bank are collateralized by the City's 3rd party custodian, BBVA Compass and \$2,468,906 (including CIDC deposits) held

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in Invesco, a Government & Agency Portfolio cash management account. The Government and Agency Portfolio account invests primarily in short-term high credit quality money market instruments and it is rated AAAM by Standard and Poor's.

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. According to the City's Investment Policy, the City shall contract with a financial institution for the safekeeping of securities owned by the City as part of its investment portfolio. Securities owned by the City shall be held in the City's name as evidenced by safekeeping receipts of the institution holding the securities.

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

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

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

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

As of September 30, 2015 CIDC had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 1,538,812	11.45%	AAAM	-
TexSTAR	1,830,249	13.62%	AAAM	-
Texas CLASS	2,402,410	17.88%	AAAM	-
Insured Deposit Portal (IDP)	258,246	1.92%	AA+	-
U.S. Government Securities, Long-term	2,001,430	14.89%	AA+	1.13
Municipal Securities, Long-term	225,000	1.67%	AA	1.21
U.S. Government Securities, Short-term	4,062,310	30.23%	AA+	0.81
Municipal Securities, Short-term	1,120,246	8.34%	AAA	0.87
Total Fair Value	<u>\$ 13,438,703</u>	<u>100.00%</u>		
Portfolio Weighted Average Maturity				<u>0.51</u>

Investment Accounting Policy

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

The CIDC uses the same investment policy as the City.

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Custodial Credit Risk – Deposits, CIDC. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits (including CIDC deposits) may not be returned. The City's Investment Policy provides that, consistent with the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all uninsured City funds on deposit with a depository bank, other than investments. The City's deposits (including CIDC deposits) were fully insured or collateralized as required by the state statutes and the City's investment policy. At year-end, the carrying amounts of CIDC's deposits were \$797,203. Of the total bank balance of \$9,388,349 (including CIDC deposits), demand deposits of \$6,919,442 (including CIDC deposits) held in the depository bank are collateralized by our 3rd party custodian, BBVA Compass and \$2,468,906 (including CIDC deposits) held in Invesco, a Government & Agency Portfolio cash management account. The Government and Agency Portfolio account invests primarily in short-term high credit quality money market instruments and it is rated AAAm by Standard and Poor's.

D. Accounts Receivable

Accounts receivable are shown net of allowance for uncollectibles for certain funds. Below is the detail of receivables for the General and Debt Service funds and the nonmajor governmental funds including the applicable allowances for uncollectible accounts:

Receivables	General Fund	Debt Service Fund	Street Improvements Fund	Facilities CIP Fund	Nonmajor Governmental	Total
Property Taxes	\$ 510,103	\$ 346,915	\$ -	\$ -	\$ -	\$ 857,018
Gross Receipts Tax	701,682	-	-	-	-	701,682
Accounts	-	-	-	-	6	6
Interest	63,092	18,116	2,974	1,922	1,618	87,722
Other	129,539	-	159,373	-	561,684	850,596
Gross Receivables	\$ 1,404,416	\$ 365,031	\$ 162,347	\$ 1,922	\$ 563,308	\$ 2,497,024
Less: Allowance for uncollectibles:						
Property Taxes	(53,886)	(36,642)	-	-	-	(90,528)
Net Receivables	\$ 1,350,530	\$ 328,389	\$ 162,347	\$ 1,922	\$ 563,308	\$ 2,406,496

E. Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balance *	Increases	Decreases/Reclasses ⁽¹⁾	Ending Balance
<u>Governmental Activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land and Easements	\$ 13,533,279	\$ 260,956	\$ 176,904	\$ 13,971,139
Construction in Progress	20,955,669	24,923,310	(22,350,333)	23,528,646
Total capital assets, not being depreciated	34,488,948	25,184,266	(22,173,429)	37,499,785
<u>Capital assets, being depreciated:</u>				
Buildings and Improvements	70,103,841	77,705	1,122,331	71,303,877
Machinery and Equipment	24,742,449	2,519,434	1,189,781	28,451,664
Infrastructure	93,878,866	-	17,812,150	111,691,016
Total capital assets, being depreciated	188,725,156	2,597,139	20,124,262	211,446,557
Less Accumulated Depreciation for:				
Buildings and Improvements	(22,314,174)	(3,013,812)	120,404	(25,207,582)
Machinery and Equipment	(13,699,020)	(2,295,161)	1,770,059	(14,224,122)
Infrastructure	(46,518,675)	(3,284,883)	-	(49,803,558)
Total accumulated depreciation	(82,531,869)	(8,593,856)	1,890,463	(89,235,262)
Total capital assets being depreciated, net	106,193,287	(5,996,717)	22,014,725	122,211,295
Governmental Activities capital assets, net	\$ 140,682,235	\$ 19,187,549	\$ (158,704)	\$ 159,711,080

* The beginning balances were changed as noted in the prior period adjustment footnote O.

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

- (1) Included in Decreases/Reclasses column were the decreases to construction in progress that were completed in the current year and moved to its depreciable asset category. The decrease in construction in progress is an increase to capital assets within the same column. The Increase column to capital assets are current year increases only and do not reflect the increases to capital assets from reclasses. The decrease in construction in progress was \$22,350,333. The amount of \$176,904 was transferred to Land. The amount of \$1,278,433 was transferred to Buildings and Improvements. The amount of \$3,082,850 was transferred to Equipment. The amount of \$17,812,146 was transferred to Infrastructure.

	Beginning Balance *	Increases	Decreases/ Reclasses ⁽¹⁾	Ending Balance
<u>Business-type Activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land and Easements	\$ 1,323,939	\$ 543,860	\$ 66,081	\$ 1,933,880
Construction in Progress	27,214,116	31,526,224	(2,643,845)	56,096,495
Total capital assets not being depreciated	28,538,055	32,070,084	(2,577,764)	58,030,375
<u>Capital assets being depreciated:</u>				
Buildings and Improvements	1,145,823	-	828,024	1,973,847
Machinery and Equipment	11,800,201	1,711,387	(1,415,144)	12,096,444
Infrastructure	151,842,088	-	1,749,739	153,591,827
Total capital assets being depreciated	164,788,112	1,711,387	1,162,619	167,662,118
Less Accumulated Depreciation for:				
Buildings and Improvements	(359,396)	(30,251)	-	(389,647)
Machinery and Equipment	(5,234,391)	(764,093)	1,106,217	(4,892,267)
Infrastructure	(73,635,726)	(3,561,263)	-	(77,196,989)
Total accumulated depreciation	(79,229,513)	(4,355,607)	1,106,217	(82,478,903)
Total capital assets being depreciated, net	85,558,599	(2,644,220)	2,268,836	85,183,215
Business-type Activities capital assets, net	\$ 114,096,654	\$ 29,425,864	\$ (308,928)	\$ 143,213,590

* The beginning balances were changed as noted in the prior period adjustment footnote O.

- (1) Included in Decreases/Reclasses column were the decreases to construction in progress that were completed in the current year and moved to its depreciable asset category. The decrease in construction in progress is an increase to capital assets within the same column. The Increase column to capital assets are current year increases only and do not reflect the increases to capital assets from reclasses. The decrease in construction in progress was \$2,643,845. The amount of \$66,081 was transferred to Land. The amount of \$828,024 was transferred to Buildings and Improvements. The amount of \$1,749,740 was transferred to Infrastructure.

Depreciation expense was charged to functions as follows:

<u>Governmental Activities:</u>	
General Government	\$ 798,130
Finance	63,312
Public Safety	3,485,399
Parks	2,092,096
Public Works	2,154,920
	<u>\$ 8,593,857</u>
<u>Business-type Activities:</u>	
Water and Sewer	\$ 4,355,607
	<u>\$ 4,355,607</u>

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Discrete Component Units:

Oscar Johnson Jr. Community Center

	Beginning Balance	Increases	Decreases/ Reclasses	Ending Balances
<i>Capital assets not being depreciated:</i>				
Land and Easements	\$ 108,770	\$ -	\$ -	\$ 108,770
Total capital assets not being depreciated	<u>108,770</u>	<u>-</u>	<u>-</u>	<u>108,770</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	1,421,618	-	-	1,421,618
Machinery and Equipment	247,003	-	(21,000)	226,003
Total capital assets being depreciated	<u>1,668,621</u>	<u>-</u>	<u>(21,000)</u>	<u>1,647,621</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(520,210)	(42,272)	-	(562,482)
Machinery and Equipment	(106,136)	(20,168)	21,000	(105,304)
Total accumulated depreciation	<u>(626,346)</u>	<u>(62,440)</u>	<u>21,000</u>	<u>(667,786)</u>
Total capital assets being depreciated, net	<u>1,042,275</u>	<u>(62,440)</u>	<u>-</u>	<u>979,835</u>
Oscar Johnson Jr. Community Center capital assets, net	<u>\$ 1,151,045</u>	<u>\$ (62,440)</u>	<u>\$ -</u>	<u>\$ 1,088,605</u>

Conroe Industrial Development Corporation

	Beginning Balance	Increases	Decreases/ Reclasses ⁽¹⁾	Ending Balances
<i>Capital assets not being depreciated:</i>				
Land and Easements	\$ 22,795,677	\$ 518,046	\$ 17,474	\$ 23,331,197
Construction in Progress	4,307,603	7,703,685	(468,247)	11,543,041
Total capital assets not being depreciated	<u>27,103,280</u>	<u>8,221,731</u>	<u>(450,773)</u>	<u>34,874,238</u>
<i>Capital assets being depreciated:</i>				
Machinery and Equipment	26,811	-	-	26,811
Infrastructure	21,008,905	-	231,191	21,240,096
Total capital assets being depreciated	<u>21,035,716</u>	<u>-</u>	<u>231,191</u>	<u>21,266,907</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(5,809)	(5,362)	-	(11,171)
Infrastructure	(218,539)	(705,306)	-	(923,845)
Total accumulated depreciation	<u>(224,348)</u>	<u>(710,668)</u>	<u>-</u>	<u>(935,016)</u>
Total capital assets being depreciated, net	<u>20,811,368</u>	<u>(710,668)</u>	<u>231,191</u>	<u>20,331,891</u>
Conroe Industrial Development Corporation capital assets, net	<u>\$ 47,914,648</u>	<u>\$ 7,511,063</u>	<u>\$ (219,582)</u>	<u>\$ 55,206,129</u>

* The beginning balances were changed as noted in the prior period adjustment footnote O.

- (1) Included in Decreases/Reclasses column were the decreases to construction in progress that were completed in the current year and moved to its depreciable asset category. The decrease in construction in progress is an increase to capital assets within the same column. The Increase column to capital assets are current year increases only and do not reflect the increases to capital assets from reclasses. The decrease in construction in progress was \$468,247. The amount of \$237,056 was transferred to Land. The amount of \$231,191 was transferred to Infrastructure.

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Depreciation expense was charged to functions as follows

Discrete Component Units:	
Oscar Johnson Jr. Community Center	\$ 62,440
Conroe Industrial Development Corporation	710,668
Total	<u>\$ 773,108</u>

The City has active construction projects as of September 30, 2015. Total accumulated commitments for ongoing capital projects are composed of the following:

	<u>Spent-to Date</u>	<u>Remaining Commitment</u>
Water and Sewer	\$ 29,032,496	\$ 12,194,692
Street Improvements	2,664,686	3,732,729
Facilities	8,742,529	12,167,318
Parks	663,915	134,939
Totals	<u>\$ 41,103,626</u>	<u>\$ 28,229,678</u>

These commitments will be funded by unspent bond proceeds.

F. Interfund Balances and Activity

1. Due To and From Other Funds

A summary of interfund receivables and payables at September 30, 2015 is as follows:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>	<u>Purpose</u>
Nonmajor Governmental Fund	General Fund	\$ 50,327	Short-term Funding
General Fund	Community Development Block Grant Entitlement	220,150	Short-term Funding
General Fund	Debt Service Fund	642,814	Short-term Funding
General Fund	Tax Increment Reinvestment Zone 3	123,750	Short-term Funding
General Fund	Self Funded Insurance	390,161	Short-term Funding
		<u>\$ 1,427,202</u>	

2. Transfers To and From Other Funds

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

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Transfers between funds during the year were as follows:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Nonmajor Governmental	\$ 194,772	Increase in TIRZ #2 property tax value
General Fund	Nonmajor Governmental	1,554,597	Increase in TIRZ #3 property tax value
General Fund	Nonmajor Governmental	134,632	In lieu of rent for Conroe Tower
General Fund	Internal Service	421,615	Increase in insurance costs
General Fund	Water and Sewer	1,145,967	Administration costs & rate stabilization
General Fund	Nonmajor Governmental	242,828	Increase in transit contract services (Goodman Corp)
Water and Sewer	Nonmajor Governmental	134,631	In lieu of rent for Conroe Tower
Nonmajor Governmental	General Fund	2,253	To fund vehicle & equipment purchases
Nonmajor Governmental	General Fund	125,219	Administration cost reimbursement (CDBG)
Nonmajor Governmental	Debt Service	2,100,127	TIRZ #3 Principal & interest requirements
Nonmajor Governmental	Street Improvements	3,560,000	Construction transfer
Nonmajor Governmental	Nonmajor Governmental	181,033	Certificate of Obligation balance transfer
Nonmajor Governmental	Nonmajor Governmental	318,683	Certificate of Obligation balance transfer
Facilities CIP	Nonmajor Governmental	388,726	Certificate of Obligation balance transfer
Facilities CIP	Street Improvements	76,581	Certificate of Obligation balance transfer
Nonmajor Governmental	Street Improvements	138,485	Certificate of Obligation balance transfer
Nonmajor Governmental	Street Improvements	936,365	Certificate of Obligation balance transfer
Streets CIP	Facilities CIP	6,584,000	Certificate of Obligation balance transfer
Streets CIP	Nonmajor Governmental	392,146	Certificate of Obligation balance transfer
Internal Service	General Fund	<u>8,638</u>	To fund vehicle & equipment purchases
Total		<u>\$ 18,641,298</u>	

G. Long-Term Obligations

The City issues certificates of obligation bonds and revenue bonds to provide funds for the construction and renovation of facilities, parks, streets, drainage, transportation, and water and sewer improvements. Bonds have been issued for both governmental and business-type activities. During the year, certificates of obligation bonds were issued for \$8,795,000, revenue bonds were issued for \$14,400,000, and refunding bonds were issued for \$33,370,000.

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

On April 23, 2015, the City issued \$33,370,000 in Limited Tax Refunding Bonds to advance refund outstanding Certificates of Obligation in the amounts of \$9,275,000 for Series 2006, \$9,750,000 for Series 2007, and \$14,625,000 for Series 2008. The net proceeds of \$36,111,136 were used to pay costs of issuance of the bonds and to purchase a portfolio of securities authorized by the Texas Government Code which include direct noncallable obligations of the United States with an investment rating not less than "AAA". Those securities were deposited in an irrevocable trust with an escrow agent to provide for all debt service payments due on or after September 1, 2015, on the Series 2006, 2007, and 2008 Certificates of Obligation. As a result, the related debts are considered to be defeased, and the liability for those bonds has been reduced on the Government-wide Statement of Net Position. At September 30, 2015, the principal amount outstanding on these bonds was \$33,650,000.

The City completed the partial refunding to affect a gross debt service savings of \$4,598,974 and a present value saving in interest costs of \$3,712,009.

CITY OF CONROE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

1. Long-Term Obligation Activity

A summary of the long-term bonded debt of the City at September 30, 2015 is presented below:

	Rate		Issue Date	Amount of Original Issue	Maturity Date	Bonds Outstanding
Refunding Bonds						
Refunding Bonds, Series 2007	4.00 %		2007	\$ 13,155,000	2017	\$ 2,010,000
Refunding Bonds, Series 2010	2.00-3.00 %		2010	4,035,000	2017	1,100,000
Refunding Bonds, Series 2012	2.00-3.00 %		2012	7,560,000	2023	6,185,000
Refunding Bonds, Series 2015	2.00-5.00 %		2015	33,370,000	2030	33,370,000
Total Refunding Bond Payable						\$ 42,665,000
Contractual and						
Certificates of Obligation						
Series 2005	4.325 %		2005	\$ 3,865,000	2030	\$ 3,615,000
Series 2006	4.00 %		2006	9,700,000	2016	50,000
Series 2007	4.25-4.40 %		2007	10,820,000	2018	795,000
Series 2008	3.50-4.00 %		2008	17,100,000	2018	1,935,000
Series 2009	2.00-4.25 %		2009	12,750,000	2030	10,780,000
Series 2010	2.00-4.00 %		2010	9,270,000	2030	8,270,000
Series 2011	1.875-5.00 %		2011	18,235,000	2031	17,350,000
Series 2012	2.00-3.125 %		2012	8,970,000	2032	3,305,000
Series 2014	2.00-5.00 %		2014	31,100,000	2034	30,745,000
Series 2015	2.00-4.00 %		2015	8,795,000	2035	8,795,000
Certificates of Obligation Payable						\$ 85,640,000
Revenue Bonds						
Waterworks and Sewer System						
Bonds, Series 2006	4.375-5.00 %		2006	\$ 10,850,000	2030	\$ 8,665,000
Bonds, Series 2007	4.25-6.00 %		2007	5,700,000	2030	4,580,000
Bonds, Series 2008	3.50-5.00 %		2008	11,225,000	2030	9,025,000
Bonds, Series 2009	3.00-4.375 %		2009	7,350,000	2030	6,055,000
Bonds, Series 2010	2.00-4.00 %		2010	15,715,000	2031	13,265,000
Bonds, Series 2011	1.75-4.25 %		2011	5,160,000	2032	4,560,000
Bonds, Series 2012	1.75-5.00 %		2012	18,130,000	2032	16,865,000
Bonds, Series 2013	2.00-4.25 %		2013	6,790,000	2033	6,535,000
Bonds, Series 2014	2.00-5.00 %		2014	17,130,000	2035	17,130,000
Bonds, Series 2015	2.00-5.00 %		2015	14,400,000	2035	14,400,000
Total Revenue Bonds						\$ 101,080,000

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2015, are as follows:

	Beginning Balance*	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Refunding bonds	\$ 12,440,000	\$ 33,370,000	\$ (3,145,000)	\$ 42,665,000	\$ 2,300,000
Certificates of obligation	112,490,000	8,795,000	(35,645,000)	85,640,000	6,300,000
Less deferred amounts:					
Issuance premiums	4,827,386	2,843,082	(269,664)	7,400,804	-
Total bonds payable, net	129,757,386	45,008,082	(39,059,664)	135,705,804	8,600,000
Capital leases	458,149	-	(57,322)	400,827	59,586
Notes payable	971,000	-	(102,998)	868,002	107,000
Health claims liability	666,041	5,920,549	(6,058,693)	527,897	527,897
OPEB liability	3,282,187	227,868	-	3,510,055	-
Net pension oblig./TMRS	1,192,254	-	(1,192,254)	-	-
Net pension liability/TMRS	15,887,695	11,391,571	(11,496,591)	15,782,675	-
Net pension oblig./Fire R/R	606,000	-	(606,000)	-	-
Net pension liability/Fire R/R	15,056,159	5,447,912	(2,782,236)	17,721,835	-
Severance payable	1,013,297	81,573	(98,505)	996,365	-
Compensated absences	7,005,153	642,726	(120,312)	7,527,567	158,644
Total governmental activities	\$ 175,895,321	\$ 68,720,281	\$ (61,574,575)	\$ 183,041,027	\$ 9,453,127

* The beginning balances were changed as noted in the prior period adjustment footnote O.

	Beginning Balance*	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type Activities:					
Revenue bonds	\$ 89,625,000	\$ 14,400,000	\$ (2,945,000)	\$ 101,080,000	\$ 3,640,000
Less deferred amounts:					
Issuance discount	(143,239)	-	8,502	(134,737)	-
Issuance premiums	3,513,313	1,132,195	(186,712)	4,458,796	-
Revenue bonds, net	92,995,074	15,532,195	(3,123,210)	105,404,059	3,640,000
Customer deposits	646,735	920,627	(930,573)	636,789	350,234
Capital leases	3,407,795	-	(432,886)	2,974,909	449,986
Net pension oblig./TMRS	356,627	-	(356,627)	-	-
Net pension liability/TMRS	4,481,145	3,213,007	(3,242,628)	4,451,524	-
Compensated absences	905,858	139,980	(126,605)	919,233	15,364
Total business-type activities	\$ 102,793,234	\$ 19,805,809	\$ (8,212,529)	\$ 114,386,514	\$ 4,455,584

* The beginning balances were changed as noted in the prior period adjustment footnote O.

Long-term liabilities from the Self-Funded Insurance internal service fund in the amount \$3,510,055 (OPEB liability) are included in the governmental activities column of Exhibit A-1, and are included in Exhibit A-8, Statement of Net Position-Proprietary Funds.

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

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

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Discrete Component Unit

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

On October 28, 2014, the CIDC legally defeased \$3,795,000 of the Series 1997 Sales Tax Revenue Bonds and \$555,000 of the Series 1999 Sales Tax Revenue Bonds. As a result, the related debts are considered to be defeased, and the liabilities for those bonds maturing after September 1, 2015, have been removed from the Statement of Net Position for this component unit. The CIDC completed the defeasement in order to lower its overall debt service requirement.

A summary of the long-term bonded debt of the CIDC at September 30, 2015 is presented below:

	Rate	Issue Date	Amount of Original Issue	Maturity Date	Bonds Outstanding
Sales Tax Revenue Bonds					
Series 2011 CIDC	2.00-4.50 %	2011	\$ 13,845,000	2030	12,785,000
Series 2012 CIDC	2.00-5.00 %	2012	25,385,000	2032	23,150,000
Total Sales Tax Revenue Bonds Payable					\$ 35,935,000

Long-term obligations of the CIDC include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2015, are as follows:

	Beginning Balance*	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Sales tax revenue bonds	\$ 41,370,000	\$ -	\$ (5,435,000)	\$ 35,935,000	\$ 1,110,000
Less deferred amounts:					
Issuance discounts	(86,784)	-	5,424	(81,360)	-
Issuance premiums	1,529,280	-	(84,960)	1,444,320	-
Total bonds payable, net	\$ 42,812,496	\$ -	\$ (5,514,536)	\$ 37,297,960	\$ 1,110,000

* The beginning balances were changed as noted in the prior period adjustment footnote O.

In accordance with the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Rebate arbitrage is the excess of the amount earned on investments purchased with bond proceeds over the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. Rebate arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary of the bond issue and upon final redemption of all outstanding bonds of the issue.

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2015, are as follows:

Year Ending September 30,	Governmental Activities - Bonded Debt		
	Principal	Interest	Total
2016	\$ 8,600,000	\$ 4,626,720	\$ 13,226,720
2017	5,855,000	4,436,134	10,291,134
2018	6,035,000	4,261,361	10,296,361
2019	6,220,000	4,077,361	10,297,361
2020	6,405,000	3,893,162	10,298,162
2021-2025	35,665,000	15,823,356	51,488,356
2026-2030	43,490,000	7,997,121	51,487,121
2031-2035	16,035,000	1,546,568	17,581,568
Totals	\$ 128,305,000	\$ 46,661,783	\$ 174,966,783

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Year Ending September 30,	Governmental Activities - Notes Payable		
	Principal	Interest	Total
2016	\$ 107,000	\$ 48,708	\$ 155,708
2017	113,000	42,999	155,999
2018	118,000	36,833	154,833
2019	123,000	30,289	153,289
2020	129,000	23,369	152,369
2021-2022	278,002	24,323	302,325
Totals	\$ 868,002	\$ 206,521	\$ 1,074,523

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

Year Ending September 30,	Business-type Activities - Bonded Debt		
	Principal	Interest	Total
2016	\$ 3,640,000	\$ 3,763,374	\$ 7,403,374
2017	4,240,000	3,816,564	8,056,564
2018	4,375,000	3,683,557	8,058,557
2019	4,515,000	3,536,586	8,051,586
2020	4,680,000	3,381,597	8,061,597
2021-2025	26,375,000	13,905,633	40,280,633
2026-2030	32,480,000	7,806,550	40,286,550
2031-2035	19,745,000	1,966,112	21,711,112
2036	1,030,000	25,750	1,055,750
Totals	\$ 101,080,000	\$ 41,885,723	\$ 142,965,723

Debt service requirements on long-term debt for component unit CIDC at September 30, 2015, are as follows:

Year Ending September 30,	Discrete Component Unit - CIDC - Bonded Debt		
	Principal	Interest	Total
2016	\$ 1,110,000	\$ 1,352,263	\$ 2,462,263
2017	1,140,000	1,321,713	2,461,713
2018	2,040,000	1,287,513	3,327,513
2019	2,115,000	1,213,563	3,328,563
2020	2,205,000	1,123,613	3,328,613
2021-2025	12,490,000	4,146,888	16,636,888
2026-2030	12,855,000	1,640,894	14,495,894
2031-2032	1,980,000	97,013	2,077,013
Totals	\$ 35,935,000	\$ 12,183,460	\$ 48,118,460

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2015, are as follows:

Governmental Activities	
Year Ending September 30:	
2016	\$ 75,178
2017	75,178
2018	75,178
2019	75,178
2020	75,178
2021	81,267
Total Minimum Lease Payments	\$ 457,160
Less: amount representing interest	(56,333)
Present Value of Minimum Lease Payments	\$ 400,827

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The gross amount of capital assets (machinery, equipment and improvements) acquired through governmental activities capital leases is \$457,160 as of September 30, 2015.

<u>Business-type Activities</u>		
<u>Year Ending September 30:</u>		
2016	\$	567,735
2017		567,735
2018		567,735
2019		567,736
2020		567,736
2021		561,646
Total Minimum Lease Payments	\$	3,400,323
Less: amount representing interest		(425,414)
Present Value of Minimum Lease Payments	\$	<u>2,974,909</u>

The gross amount of capital assets (machinery, equipment and improvements) acquired through business-type activities capital leases is \$3,400,323 as of September 30, 2015.

This year, \$295,027 was included in depreciation expense for the assets acquired through the capital lease with Siemens Financial Services, Inc. The related accumulated depreciation are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery & Equipment	\$ -	\$ 2,212,869
Less: Accumulated depreciation	-	(602,392)
Total	\$ -	\$ 1,610,477
Improvements:	\$ 838,793	\$ 4,121,560
Less: Accumulated depreciation	(342,507)	(1,236,468)
Total	\$ 496,286	\$ 2,885,092

4. CIDC – Debt Noncompliance

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

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

CIDC has filed with the Internal Revenue Service (the "IRS") a Tax Exempt Bonds Voluntary Closing Agreement Program Request ("TEB VCAP Request") under the applicable procedures. The purpose of the TEB VCAP Request is to resolve a violation jeopardizing the tax-advantaged status of the CIDC's 2008 Bonds and 2012 Bonds so that bondholders remain unaffected. CIDC can make no representation with respect to the outcome of the submission to

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the IRS. CIDC has sufficient funds for payment of its estimated settlement amount, but can make no representation as to acceptance of its estimated settlement amount in any final Closing Agreement with the IRS. CIDC intends to diligently proceed with reaching a Closing Agreement with the IRS.

H. Risk Management

1. 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 also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expense regardless of whether allocated to specific claims. The premiums for these policies are billed monthly by the third-party administrator on a per enrolled employee basis. The claims liability reported in the fund at September 30, 2015, 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, 2015 and 2014 are as follows:

	2015	2014
Health Claim Liability, beginning of the year	\$ 666,041	\$ 460,738
Current-year Claims and Changes in Estimates	5,920,549	6,929,382
Claim payments	<u>(6,058,693)</u>	<u>(6,724,079)</u>
Health Claim Liability, End of Year	<u>\$ 527,897</u>	<u>\$ 666,041</u>

2. 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 2015, 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 above 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.

CITY OF CONROE, TEXAS

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I. Other Post Employment Benefits

1. Retiree Health Benefit

a. Plan Description

The City of Conroe Other Post Employment Benefit Trust is a single employer trust established in 2009 to provide medical, vision, and dental insurance coverage for qualified retirees in accordance with its personnel policy 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.

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

b. Eligibility

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

c. Termination of Coverage

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

d. Premiums

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

e. Miscellaneous

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

f. Exception

- (1) Retirement under the eligibility provisions effective through December 31, 2011
 - (a) Any employee meeting retirement eligibility under the prior retiree insurance eligibility requirements may retire under those provisions through December 31, 2011.
 - (b) Employees completing twenty-five (25) years of service by December 31, 2011, will be grandfathered at 100% premium paid by the City.

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- (2) Receipt of pension requirement for firefighters
 - (a) The requirement that an employee must be receiving a pension is waived for firefighters through December 31, 2011.
- (3) Exchange of sick leave
 - (a) Through the two year window, employees may use up to 720 hours of their sick balance in exchange for eligibility to reach 25 years. This exception expired December 31, 2011.
- g. Death-in-Service Retirement Benefits
 - (1) Surviving spouses of active employees are allowed COBRA coverage only.
- h. Benefits for Spouses of Retired Employees
 - (1) Retiree may purchase retiree health care coverage for eligible spouses and dependents. The City's subsidy does not apply to the dependent premiums. Surviving spouses and dependents of deceased retired members may continue retiree health coverage through COBRA.
- i. Non-Medicare and Medicare-Eligible Provisions
 - (1) Employees retiring after December 31, 2011, cannot remain on the plan once they become eligible for Medicare. Participants who were retired as of December 31, 2011, may remain on the plan after becoming eligible for Medicare, but would be required to pay the full premiums. However, the City will pay the entire retiree premium for two post 65 retirees who are covered under special agreements.
 - (2) As of the valuation date, December 31, 2013, 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.
- j. Dental and Vision Coverage
 - (1) The City's subsidies apply to the member portion of the dental and vision premiums as well. Upon reaching Medicare eligibility, the provisions for continued dental and vision coverage are the same as those for medical coverage.
- k. Life Insurance Coverage
 - (1) The City provides a \$7,500 life insurance benefit for retirees. The life insurance benefit extends past age 65. As of December 31, 2011, there were six retirees who accrued a life insurance benefit of \$12,500.

I. Monthly Retiree Premiums Effective October 1, 2014

<u>Benefit</u>	<u>Retiree Only</u>	<u>Spouse</u>
Medical - OAP	\$ 679	\$ 129
Medicat - HDHP	642	109
Dental	36	19
Vision	4	8

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

As with all benefits, the benefits provided above are subject to change, amendment, addition or cancellation at any time by City Council, and this document does not provide a guarantee or promise of benefits in the future.

As of June 25, 2012, it is the opinion of the City Administrator and City Attorney that those who actually retire, and are eligible for retirement benefits from TMRS, can be covered under the City's insurance plan at their expense if they do not meet the "rule of 80". In order to be covered, they must be already covered before they retire, and they

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must let the City know no later than their retirement date (last day as an employee) that they wish to continue the same coverage. They may drop individuals from coverage, but they may not add anyone who was not previously covered.

For the year ended September 30, 2015, the City funded 86% of the normal cost and the pay-go amount totaling \$1,471,512 in an irrevocable trust, and it reported in a fiduciary fund in the financial statements. Withdrawals in the amount of \$547,012 were made from the irrevocable trust to reimburse the City for pre-65 and post-65 retirees' claims and administrative fees paid by the Self-Funded Insurance Fund. Administrative fees are those fees related to services that retirees utilize, including, stop-loss premiums and 3rd party administrator charges.

m. Schedule of Actuarial Liabilities

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	30 Years - Closed Payroll
Asset Valuation Method	Market Value
Investment Rate of Return	6% Blended rate assumed (contributions earn 7.5% and general assets of City earn 4.5% over life of plan)
Payroll Growth	3%
Health Care Trends	10% Initial, 5.5% Ultimate
Inflation Rate	3%

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual OPEB Cost:			
Annual required contribution (ARC)	\$ 1,710,645	\$ 1,471,511	\$ 1,471,511
Interest on prior year net OPEB obligation	196,931	199,412	253,788
Adjustment to the ARC	(208,196)	(240,758)	(1,262,775)
Annual OPEB Cost	1,699,380	1,430,165	462,524
Employer Contributions	<u>(1,471,512)</u>	<u>(1,471,512)</u>	<u>(1,368,795)</u>
Increase in OPEB obligation	227,868	(41,347)	(906,271)
Net OPEB obligation, October 1	<u>3,282,187</u>	<u>3,323,534</u>	<u>4,229,805</u>
Net OPEB obligation, September 30	<u>\$ 3,510,055</u>	<u>\$ 3,282,187</u>	<u>\$ 3,323,534</u>
Percentage of annual OPEB cost contributed	86.59%	102.89%	295.94%

n. Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the plan was 10.09% funded. The actuarial accrued liability for benefits was \$19,268,678, and the actuarial value of assets was \$1,944,901, resulting in an unfunded actuarial liability (UAAL) of \$17,323,777. The covered payroll (annual payroll of active employees covered by the plan) was \$24,668,464, and the ratio of UAAL to the covered payroll was 70.23%.

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

J. Pension Plans

1. Plan Descriptions

Texas Municipal Retirement System (TMRS):

The City participates as one of 860 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.

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, Conroe Firefighters' 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 firefighters. 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, 2014.

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.

2. 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.

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

	Plan Year 2014	Plan Year 2013
Employee Deposit Rate	7%	7%
Retirement Eligibility	5 Yrs/Age 60, 20 Yrs/Any Age	5 Yrs/Age 60, 20 Yrs/Any Age
Matching Ratio (City to Employee)	2 to 1	2 to 1
Years Required for Vesting	5	5
Service Retirement Eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Conroe Fire Fighters' Relief and Retirement Fund:

The Fund provides service retirement, death, disability, and withdrawal benefits for paid firefighters. 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). If a firefighter has completed at least 10 years of service 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. Effective January 1, 2011, firefighters can also elect a Forward Deferred Retirement Option Plan (DROP) benefit calculation which will provide a monthly benefit plus a lump sum benefit equal to the total of the vest retirement benefit as of the date of retirement, calculated as described above.

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 2014	Plan Year 2013
Employee Deposit Rate	13.24%	13.24%
Matching Ratio (City to Employee)	15%	15%
Years Required for Vesting	20	20
Service Retirement Eligibility (expressed as age/years of service)	50/20	50/20
Annuity Increase (to retirees)	Not automatic; may provide ad hoc increases	Not automatic; may provide ad hoc increases

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

	TMRS	CFFR&RF
Inactive employees or beneficiaries currently receiving benefits	148	22
Inactive employees entitled to but not yet receiving benefits	127	3
Active employees	392	81
	<u>667</u>	<u>106</u>

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3. 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 17.10% and 16.45% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$4,057,673, and were equal to the required contributions.

Conroe Fire Fighters' Relief and Retirement Fund:

Contributions to the Fund are based on the TLFFRA requirements rather than an actuarially determined rate. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each paid firefighter. The funding policy of the Fund requires contributions from both the City and the firefighters. The City's contribution rate is currently 15% of member payroll with each active member contributing 13.24% of plan compensation. The City's contribution rate is set by and subject to change by ordinance; subject to the minimum rate with TLFFRA. The City's contributions to the Fund for the year ended September 30, 2015 were \$1,102,093, 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.

4. Net Pension Liability

TMRS:

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Provision Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Conroe Fire Fighters' Relief and Retirement Fund:

The Total Pension Liability, Net Pension Liability, and the associated sensitivity information provided are derived from the results of the December 31, 2013, valuation. The Total Pension Liability was rolled-forward from the 2013 valuation date to the fiscal year ending September 30, 2015, using generally accepted actuarial principles. In addition, an adjustment was made to the Total Pension Liability to reflect the annexation of the Lake Conroe fire fighters. Because these annexed fire fighters enter the plan with no past service credit, they are similar to new hires and there was no "changes of benefit terms" required in the roll-forward.

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Actuarial assumptions:

TMRS:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.00% per year
Salary Increases	3.00% per year
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with 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. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006, through December 31, 2009, first used in the December 31, 2010, valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013, valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	<u>100.0%</u>	

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Conroe Fire Fighters Relief and Retirement Fund:

The Total Pension Liability, Net Pension Liability, and the associated sensitivity information provided are derived from the results of the December 31, 2013, valuation. The Total Pension Liability was rolled-forward from the 2013 valuation date to the fiscal year ending September 30, 2015, 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 & losses from each of the past four years. The resulting value is further limited to be no less than 90% and no greater than 110% of the fair value of assets.
Investment rate of return	7.75% per annum (net of expenses)
Salary scale	5.70% per annum plus a merit/promotion component
General inflation rate	4.00% per annum
Interest on employee contributions	2.5% per annum
Contribution rates	Rates in effect are assumed to remain constant for future years
Mortality rates	RP-2000 combined healthy tables for males and females with mortality improvement projected to valuation date using Scale AA.
Termination rates	0% to 6%

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation assumed at 2.5%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of December 31, 2014, (see the discussion of the pension plan's investment policy for more details) are summarized in the following table:

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

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

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	55%
International Equity	10%
Fixed Income	20%
Commodity Futures	5%
Real Estate Investment Trusts	3%
Money Market	2%
Other	5%
Total	100%

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

Discount Rate

TMRS:

The discount rate used to measure the Total Pension Liability was 7.0%. 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. The changes in net pension liability follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	\$ 105,012,620	\$ 84,643,780	\$ 20,368,840
Changes for the year:			
Service Cost	3,488,323	-	3,488,323
Interest	7,342,819	-	7,342,819
Differences between expected and actual experience	(577,351)	-	(577,351)
Contributions - employer	-	3,975,261	(3,975,261)
Contributions - employee	-	1,625,218	(1,625,218)
Net investment income	-	4,842,663	(4,842,663)
Benefit payments, including refunds of employee contributions	(3,718,726)	(3,718,726)	-
Administrative expense	-	(50,554)	50,554
Other changes	-	(4,156)	4,156
Net changes	6,535,065	6,669,706	(134,641)
Balances at 12/31/2014	\$ 111,547,685	\$ 91,313,486	\$ 20,234,199

Conroe Fire Fighters' Relief and Retirement Fund:

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the City contributions would equal 15.00% of payroll and that member contributions would equal 13.24% of payroll. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension investments was applied to all period of benefit payments to determine the total pension liability. The Net Pension Liability amounts shown below were measured as of the City's fiscal year end. The Total Pension Liability used to calculate the Net Pension Liability and certain sensitivity information was based on the December 31, 2013, actuarial valuation. The Total Pension Liability was rolled forward to the fiscal year end measurement dates using generally accepted actuarial principles. Other than the adjustment to the Service Cost for the annexation of the Lake Conroe fire fighters, there were no significant events or changes in benefit provisions that required an adjustment to the roll forward liability.

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 9/30/2014	<u>\$ 34,244,607</u>	<u>\$ 19,188,448</u>	<u>\$ 15,056,159</u>
Changes for the year:			
Service Cost	1,310,699	-	1,310,699
Interest	2,703,863	-	2,703,863
Contributions - employer	-	1,102,093	(1,102,093)
Contributions - member	-	972,779	(972,779)
Net investment income	-	(626,136)	626,136
Benefit payments	(1,268,010)	(1,268,010)	-
Refunds	(65,490)	(65,490)	-
Administrative expense	-	(99,850)	99,850
Net changes	<u>2,681,062</u>	<u>15,386</u>	<u>2,665,676</u>
Balances at 9/30/2015	<u>\$ 36,925,669</u>	<u>\$ 19,203,834</u>	<u>\$ 17,721,835</u>

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 7.0% 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$ 37,868,612	\$ 20,234,199	\$ 5,941,496

Conroe Fire Fighters' Relief and Retirement Fund:

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

	1% Decrease in Discount Rate (6.75%)	Discount Rate (7.75%)	1% Increase in Discount Rate (8.75%)
CFFR&RF net pension liability	\$ 22,114,629	\$ 17,721,835	\$ 13,963,335

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.tmrs.com.

Conroe Fire Fighters' Relief and Retirement Fund

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

CITY OF CONROE, TEXAS**NOTES TO THE FINANCIAL STATEMENTS****SEPTEMBER 30, 2015****5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions****TMRS:**

For the year ended September 30, 2015, the City recognized pension expense of \$3,447,811. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ -	\$ 473,113
Difference between projected and actual investment earnings	865,922	-
Contributions subsequent to the measurement date	2,922,725	-
Totals	<u>\$ 3,788,647</u>	<u>\$ 473,113</u>

\$2,922,725 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:

2016	\$ 112,242
2017	112,242
2018	112,242
2019	112,244
2020	(56,161)
Total	<u>\$ 392,809</u>

Conroe Fire Fighters' Relief and Retirement Fund:

For the year ended September 30, 2015, the City should recognize a pension expense of \$2,057,289. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings	\$ 1,710,480	\$ -
Totals	<u>\$ 1,710,480</u>	<u>\$ -</u>

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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

Year ended September 30:

2016	\$	427,620
2017		427,620
2018		427,620
2019		427,620
Total	\$	<u>1,710,480</u>

K. Commitments and Contingencies

1. 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, 2015, these programs are subject to financial and compliance audits by the granting agencies. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

2. Litigation

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

3. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until 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.

L. Closure and Postclosure Care Cost

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

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

M. Net Position

The following restrictions on net position result from laws, contracts, or grants:

Court Efficiency	\$	161,308
Juvenile Case Manager		57,906
Truancy Prevention Fund		3,392
Severance Pay 2% Sinking Fund		19,927
Seized Assets		413,679
Red Light Cameras		526,237
State Cable Franchise 1% PEG Fee		142,926
Special Revenue Funds		<u>1,965,565</u>
Total	\$	<u>3,290,940</u>

N. New Accounting Pronouncements

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

GASB Statement No. 72, *Fair Value Measurement and Application*; provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement will be effective for the City in the fiscal year ending September 30, 2016.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. This statement will be effective for the City in the fiscal year ending September 30, 2016.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; identify in the current governmental financial reporting environment the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted. This statement will be effective for the City in the fiscal year ending September 30, 2016.

CITY OF CONROE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

O. Prior Period Adjustment

The prior period adjustments are made up of the following amounts:

Primary Government, Governmental Activities, Exhibit A-2:

Eliminate Prior Net Pension Obligation for CFFR&RF	\$ 606,000
Restate Beginning Firefighters Net Pension Liability & Deferred Outflows	(15,056,159)
Remove CIDC Capital Assets from GTA	(45,989,484)
Remove CIDC Debt from GTA	42,794,187
Eliminate Prior Net Pension Obligation for TMRS	1,192,254
Restate Beginning Net Pension Liability & Deferred Outflows for TMRS	(13,672,267)
	<u>\$ (30,125,469)</u>

Primary Government, Business-type Activities, Exhibit A-2:

Eliminate Prior Net Pension Obligation for TMRS-Water and Sewer	\$ 335,240
Eliminate Prior Net Pension Obligation for TMRS-Fleet Service	21,387
Restate Beginning Net Pension Liability & Deferred Outflows for TMRS	(3,856,281)
Restate Net Investment in Capital Assets to CIDC	(1,857,295)
	<u>\$ (5,356,949)</u>

Component Unit, Oscar Johnson Jr. Community Center, Exhibit A-2:

Eliminate Prior Net Pension Obligation	\$ 13,226
Move Beginning Balance of Compensated Absences to GTA	64,902
	<u>\$ 78,128</u>

Component Unit, Conroe Industrial Development Corporation, Exhibit A-2:

Record CIDC Capital Assets and related Accumulated Depreciation	\$ 47,914,648
Record CIDC Debt	(42,794,187)
	<u>\$ 5,120,461</u>

P. Government Acquisition

During 2012, the City began an annexation program for areas along State Highway 105 West, including but not limited to, areas served by Montgomery County Emergency Services District No. 3 ("District"). An interlocal agreement was signed by the City and the District effective April 24, 2014, whereby, the District would be required to remove the overlapping territory that was to be annexed by the City. Since the loss of territory would reduce the District's sales tax and ad valorem tax revenues, the City and the District coordinated a plan for the City to acquire the assets and debt related to the annexed area. During 2015, the City acquired the assets, net of related debt valued at \$467,349. The assets acquired included a fire station, multiple fire trucks, and a fire boat along with other various fire equipment.

CITY OF CONROE, TEXAS*REQUIRED SUPPLEMENTARY INFORMATION**SCHEDULE OF FUNDING PROGRESS**OTHER POST EMPLOYMENT BENEFITS (OPEB)**YEAR ENDED SEPTEMBER 30, 2015*

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/08	\$ -	\$ 19,393,024	\$ 19,393,024	-	\$ 26,241,409	73.90%
12/31/11	1,535,927	14,851,911	13,315,984	10.3%	21,528,653	61.85%
12/31/13	1,944,901	19,268,678	17,323,777	10.1%	24,668,464	70.23%

See accompanying notes to required supplementary information.

CITY OF CONROE, TEXAS**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS****TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)****DECEMBER 31, 2014 AND BUILDING (10 YEARS)**

	<u>2014</u>
Total Pension Liability	
Service cost	\$ 3,488,323
Interest	7,342,819
Differences between expected and actual experience	(577,351)
Benefit payments, including refunds of employee contributions	<u>(3,718,726)</u>
Net Change in Total Pension Liability	6,535,065
Total Pension Liability - Beginning	105,012,620
Total Pension Liability - Ending (a)	<u><u>\$ 111,547,685</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 3,975,261
Contributions - Employee	1,625,218
Net Investment Income	4,842,663
Benefit payments, including refunds of employee contributions	(3,718,726)
Administrative expense	(50,554)
Other	<u>(4,156)</u>
Net Change in Plan Fiduciary Net Position	6,669,706
Plan Fiduciary Net Position - Beginning	84,643,780
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 91,313,486</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 20,234,199</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	81.86%
Covered Employee Payroll	\$ 23,217,402
Net Pension Liability as a Percentage of Covered Employee Payroll	87.15%

* The amounts presented for the fiscal year were determined as of the plan's fiscal year end December 31, 2014.

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

See accompanying notes to the required supplementary information.

CITY OF CONROE, TEXAS**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF CONTRIBUTIONS****TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)****LAST FISCAL YEAR AND BUILDING**

Year Ending September 30	Actuarially Determined Contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a % of covered employee payroll
2015	\$ 4,057,674	\$ 4,057,674	\$ -	\$ 24,365,506	16.7%

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

See accompanying notes to the required supplementary information.

CITY OF CONROE, TEXAS**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS****CONROE FIRE FIGHTERS' RELIEF AND RETIREMENT FUND****SEPTEMBER 30, 2015 AND BUILDING (10 YEARS)**

	<u>2015</u>
Total Pension Liability	
Service cost	\$ 1,310,699
Interest	2,703,863
Benefit payments, including refunds of member contributions	<u>(1,333,500)</u>
Net Change in Total Pension Liability	2,681,062
Total Pension Liability - Beginning	<u>34,244,607</u>
Total Pension Liability - Ending (a)	<u>\$ 36,925,669</u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 1,102,093
Contributions - member	972,779
Net Investment Income	(626,136)
Benefit payments, including refunds of member contributions	(1,333,500)
Administrative expense	<u>(99,850)</u>
Net Change in Plan Fiduciary Net Position	15,386
Plan Fiduciary Net Position - Beginning	<u>19,188,448</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 19,203,834</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 17,721,835</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	52.01%
Covered-Employee Payroll	\$ 7,347,278
Net Pension Liability as a Percentage of Covered Employee Payroll	241.20%

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

See accompanying notes to the required supplementary information.

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

Year Ending September 30	Actuarially Determined Contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a % of covered employee payroll
2015	\$ 1,102,093	\$ 1,102,093	\$ -	\$ 7,347,278	15.0%

** 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, 2015

1. OPEB

Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	30 Years - Closed Payroll
Asset Valuation Method	Amortized Cost
Inflation	3%
Salary Increases	3%
Investment Rate of Return	6% Blended rate assumed (contributors earn 7.5% and general assets of City earn 4.5% over life of plan)
Retirement Age	Years of service and age at retirement must
Mortality	equal 80 (Rule of 80). Exceptions can be found in the summary of benefits.
Mortality	Healthy retirees: RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. Disabled retirees: RP2000 Disabled Retiree Mortality Table for males and females; multiplied by 80%. Mortality rates were adjusted as described above to include margin for future mortality improvement. No provision is currently made for future improvements in disabled mortality after the measurement date. Active Members: RP2000 Combined Healthy Mortality Table for males and females projected to year 2003 by Scale AA, with a 5 year setback for both males and females. Mortality rates were adjusted as described above to include margin for future mortality improvements.

2. Pensions

TMRS:

Valuation date: Actuarially determined contribution rates are calculated as of December 31 and
Notes 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	22 years
Asset Valuation Method	10-year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other information:

Notes: There were no benefit changes during the year.

See accompanying notes to required supplementary information.

CITY OF CONROE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

OPEB AND PENSIONS

SEPTEMBER 30, 2015

Conroe Fire Fighters' Relief and Retirement Fund:

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	Open period, level percentage of pay
Asset Valuation method	The fair value of assets plus 20% of the unrecognized gains & losses from each of the past four years. The resulting value is further limited to be no less than 90% and no greater than 110% of the fair value of assets.
Investment rate of return	7.75% per annum (net of expenses)
Salary scale	5.70% per annum plus a merit/promotion component
General inflation rate	4.00% per annum
Interest on employee cont	2.5% per annum
Contribution rates	Rates in effect are assumed to remain constant for future years
Mortality rates	RP-2000 combined healthy tables for males and females with mortality improvement projected to valuation date using Scale AA.
Termination rates	0% to 6%

See accompanying notes to required supplementary information.

CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

EXHIBIT B-1

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
Pooled Cash and Cash Equivalents	\$ 172,398	\$ 336,015	\$ 508,413
Non-pooled Cash and Cash Equivalents	9,567	-	9,567
Investments	2,530,429	5,966,744	8,497,173
Receivables (Net of Allowances for Uncollectibles):			
Accounts	6	-	6
Interest	-	1,618	1,618
Other	263,871	297,813	561,684
Due from Other Funds	50,327	-	50,327
TOTAL ASSETS	\$ 3,026,598	\$ 6,602,190	\$ 9,628,788
LIABILITIES			
Accounts Payable	\$ 124,566	\$ 688,967	\$ 813,533
Accrued Expenditures/Expenses	211,231	314,887	526,118
Retainage Payable	-	66,392	66,392
Due to Other Funds	220,150	123,750	343,900
Customer Deposits	10,517	-	10,517
Unearned Revenue	2,345	-	2,345
TOTAL LIABILITIES	568,809	1,193,996	1,762,805
FUND BALANCES			
Restricted for:			
Capital Project Funds	-	4,529,551	4,529,551
Special Revenue Funds	1,965,565	-	1,965,565
Committed for:			
TIRZ #2-Property Tax Receipts	-	11	11
TIRZ #3-Property Tax Receipts	-	878,632	878,632
Conroe Tower-Lease Income	350,164	-	350,164
Owen Theater-Ticket Sales	43,738	-	43,738
Woodlands Township Reg. Participation	98,322	-	98,322
TOTAL FUND BALANCES	2,457,789	5,408,194	7,865,983
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,026,598	\$ 6,602,190	\$ 9,628,788



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

*COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015*

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
REVENUES			
Taxes	\$ 1,237,267	\$ -	\$ 1,237,267
Lease Income	276,246	-	276,246
Intergovernmental	1,201,112	1,553,715	2,754,827
Investment Income	2,265	12,938	15,203
Gain (Loss) on Investment	-	(3,795)	(3,795)
Penalties and Interest	504	-	504
Other	260,216	7,500	267,716
TOTAL REVENUES	<u>2,977,610</u>	<u>1,570,358</u>	<u>4,547,968</u>
EXPENDITURES			
Current:			
General Government	2,419,366	207,230	2,626,596
Debt Service:			
Principal Retirement	102,998	-	102,998
Interest and Fiscal Charges	54,098	-	54,098
Bond Issuance Costs	-	24,087	24,087
Capital Outlay	564,328	3,155,374	3,719,702
TOTAL EXPENDITURES	<u>3,140,790</u>	<u>3,386,691</u>	<u>6,527,481</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(163,180)</u>	<u>(1,816,333)</u>	<u>(1,979,513)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of Certificates of Obligation	-	2,719,387	2,719,387
Premium on Issuance of Bonds	-	23,909	23,909
Transfers In	512,091	3,029,957	3,542,048
Transfers Out	(127,472)	(7,234,693)	(7,362,165)
TOTAL OTHER FINANCING SOURCES (USES)	<u>384,619</u>	<u>(1,461,440)</u>	<u>(1,076,821)</u>
Net Change in Fund Balances	221,439	(3,277,773)	(3,056,334)
Fund Balances at Beginning of Year	2,751,284	8,685,967	11,437,251
Prior Period Adjustment	(514,934)	-	(514,934)
FUND BALANCES AT END OF YEAR	<u>\$ 2,457,789</u>	<u>\$ 5,408,194</u>	<u>\$ 7,865,983</u>

CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2015

	Hotel/Motel Occupancy Tax Fund	Public Improvement District "PID" Assessments	Community Development Block Grant Entitlement	The Conroe Tower
ASSETS				
Pooled Cash and Cash Equivalents	\$ 34,705	\$ -	\$ -	\$ 20,743
Non-pooled Cash and Cash Equivalents	-	9,567	-	-
Investments	2,154,306	-	-	351,013
Receivables (Net of Allowances for Uncollectibles):				
Accounts	-	-	-	6
Interest	-	-	-	-
Other	2	2,345	223,214	-
Due from Other Funds	-	-	-	-
TOTAL ASSETS	\$ 2,189,013	\$ 11,912	\$ 223,214	\$ 371,762
LIABILITIES				
Accounts Payable	\$ 33,675	\$ -	\$ -	\$ 6,630
Accrued Expenditures/Expenses	202,404	-	-	4,451
Due to Other Funds	-	-	220,150	-
Customer Deposits	-	-	-	10,517
Unearned Revenue	-	2,345	-	-
TOTAL LIABILITIES	236,079	2,345	220,150	21,598
FUND BALANCES				
Restricted for:				
Special Revenue Funds	1,952,934	9,567	3,064	-
Committed for:				
Conroe Tower-Lease Income	-	-	-	350,164
Owen Theatre-Ticket Sales	-	-	-	-
Woodlands Township Reg. Participation	-	-	-	-
TOTAL FUND BALANCES	1,952,934	9,567	3,064	350,164
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,189,013	\$ 11,912	\$ 223,214	\$ 371,762

Owen Theatre	Woodlands Township Regional Participation	Transportation Grants Fund	Total Nonmajor Special Revenue Funds (See Exhibit B-1)
\$ 18,628	\$ 98,322	\$ -	\$ 172,398
-	-	-	9,567
25,110	-	-	2,530,429
-	-	-	6
-	-	-	-
-	-	38,310	263,871
-	-	50,327	50,327
<u>\$ 43,738</u>	<u>\$ 98,322</u>	<u>\$ 88,637</u>	<u>\$ 3,026,598</u>
\$ -	\$ -	\$ 84,261	\$ 124,566
-	-	4,376	211,231
-	-	-	220,150
-	-	-	10,517
-	-	-	2,345
<u>-</u>	<u>-</u>	<u>88,637</u>	<u>568,809</u>
-	-	-	1,965,565
-	-	-	350,164
43,738	-	-	43,738
-	98,322	-	98,322
<u>43,738</u>	<u>98,322</u>	<u>-</u>	<u>2,457,789</u>
<u>\$ 43,738</u>	<u>\$ 98,322</u>	<u>\$ 88,637</u>	<u>\$ 3,026,598</u>

CITY OF CONROE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Hotel/Motel Occupancy Tax Fund	Public Improvement District "PID" Assessments	Community Development Block Grant Entitlement	The Conroe Tower
REVENUES				
Taxes	\$ 1,237,267	\$ -	\$ -	\$ -
Lease Income	-	-	-	276,246
Intergovernmental	-	-	315,065	-
Investment Income	1,873	111	-	188
Penalties and Interest	-	504	-	-
Other	-	221,098	-	-
TOTAL REVENUES	<u>1,239,140</u>	<u>221,713</u>	<u>315,065</u>	<u>276,434</u>
EXPENDITURES				
Current:				
General Government	788,644	223,799	32,751	537,533
Debt Service:				
Principal Retirement	-	-	102,998	-
Interest and Fiscal Charges	-	-	54,098	-
Capital Outlay	<u>25,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>814,144</u>	<u>223,799</u>	<u>189,847</u>	<u>537,533</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>424,996</u>	<u>(2,086)</u>	<u>125,218</u>	<u>(261,099)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	269,263
Transfers Out	-	-	(125,219)	(2,253)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(125,219)</u>	<u>267,010</u>
Net Change in Fund Balances	424,996	(2,086)	(1)	5,911
Fund Balances at Beginning of Year	1,527,938	11,653	517,999	344,253
Prior Period Adjustment	-	-	(514,934)	-
FUND BALANCES AT END OF YEAR	<u>\$ 1,952,934</u>	<u>\$ 9,567</u>	<u>\$ 3,064</u>	<u>\$ 350,164</u>

Owen Theatre	Woodlands Township Regional Participation	Transportation Grants Fund	Total Nonmajor Special Revenue Funds (See Exhibit B-2)
\$ -	\$ -	\$ -	\$ 1,237,267
-	-	-	276,246
-	34,798	851,249	1,201,112
19	14	60	2,265
-	-	-	504
<u>27,566</u>	<u>-</u>	<u>11,552</u>	<u>260,216</u>
<u>27,585</u>	<u>34,812</u>	<u>862,861</u>	<u>2,977,610</u>
13,968	-	822,671	2,419,366
-	-	-	102,998
-	-	-	54,098
<u>-</u>	<u>-</u>	<u>538,828</u>	<u>564,328</u>
<u>13,968</u>	<u>-</u>	<u>1,361,499</u>	<u>3,140,790</u>
<u>13,617</u>	<u>34,812</u>	<u>(498,638)</u>	<u>(163,180)</u>
-	-	242,828	512,091
<u>-</u>	<u>-</u>	<u>-</u>	<u>(127,472)</u>
<u>-</u>	<u>-</u>	<u>242,828</u>	<u>384,619</u>
13,617	34,812	(255,810)	221,439
30,121	63,510	255,810	2,751,284
<u>-</u>	<u>-</u>	<u>-</u>	<u>(514,934)</u>
<u>\$ 43,738</u>	<u>\$ 98,322</u>	<u>\$ -</u>	<u>\$ 2,457,789</u>

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

*HOTEL/MOTEL OCCUPANCY TAX FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,006,946	\$ 1,006,946	\$ 1,237,267	\$ 230,321
Investment Income	-	-	1,873	1,873
TOTAL REVENUES	<u>1,006,946</u>	<u>1,006,946</u>	<u>1,239,140</u>	<u>232,194</u>
EXPENDITURES				
Current:				
General Government	812,673	913,673	788,644	125,029
Capital Outlay	-	25,500	25,500	-
TOTAL EXPENDITURES	<u>812,673</u>	<u>939,173</u>	<u>814,144</u>	<u>125,029</u>
Net Change in Fund Balance	194,273	67,773	424,996	357,223
Fund Balance at Beginning of Year	<u>1,527,938</u>	<u>1,527,938</u>	<u>1,527,938</u>	-
FUND BALANCE AT END OF YEAR	<u>\$ 1,722,211</u>	<u>\$ 1,595,711</u>	<u>\$ 1,952,934</u>	<u>\$ 357,223</u>

CITY OF CONROE, TEXAS**EXHIBIT B-6**

*COMMUNITY DEVELOPMENT BLOCK GRANT ENTITLEMENT
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 626,095	\$ 626,095	\$ 315,065	\$ (311,030)
TOTAL REVENUES	<u>626,095</u>	<u>626,095</u>	<u>315,065</u>	<u>(311,030)</u>
EXPENDITURES				
Current:				
General Government	468,999	343,780	32,751	311,029
Debt Service:				
Principal Retirement	103,000	103,000	102,998	2
Interest and Fiscal Charges	54,096	54,096	54,098	(2)
TOTAL EXPENDITURES	<u>626,095</u>	<u>500,876</u>	<u>189,847</u>	<u>311,029</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	125,219	125,218	(1)
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(125,219)	(125,219)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(125,219)</u>	<u>(125,219)</u>	<u>-</u>
Net Change in Fund Balance	-	-	(1)	(1)
Fund Balance at Beginning of Year	517,999	517,999	517,999	-
Prior Period Adjustment	-	-	(514,934)	(514,934)
FUND BALANCE AT END OF YEAR	<u>\$ 517,999</u>	<u>\$ 517,999</u>	<u>\$ 3,064</u>	<u>\$ (514,935)</u>

CITY OF CONROE, TEXAS
EXHIBIT B-7
THE CONROE TOWER
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Lease Income	\$ 255,132	\$ 255,132	\$ 276,246	\$ 21,114
Investment Income	-	-	188	188
TOTAL REVENUES	<u>255,132</u>	<u>255,132</u>	<u>276,434</u>	<u>21,302</u>
EXPENDITURES				
Current:				
General Government	449,142	566,260	537,533	28,727
Capital Outlay	73,000	-	-	-
TOTAL EXPENDITURES	<u>522,142</u>	<u>566,260</u>	<u>537,533</u>	<u>28,727</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(267,010)</u>	<u>(311,128)</u>	<u>(261,099)</u>	<u>50,029</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	269,263	269,263	269,263	-
Transfers Out	(2,253)	(2,253)	(2,253)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>267,010</u>	<u>267,010</u>	<u>267,010</u>	<u>-</u>
Net Change in Fund Balance	-	(44,118)	5,911	50,029
Fund Balance at Beginning of Year	344,253	344,253	344,253	-
FUND BALANCE AT END OF YEAR	<u>\$ 344,253</u>	<u>\$ 300,135</u>	<u>\$ 350,164</u>	<u>\$ 50,029</u>

CITY OF CONROE, TEXAS
TRANSPORTATION GRANTS FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT B-8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 826,391	\$ 996,791	\$ 851,249	\$ (145,542)
Investment Income	-	-	60	60
Other	-	-	11,552	11,552
TOTAL REVENUES	<u>826,391</u>	<u>996,791</u>	<u>862,861</u>	<u>(133,930)</u>
EXPENDITURES				
Current:				
General Government	662,943	1,068,916	822,671	246,245
Capital Outlay	-	538,828	538,828	-
TOTAL EXPENDITURES	<u>662,943</u>	<u>1,607,744</u>	<u>1,361,499</u>	<u>246,245</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>163,448</u>	<u>(610,953)</u>	<u>(498,638)</u>	<u>112,315</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	67,600	242,828	(175,228)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>67,600</u>	<u>242,828</u>	<u>(175,228)</u>
Net Change in Fund Balance	163,448	(543,353)	(255,810)	287,543
Fund Balance at Beginning of Year	255,810	255,810	255,810	-
FUND BALANCE AT END OF YEAR	<u>\$ 419,258</u>	<u>\$ (287,543)</u>	<u>\$ -</u>	<u>\$ 287,543</u>



CITY OF CONROE, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT B-9

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 8,107,078	\$ 8,107,078	\$ 8,068,668	\$ (38,410)
Investment Income	23,735	23,735	15,746	(7,989)
Gain (Loss) on Investment	-	-	12,070	12,070
Penalties and Interest	45,136	45,136	55,702	10,566
Other	-	-	1,356,404	1,356,404
TOTAL REVENUES	<u>8,175,949</u>	<u>8,175,949</u>	<u>9,508,590</u>	<u>1,332,641</u>
EXPENDITURES				
Current:				
General Government	22,650	22,650	7,799	14,851
Debt Service:				
Principal Retirement	5,035,000	5,035,000	5,140,000	(105,000)
Interest and Fiscal Charges	5,016,381	5,016,381	4,590,687	425,694
Bond Issuance Costs	-	414,639	442,496	(27,857)
TOTAL EXPENDITURES	<u>10,074,031</u>	<u>10,488,670</u>	<u>10,180,982</u>	<u>307,688</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,898,082)</u>	<u>(2,312,721)</u>	<u>(672,392)</u>	<u>1,640,329</u>
OTHER FINANCING SOURCES (USES)				
Issuance of Refunding Bonds	-	33,370,000	33,370,000	-
Payment to Escrow Agent	-	(36,111,136)	(36,111,136)	-
Premium on Issuance of Bonds	-	2,765,755	2,765,755	-
Transfers In	3,400,797	3,400,797	2,100,127	(1,300,670)
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,400,797</u>	<u>3,425,416</u>	<u>2,124,746</u>	<u>(1,300,670)</u>
Net Change in Fund Balance	1,502,715	1,112,695	1,452,354	339,659
Fund Balance at Beginning of Year	10,632,394	10,632,394	10,632,394	-
FUND BALANCE AT END OF YEAR	<u>\$ 12,135,109</u>	<u>\$ 11,745,089</u>	<u>\$ 12,084,748</u>	<u>\$ 339,659</u>

Note: The budgeted transfer payment from CIDC is recorded in Other Revenue.

CITY OF CONROE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2015

	Signals CIP Fund	Transportation Grants CIP Fund	Firearms Training Facility	Woodlands Annexation
ASSETS				
Pooled Cash and Cash Equivalents	\$ 16,507	\$ 181,965	\$ 46,956	\$ 52,467
Investments	622,188	-	-	1,970,106
Receivables (net of allowances for uncollectibles):				
Interest	-	4	1	1
Other	-	297,813	-	-
TOTAL ASSETS	<u>\$ 638,695</u>	<u>\$ 479,782</u>	<u>\$ 46,957</u>	<u>\$ 2,022,574</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 372,266	\$ -	\$ -
Accrued Expenditures/Expenses	314,887	-	-	-
Retainage Payable	-	-	-	-
Due to Other Funds	-	-	-	-
TOTAL LIABILITIES	<u>314,887</u>	<u>372,266</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for:				
Capital Project Funds	323,808	107,516	46,957	2,022,574
Committed for:				
TIRZ #2-Property Tax Receipts	-	-	-	-
TIRZ #3-Property Tax Receipts	-	-	-	-
TOTAL FUND BALANCES	<u>323,808</u>	<u>107,516</u>	<u>46,957</u>	<u>2,022,574</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 638,695</u>	<u>\$ 479,782</u>	<u>\$ 46,957</u>	<u>\$ 2,022,574</u>

Drainage CIP Fund	Park CIP Fund	Tax Incr Reinv. Zone 2	Tax Incr Reinv. Zone 3	Total Nonmajor Capital Projects Funds (See Exhibit B-1)
17,643	\$ 20,466	\$ 11	\$ -	\$ 336,015
581,891	1,791,789	-	1,000,770	5,966,744
-	-	-	1,612	1,618
-	-	-	-	297,813
<u>599,534</u>	<u>\$ 1,812,255</u>	<u>\$ 11</u>	<u>\$ 1,002,382</u>	<u>\$ 6,602,190</u>
-	\$ 316,701	\$ -	\$ -	\$ 688,967
-	-	-	-	314,887
-	66,392	-	-	66,392
-	-	-	123,750	123,750
-	<u>383,093</u>	-	<u>123,750</u>	<u>1,193,996</u>
599,534	1,429,162	-	-	4,529,551
-	-	11	-	11
-	-	-	878,632	878,632
<u>599,534</u>	<u>1,429,162</u>	<u>11</u>	<u>878,632</u>	<u>5,408,194</u>
<u>599,534</u>	<u>\$ 1,812,255</u>	<u>\$ 11</u>	<u>\$ 1,002,382</u>	<u>\$ 6,602,190</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, 2015

	Signals CIP Fund	Transportation Grants CIP Fund	Firearms Training Facility	Woodlands Annexation
REVENUES				
Intergovernmental	\$ -	\$ 423,288	\$ 20,000	\$ -
Investment Income	344	196	6	108
Gain (Loss) on Investment	-	-	-	-
Other	7,500	-	-	-
TOTAL REVENUES	<u>7,844</u>	<u>423,484</u>	<u>20,006</u>	<u>108</u>
EXPENDITURES				
Current:				
General Government	-	-	10,942	-
Debt Service:				
Bond Issuance Costs	5,516	131	-	17,825
Capital Outlay	1,012,421	529,111	5,250	-
TOTAL EXPENDITURES	<u>1,017,937</u>	<u>529,242</u>	<u>16,192</u>	<u>17,825</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,010,093)</u>	<u>(105,758)</u>	<u>3,814</u>	<u>(17,717)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of Certificates of Obligation	622,753	15,091	-	2,012,125
Premium on Issuance of Bonds	5,475	133	-	17,691
Transfers In	-	-	-	-
Transfers Out	(181,033)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>447,195</u>	<u>15,224</u>	<u>-</u>	<u>2,029,816</u>
Net Change in Fund Balances	<u>(562,898)</u>	<u>(90,534)</u>	<u>3,814</u>	<u>2,012,099</u>
Fund Balances at Beginning of Year	886,706	198,050	43,143	10,475
FUND BALANCES AT END OF YEAR	<u>\$ 323,808</u>	<u>\$ 107,516</u>	<u>\$ 46,957</u>	<u>\$ 2,022,574</u>

Drainage CIP Fund	Park CIP Fund	Tax Incr Reinv. Zone 2	Tax Incr Reinv. Zone 3	Total Nonmajor Capital Projects Funds (See Exhibit B-2)
-	\$ -	\$ -	\$ 1,110,427	\$ 1,553,715
949	1,378	1	9,956	12,938
-	-	-	(3,795)	(3,795)
-	-	-	-	7,500
<u>949</u>	<u>1,378</u>	<u>1</u>	<u>1,116,588</u>	<u>1,570,358</u>
590	926	194,772	-	207,230
-	615	-	-	24,087
<u>374,107</u>	<u>1,234,485</u>	<u>-</u>	<u>-</u>	<u>3,155,374</u>
<u>374,697</u>	<u>1,236,026</u>	<u>194,772</u>	<u>-</u>	<u>3,386,691</u>
<u>(373,748)</u>	<u>(1,234,648)</u>	<u>(194,771)</u>	<u>1,116,588</u>	<u>(1,816,333)</u>
-	69,418	-	-	2,719,387
-	610	-	-	23,909
-	1,280,588	194,772	1,554,597	3,029,957
<u>(457,168)</u>	<u>(936,365)</u>	<u>-</u>	<u>(5,660,127)</u>	<u>(7,234,693)</u>
<u>(457,168)</u>	<u>414,251</u>	<u>194,772</u>	<u>(4,105,530)</u>	<u>(1,461,440)</u>
(830,916)	(820,397)	1	(2,988,942)	(3,277,773)
<u>1,430,450</u>	<u>2,249,559</u>	<u>10</u>	<u>3,867,574</u>	<u>8,685,967</u>
<u>599,534</u>	<u>\$ 1,429,162</u>	<u>\$ 11</u>	<u>\$ 878,632</u>	<u>\$ 5,408,194</u>

CITY OF CONROE, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2015

EXHIBIT B-12

	Fleet Services Fund	Self Funded Insurance	Total Internal Service Funds (See Exhibit A-9)
ASSETS			
Current Assets:			
Pooled Cash and Cash Equivalents	\$ 157,603	\$ -	\$ 157,603
Investments	313,287	350,875	664,162
Receivable (Net of Allowances for Uncollectibles):			
Interest	5	278	283
Other	-	13,223	13,223
Receivables from External Parties	-	135,484	135,484
Inventories	48,644	-	48,644
Total Current Assets	519,539	499,860	1,019,399
TOTAL ASSETS	519,539	499,860	1,019,399
LIABILITIES			
Current Liabilities:			
Accounts Payable	22,495	7,172	29,667
Due to Other Funds	-	390,161	390,161
Accrued Expenditures/Expenses	33,827	-	33,827
Health Claims Liability	-	527,897	527,897
Compensated Absences	1,548	-	1,548
Total Current Liabilities	57,870	925,230	983,100
Noncurrent Liabilities, net of current portion			
Compensated Absences	88,098	-	88,098
OPEB Liability	-	3,510,055	3,510,055
Total Noncurrent Liabilities	88,098	3,510,055	3,598,153
TOTAL LIABILITIES	145,968	4,435,285	4,581,253
NET POSITION			
Unrestricted	373,571	(3,935,425)	(3,561,854)
TOTAL NET POSITION	\$ 373,571	\$ (3,935,425)	\$ (3,561,854)

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

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Fleet Services Fund	Self Funded Insurance	Total Internal Service Funds (See Exhibit A-10)
OPERATING REVENUES			
Charges for Sales and Services	\$ 1,852,780	\$ 6,487,523	\$ 8,340,303
TOTAL OPERATING REVENUES	<u>1,852,780</u>	<u>6,487,523</u>	<u>8,340,303</u>
OPERATING EXPENSES			
Public Works	1,596,959	-	1,596,959
General Government	-	7,827,530	7,827,530
TOTAL OPERATING EXPENSES	<u>1,596,959</u>	<u>7,827,530</u>	<u>9,424,489</u>
Operating Income (Loss)	<u>255,821</u>	<u>(1,340,007)</u>	<u>(1,084,186)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Income	154	2,757	2,911
Gain (Loss) on Investment	-	240	240
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>154</u>	<u>2,997</u>	<u>3,151</u>
Income (Loss) Before Transfers	<u>255,975</u>	<u>(1,337,010)</u>	<u>(1,081,035)</u>
Transfers In	-	421,615	421,615
Transfer Out	(8,638)	-	(8,638)
NET TRANSFERS	<u>(8,638)</u>	<u>421,615</u>	<u>412,977</u>
Change in Net Position	<u>247,337</u>	<u>(915,395)</u>	<u>(668,058)</u>
Net Position at Beginning of Year	104,847	(3,020,030)	(2,915,183)
Prior Period Adjustment	21,387	-	21,387
NET POSITION AT END OF YEAR	<u>\$ 373,571</u>	<u>\$ (3,935,425)</u>	<u>\$ (3,561,854)</u>

CITY OF CONROE, TEXAS
COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT B-14

	Fleet Services Fund	Self Funded Insurance	Total Internal Service Funds (See Exhibit A-11)
Cash Flows from Operating Activities			
<i>Cash Received from Customers</i>	\$ 1,853,831	\$ -	\$ 1,853,831
<i>Cash Received from External Parties</i>	-	98,121	98,121
<i>Cash Received from Employees</i>	-	559,586	559,586
<i>Cash Received from Other Funds</i>	-	5,787,178	5,787,178
<i>Cash Payments to Employees for Services</i>	(652,345)	-	(652,345)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(935,716)	(1,351,314)	(2,287,030)
<i>Cash Payments for Loss Claims</i>	-	(5,991,969)	(5,991,969)
Net Cash Provided by (Used for) Operating Activities	<u>265,770</u>	<u>(898,398)</u>	<u>(632,628)</u>
Cash Flows from Non-Capital Financing Activities:			
<i>Transfer To Other Funds</i>	<u>(8,638)</u>	<u>421,615</u>	<u>412,977</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(8,638)</u>	<u>421,615</u>	<u>412,977</u>
Cash Flows from Investing Activities:			
<i>Purchase of Investment Securities</i>	(133,276)	406,894	273,618
<i>Interest on Investments</i>	<u>153</u>	<u>2,997</u>	<u>3,150</u>
Net Cash Provided by (Used for) Investing Activities	<u>(133,123)</u>	<u>409,891</u>	<u>276,768</u>
Net Increase (Decrease) in Cash and Cash Equivalents	124,009	(66,892)	57,117
Cash and Cash Equivalents at Beginning of Year	<u>33,594</u>	<u>66,892</u>	<u>100,486</u>
Cash and Cash Equivalents at End of Year	<u>\$ 157,603</u>	<u>\$ -</u>	<u>\$ 157,603</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
<i>Operating Income (Loss)</i>	255,821	(1,340,007)	(1,084,186)
<i>Changes in Assets and Liabilities:</i>			
<i>Decrease (Increase) in Receivables</i>	1,045	(5,275)	(4,230)
<i>Decrease (Increase) from External Parties</i>	-	(37,363)	(37,363)
<i>Decrease (Increase) in Inventories</i>	(6,560)	-	(6,560)
<i>Increase (Decrease) in Accounts Payable</i>	(3,700)	4,362	662
<i>Increase (Decrease) in Due to Other Funds</i>	-	390,161	390,161
<i>Increase (Decrease) in Compensated Absences</i>	10,844	-	10,844
<i>Increase (Decrease) in Accrued Expenses</i>	8,320	(138,144)	(129,824)
<i>Increase (Decrease) in OPEB Liability</i>	-	227,868	227,868
<i>Total Adjustments</i>	<u>9,949</u>	<u>441,609</u>	<u>451,558</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 265,770</u>	<u>\$ (898,398)</u>	<u>\$ (632,628)</u>

STATISTICAL SECTION

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

Contents

Tables

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

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

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

	Fiscal Year				
	2006	2007	2008	2009	2010
Governmental Activities:					
Net Investment in Capital Assets	\$ 6,521,797	\$ 15,076,286	\$ 30,494,416	\$ 9,491,461	\$ 45,594,829
Restricted for:					
Capital Projects	7,719,594	3,879,363	-	34,504,480	-
Debt Service	596,287	4,885,305	356,030	8,598,275	5,114,405
Federal & State Programs	90,683	226,818	101,185	74,890	-
CIDC	6,659,112	11,041,766	14,291,377	5,794,691	-
Other Purposes	979,744	837,285	590,338	711,703	-
Unrestricted	(3,347,366)	13,947,148	18,623,082	10,289,905	22,393,150
Total Governmental Activities Net Position	<u>\$ 19,219,851</u>	<u>\$ 49,893,971</u>	<u>\$ 64,456,428</u>	<u>\$ 69,465,405</u>	<u>\$ 73,102,384</u>
Business-type Activities:					
Net Investment in Capital Assets	\$ 36,583,725	\$ 40,138,677	\$ 34,302,455	\$ 30,550,082	\$ 42,313,096
Restricted for:					
Debt Service	-	-	-	-	768,607
Unrestricted	13,315,205	9,005,666	12,443,817	16,429,178	3,482,423
Total Business-type Activities Net Position	<u>\$ 49,898,930</u>	<u>\$ 49,144,343</u>	<u>\$ 46,746,272</u>	<u>\$ 46,979,260</u>	<u>\$ 46,564,126</u>
Primary Government:					
Net Investment in Capital Assets	\$ 37,786,573	\$ 55,214,963	\$ 64,796,871	\$ 40,041,543	\$ 87,907,925
Restricted for:					
Capital Projects	7,719,594	3,879,363	-	34,504,480	-
Debt Service	596,287	4,885,305	356,030	8,598,275	5,883,012
Federal & State Programs	90,683	226,818	101,185	74,890	-
CIDC	6,659,112	11,041,766	14,291,377	5,794,691	-
Other Purposes	979,744	837,285	590,338	711,703	-
Unrestricted	15,286,788	22,952,814	31,066,899	26,719,083	25,875,573
Total Primary Government Net Position	<u>\$ 69,118,781</u>	<u>\$ 99,038,314</u>	<u>\$ 111,202,700</u>	<u>\$ 116,444,665</u>	<u>\$ 119,666,510</u>

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

TABLE C-1

Fiscal Year					
2011	2012	2013	2014	2015	
\$ 44,291,192	\$ 46,590,472	\$ 49,087,033	\$ 54,366,984	\$ 53,413,374	
-	-	-	-	-	
6,293,542	7,028,107	8,342,744	10,623,507	12,178,899	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	3,290,940	
<u>30,316,480</u>	<u>33,221,815</u>	<u>42,229,165</u>	<u>46,836,093</u>	<u>(11,517,169)</u>	
<u>\$ 80,901,214</u>	<u>\$ 86,840,394</u>	<u>\$ 99,658,942</u>	<u>\$ 111,826,584</u>	<u>\$ 57,366,044</u>	
\$ 41,092,795	\$ 38,394,869	\$ 38,080,390	\$ 38,527,503	\$ 43,883,640	
2,011,388	3,469,710	2,883,757	4,169,587	5,455,067	
<u>6,574,281</u>	<u>10,849,396</u>	<u>14,536,011</u>	<u>15,274,317</u>	<u>12,468,751</u>	
<u>\$ 49,678,464</u>	<u>\$ 52,713,975</u>	<u>\$ 55,500,158</u>	<u>\$ 57,971,407</u>	<u>\$ 61,807,458</u>	
\$ 85,383,987	\$ 84,985,341	\$ 87,167,423	\$ 92,894,487	\$ 97,297,014	
-	-	-	-	-	
8,304,930	10,497,817	11,226,501	14,793,094	17,633,966	
-	-	-	-	-	
-	-	-	-	-	
-	-	-	-	3,290,940	
<u>36,890,761</u>	<u>44,071,211</u>	<u>56,765,176</u>	<u>62,110,410</u>	<u>951,582</u>	
<u>\$ 130,579,678</u>	<u>\$ 139,554,369</u>	<u>\$ 155,159,100</u>	<u>\$ 169,797,991</u>	<u>\$ 119,173,502</u>	

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

TABLE C-2
1 of 2

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
General Government	\$ 13,354,977	\$ 10,673,508	\$ 15,745,057	\$ 15,339,833	\$ 15,821,856	\$ 16,197,260	\$ 20,069,578	\$ 10,710,512	\$ 11,396,885	\$ 15,956,134
Finance	953,556	1,005,747	1,322,176	1,356,686	1,829,867	1,366,931	2,025,523	1,384,161	1,555,692	1,654,077
Public Safety	17,482,857	18,776,769	20,566,227	23,126,347	24,091,284	24,932,831	25,729,415	26,579,331	31,524,935	36,628,246
Parks	4,619,033	4,099,203	4,199,935	5,606,763	5,712,279	6,309,608	5,531,230	5,872,870	6,989,269	7,227,345
Public Works	5,565,872	6,004,553	8,479,694	6,892,655	6,858,838	7,462,982	7,202,936	8,408,438	9,658,450	10,252,452
Debt Service:										
Interest and Fiscal Charges	3,631,719	3,317,992	3,773,890	4,710,814	4,935,903	4,908,920	5,649,013	5,928,039	5,749,864	5,079,185
Other	183,126	-	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses	\$ 45,791,140	\$ 43,877,772	\$ 54,086,979	\$ 57,033,098	\$ 59,250,027	\$ 61,178,532	\$ 66,207,695	\$ 58,883,351	\$ 66,875,095	\$ 76,797,439
Business-Type Activities:										
Water and Sewer	13,484,224	13,582,979	13,494,738	14,256,678	15,432,772	17,552,228	18,470,310	21,378,030	25,440,644	29,304,349
Fleet Services	690,502	550,206	797,463	1,008,177	1,029,431	1,108,717	1,252,899	1,301,942	1,237,286	1,596,959
Total Business-type Activities Expenses	14,174,726	14,133,185	14,292,201	15,264,855	16,462,203	18,660,945	19,723,209	22,679,972	26,677,930	30,901,308
Total Primary Government Expenses	\$ 59,965,866	\$ 58,010,957	\$ 68,379,180	\$ 72,297,953	\$ 75,712,230	\$ 79,839,477	\$ 85,930,904	\$ 81,563,323	\$ 93,553,025	\$ 107,698,747
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 6,688,317	\$ 6,774,117	\$ 6,760,940	\$ 7,059,292	\$ 6,725,603	\$ 7,577,554	\$ 8,199,459	\$ 1,982,113	\$ 2,500,520	\$ 3,588,771
Public Safety	2,601,118	1,430,892	1,178,518	1,375,485	2,430,917	4,350,954	3,725,515	3,489,063	3,835,258	2,746,233
Parks	594,503	723,509	732,336	828,233	877,457	1,084,825	1,157,025	1,194,628	1,246,186	1,279,923
Public Works	287,265	579,590	705,732	573,402	618,137	722,668	718,931	742,027	696,136	1,256,432
Operating Grants & Contributions:										
General Government	655,598	768,143	215,183	584,351	649,953	1,247,405	1,698,203	1,758,848	2,240,844	1,860,483
Finance	-	-	-	57,995	-	-	-	-	-	-
Public Safety	-	-	-	925,361	87,564	62,070	353,102	494,595	594,235	595,556
Parks	-	-	-	191,572	-	-	-	-	-	-
Public Works	-	-	-	246,467	896,259	-	-	104,520	426,960	2,601,443
Total Governmental Activities Program Revenues	\$ 10,826,801	\$ 10,276,251	\$ 9,592,709	\$ 11,842,158	\$ 12,285,890	\$ 15,045,476	\$ 15,852,235	\$ 9,765,794	\$ 11,540,139	\$ 13,928,841
Business-type Activities:										
Charges for Services:										
Water and Sewer	11,043,310	11,298,324	13,767,268	14,200,624	15,451,810	21,660,846	20,963,406	24,239,291	26,350,214	30,034,855
Service Center	543,743	803,220	745,546	951,870	1,088,578	1,156,833	1,211,046	1,297,701	1,359,544	1,852,780
Operating Grants & Contributions:										
Water and Sewer	-	-	-	685,721	-	-	-	-	-	-
Total Business-type Activities Program Revenues	11,587,053	12,101,544	14,512,814	15,838,215	16,540,388	22,817,679	22,174,452	25,536,992	27,709,758	31,887,635
Total Primary Government Program Revenues	\$ 22,413,854	\$ 22,377,795	\$ 24,105,523	\$ 27,680,373	\$ 28,826,278	\$ 37,863,155	\$ 38,026,687	\$ 35,302,786	\$ 39,249,897	\$ 45,816,476
Net (Expense) Revenues										
Governmental Activities	\$ (34,964,339)	\$ (33,601,521)	\$ (44,494,270)	\$ (45,190,940)	\$ (46,964,137)	\$ (46,133,056)	\$ (50,355,460)	\$ (49,117,557)	\$ (55,334,956)	\$ (62,868,598)
Business-type Activities	(2,587,673)	(2,031,641)	220,613	573,360	78,185	4,156,734	2,451,243	2,857,020	1,031,828	986,327
Total Net Expense	\$ (37,552,012)	\$ (35,633,162)	\$ (44,273,657)	\$ (44,617,580)	\$ (46,885,952)	\$ (41,976,322)	\$ (47,904,217)	\$ (46,260,537)	\$ (54,303,128)	\$ (61,882,271)

TABLE C-2
2 of 2

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	\$ 9,670,927	\$ 10,542,923	\$ 12,086,406	\$ 13,766,694	\$ 14,490,433	\$ 14,512,982	\$ 15,551,084	\$ 16,887,252	\$ 18,258,675	\$ 20,045,759
In Lieu of Taxes	379,862	378,998	435,170	457,851	480,206	489,904	570,277	587,634	682,113	592,302
Gross Receipts Tax	3,031,455	3,160,436	3,747,522	3,940,939	4,189,983	4,715,542	4,837,834	5,275,521	5,498,112	5,794,059
Sales and Other Taxes	27,297,564	28,266,100	29,786,065	28,863,680	27,168,790	30,033,856	31,967,819	36,640,659	40,261,541	32,013,059
Hotel Occupancy Taxes	175,416	279,111	228,666	406,603	690,112	591,940	801,963	926,572	1,103,093	1,237,267
Mixed Beverage Taxes	119,216	134,088	140,886	147,909	173,790	168,103	141,111	149,146	219,547	272,002
Miscellaneous	1,676,290	2,544,540	2,094,181	2,852,751	811,074	839,882	1,044,394	305,564	413,617	1,807,243
Donations	-	-	-	76,412	161,124	193,335	173,978	397,521	110,556	167,455
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	1,636,394	872,055	870,190	984,394	1,050,519	1,145,225
Unrestricted Investment Earnings	989,750	1,948,043	1,211,705	718,596	240,119	176,010	160,852	122,179	135,095	132,911
Gain (Loss) on Investments	(733,375)	285,948	467,934	(240,904)	(83,186)	38,218	14,930	(221,800)	(126,115)	18,778
Gain (Loss) on Capital Assets	233,293	(504,685)	4,780,042	-	-	-	-	-	-	-
Transfers	1,156,645	141,445	3,441,351	453,959	642,277	1,300,059	160,208	1,108,072	(104,155)	(1,002,698)
Total Governmental Activities	\$ 43,997,043	\$ 47,176,947	\$ 58,419,928	\$ 51,444,490	\$ 50,601,116	\$ 53,931,886	\$ 56,294,640	\$ 63,162,714	\$ 67,502,598	\$ 62,223,362
Business-type Activities:										
Miscellaneous	-	2,898	-	-	31,492	120,155	126,429	356,157	305,613	563,412
Donations	-	-	-	-	880	105	1,000	500	-	-
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	119,062	48,160	576,728	1,500,000	1,030,521	6,612,682
Unrestricted Investment Earnings	303,334	389,611	873,629	216,786	24,326	36,412	41,335	32,490	36,200	28,576
Gain (Loss) on Investments	(187,907)	125,198	(26,230)	(103,199)	(26,802)	52,831	(1,016)	(36,457)	(37,068)	(695)
Gain (Loss) on Capital Assets	161,592	52,528	-	-	-	-	-	-	-	-
Transfers	(1,156,645)	(141,445)	(3,441,351)	(453,959)	(642,277)	(1,300,059)	(160,208)	(1,108,072)	104,155	1,002,698
Total Business-type Activities	(879,626)	428,790	(2,593,952)	(340,372)	(493,319)	(1,042,396)	584,268	744,618	1,439,421	8,206,673
Total Primary Government	\$ 43,117,417	\$ 47,605,737	\$ 55,825,976	\$ 51,104,118	\$ 50,107,797	\$ 52,889,490	\$ 56,878,908	\$ 63,907,332	\$ 68,942,019	\$ 70,430,035
Change in Net Position										
Governmental Activities	\$ 9,032,704	\$ 13,575,426	\$ 13,925,658	\$ 6,253,550	\$ 3,636,979	\$ 7,798,830	\$ 5,939,180	\$ 14,045,157	\$ 12,167,642	\$ (645,236)
Business-type Activities	(3,467,299)	(1,602,851)	(2,373,339)	232,988	(415,134)	3,114,338	3,035,511	3,601,638	2,471,249	9,193,000
Total Primary Government	\$ 5,565,405	\$ 11,972,575	\$ 11,552,319	\$ 6,486,538	\$ 3,221,845	\$ 10,913,168	\$ 8,974,691	\$ 17,646,795	\$ 14,638,891	\$ 8,547,764

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

CITY OF CONROE, TEXAS

PROGRAM REVENUE BY FUNCTION/PROGRAMS

LAST TEN FISCAL YEARS

	Fiscal Year				
	2006	2007	2008	2009	2010
Functions/Programs					
Governmental Activities:					
Charges for Services					
General Government	\$ 6,688,317	\$ 6,774,117	\$ 6,760,940	\$ 7,059,292	\$ 6,725,603
Public Safety	2,601,118	1,430,892	1,178,518	1,375,485	2,430,917
Parks	594,503	723,509	732,336	828,233	877,457
Public Works	287,265	579,590	705,732	573,402	618,137
Operating Grants & Contributions					
General Government	655,598	768,143	215,183	584,351	649,953
Finance	-	-	-	57,995	-
Public Safety	-	-	-	925,361	87,564
Parks	-	-	-	191,572	-
Public Works	-	-	-	246,467	896,259
Total Governmental Activities	<u>\$ 10,826,801</u>	<u>\$ 10,276,251</u>	<u>\$ 9,592,709</u>	<u>\$ 11,842,158</u>	<u>\$ 12,285,890</u>
Business-type Activities:					
Charges for Services					
Water and Sewer	11,043,310	11,298,324	13,767,268	14,200,624	15,451,810
Fleet Services	543,743	803,220	745,546	951,870	1,088,578
Operating Grants & Contributions					
Enterprise	-	-	-	685,721	-
Total Business-type Activities	<u>11,587,053</u>	<u>12,101,544</u>	<u>14,512,814</u>	<u>15,838,215</u>	<u>16,540,388</u>
Total Primary Government	<u>\$ 22,413,854</u>	<u>\$ 22,377,795</u>	<u>\$ 24,105,523</u>	<u>\$ 27,680,373</u>	<u>\$ 28,826,278</u>

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

TABLE C-3

Fiscal Year				
2011	2012	2013	2014	2015
\$ 7,577,554	\$ 8,199,459	\$ 1,982,113	\$ 2,500,520	\$ 3,588,771
4,350,954	3,725,515	3,489,063	3,835,258	2,746,233
1,084,825	1,157,025	1,194,628	1,246,186	1,279,923
722,668	718,931	742,027	696,136	1,256,432
1,247,405	1,698,203	1,758,848	2,240,844	1,860,483
-	-	-	-	-
62,070	353,102	494,595	594,235	595,556
-	-	-	-	-
-	-	104,520	426,960	2,601,443
<u>\$ 15,045,476</u>	<u>\$ 15,852,235</u>	<u>\$ 9,765,794</u>	<u>\$ 11,540,139</u>	<u>\$ 13,928,841</u>
21,660,846	20,963,406	24,239,291	26,350,214	30,034,855
1,156,833	1,211,046	1,297,701	1,359,544	1,852,780
-	-	-	-	-
<u>22,817,679</u>	<u>22,174,452</u>	<u>25,536,992</u>	<u>27,709,758</u>	<u>31,887,635</u>
<u>\$ 37,863,155</u>	<u>\$ 38,026,687</u>	<u>\$ 35,302,786</u>	<u>\$ 39,249,897</u>	<u>\$ 45,816,476</u>

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

	Fiscal Year			
	2006	2007	2008	2009
General Fund				
Reserved	\$ 58,395	\$ 4,443,217	\$ 67,477	\$ 36,942
Unreserved	14,404,541	12,946,865	18,246,066	19,864,037
Nonspendable:				
Prepaid Items	-	-	-	-
Inventories	-	-	-	-
Restricted for:				
Court Efficiency Fund	-	-	-	-
Court Security Fund	-	-	-	-
Court Technology Fund	-	-	-	-
Juvenile Case Manager	-	-	-	-
Truancy Prevention Fund	-	-	-	-
Severance Pay 2% Sinking Fund	-	-	-	-
Seized Assets	-	-	-	-
Red Light Cameras	-	-	-	-
State Franchise 1% PEG Fee	-	-	-	-
Commercial Vehicle Enforcement Program	-	-	-	-
Assigned to:				
Tree Mitigation Revenue	-	-	-	-
Equipment Replacement	-	4,375,889	5,204,390	2,460,433
General Fund-Balance Appropriations	-	-	-	-
Self-Funded Insurance	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	\$ 14,462,936	\$ 21,765,971	\$ 23,517,933	\$ 22,361,412
All Other Governmental Funds				
Reserved for:				
Debt Service	\$ 870,322	\$ 1,201,318	\$ 952,326	\$ 4,304,747
Unreserved, designated for, reported in:				
Special Revenue Funds:				
CIDC Fund	6,765,338	11,010,511	14,921,377	5,075,144
Retained Risk	3,193	-	-	-
Unreserved, Undesignated for, reported in:				
Capital Project Funds	2,825,996	11,448,676	21,910,731	29,377,504
Special Projects	1,307,837	1,256,628	765,092	865,526
Restricted for:				
4B Sales Tax	-	-	-	-
Debt Service	-	-	-	-
Capital Project Funds	-	-	-	-
Special Revenue Funds	-	-	-	-
Committed for:				
CIDC-Land Sales	-	-	-	-
Police Projects-Settlement Proceeds	-	-	-	-
TIRZ #2-Property Tax Receipts	-	-	-	-
TIRZ #3-Property Tax Receipts	-	-	-	-
Conroe Park N. Ind. Park-Infrastructure	-	-	-	-
Conroe Tower-Lease Income	-	-	-	-
Owen Theater-Ticket Sales	-	-	-	-
Woodlands Township Reg. Participation	-	-	-	-
Assigned to:				
Parks Foundation-Donations	-	-	-	-
CIDC-Balance FY2014 Appropriations	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	\$ 11,772,686	\$ 24,917,133	\$ 38,549,526	\$ 39,622,921

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

TABLE C-4

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 165,106	\$ -	\$ -	\$ -	\$ -	\$ -
17,838,511	-	-	-	-	-
-	120,070	116,910	113,750	110,590	107,430
-	25,373	42,871	43,791	42,208	19,681
-	-	204,460	151,170	152,115	161,308
-	-	188,541	105,605	30,333	-
-	100,395	-	31,497	-	-
-	-	-	-	72,160	57,906
-	-	-	-	2,433	3,392
-	-	-	15,829	20,266	19,927
-	236,503	394,828	184,389	311,048	413,679
-	312,564	405,739	416,273	519,200	526,237
-	11,905	54,311	93,998	79,778	142,926
-	-	-	-	16,032	-
-	-	-	15,353	31,353	45,838
2,686,253	2,659,177	3,082,043	3,906,728	4,977,087	4,418,234
-	-	-	1,751,375	4,352,573	575,163
-	-	-	-	1,600,000	1,600,000
-	19,911,074	23,483,574	24,887,074	20,500,016	20,477,898
<u>\$ 20,689,870</u>	<u>\$ 23,377,061</u>	<u>\$ 27,973,277</u>	<u>\$ 31,716,832</u>	<u>\$ 32,817,192</u>	<u>\$ 28,569,619</u>
\$ 5,028,864	\$ -	\$ -	\$ -	\$ -	\$ -
4,910,240	-	-	-	-	-
-	-	-	-	-	-
29,668,367	-	-	-	-	-
740,551	-	-	-	-	-
-	5,718,604	6,444,898	8,591,820	4,471,517	-
-	6,441,765	10,451,194	12,260,043	14,537,182	12,084,748
-	28,774,112	23,677,654	12,796,545	40,358,188	29,207,699
-	822,755	1,146,480	1,446,517	2,313,400	1,965,565
-	3,439,652	1,621,505	2,461,268	12,300,254	-
-	362,504	362,451	340,554	-	-
-	3	5	8	10	11
-	2,922,942	3,023,439	3,463,184	3,867,574	878,632
-	2,516,382	-	-	-	-
-	385,084	466,711	385,950	344,253	350,164
-	97,514	100,739	98,386	30,121	43,738
-	35,360	44,042	54,123	63,510	98,322
-	4,604	4,604	-	-	-
-	-	-	421,649	-	-
-	-	(4,872,753)	-	-	-
<u>\$ 40,348,022</u>	<u>\$ 51,521,281</u>	<u>\$ 42,470,969</u>	<u>\$ 42,320,047</u>	<u>\$ 78,286,009</u>	<u>\$ 44,628,879</u>

CITY OF CONROE, TEXAS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2006	2007	2008	2009	2010
Revenues					
Taxes	\$ 40,498,583	\$ 42,780,198	\$ 46,107,838	\$ 47,521,728	\$ 46,779,434
Licenses and Permits	2,394,336	2,055,529	1,628,111	1,174,481	1,293,727
Charges for Sales and Services	916,490	1,376,537	1,484,854	1,518,562	1,545,589
Lease Income	309,551	295,408	281,458	301,447	312,867
Fines and Forfeitures	1,315,769	1,317,815	1,029,715	3,820,757	2,247,748
Intergovernmental	3,003,857	2,542,020	2,217,918	718,692	3,789,076
Investment Income	1,000,074	1,915,809	1,138,113	(247,791)	290,805
Gain (Loss) on Investments	(733,375)	275,649	471,925	124,740	(78,519)
Penalties and Interest	141,259	132,178	121,257	830,453	150,095
Sale of Assets	-	1,299,847	-	-	-
Land Sales	1,093,043	953,745	5,142,836	1,192,527	751,187
Other	694,174	991,527	217,811	1,325,953	614,992
Total Revenues	50,633,761	55,936,262	59,841,836	58,281,549	57,697,001
Expenditures					
General Government	9,671,105	7,061,998	10,535,145	8,043,022	10,469,930
Finance	961,631	967,077	1,269,490	1,277,562	1,259,066
Public Safety	15,964,914	16,987,159	19,506,439	20,322,601	21,289,975
Parks	3,877,382	3,033,828	3,678,713	4,294,923	4,403,634
Public Works	4,692,501	4,960,344	5,397,344	5,433,457	5,269,914
Debt Service:					
Principal Retirement	5,029,157	5,351,293	5,812,976	6,496,604	6,687,970
Interest and Fiscal Charges	3,100,448	3,286,714	3,810,590	4,730,550	4,859,814
Bond Issuance Costs	-	-	-	-	-
Capital Outlay	7,754,555	14,329,659	28,827,746	21,013,380	13,646,743
Other	-	-	-	-	-
Total Expenditures	51,051,693	55,978,072	78,838,443	71,612,099	67,887,046
Excess (Deficiency) of Revenues Over (Under) Expenditures	(417,932)	(41,810)	(18,996,607)	(13,330,550)	(10,190,045)
Other Financing Sources (Uses)					
Issuance of Bonds and COs	4,155,666	33,701,208	32,100,000	12,750,000	9,270,000
Refunding Bonds Issued	-	-	-	-	4,035,000
Issuance of Capital Lease	2,452,456	-	-	-	-
Premiums and Discounts	-	(152,284)	122,115	43,466	425,757
Payment to Refunded Bond Escrow Agent	-	(13,086,693)	(1,282,504)	-	(4,064,917)
Transfers In	4,181,543	4,072,130	18,298,629	19,193,905	9,374,078
Transfers Out	(3,024,898)	(3,930,685)	(14,857,278)	(18,739,946)	(9,796,314)
Total Other Financing Sources (Uses)	7,764,767	20,603,676	34,380,962	13,247,425	9,243,604
Net Change in Fund Balances	\$ 7,346,835	\$ 20,561,866	\$ 15,384,355	\$ (83,125)	\$ (946,441)
Debt Service as a Percentage of Noncapital Expenditures	18.8%	20.7%	19.2%	22.2%	21.3%

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

TABLE C-5

2011	2012	2013	2014	2015
\$ 50,327,235	\$ 53,584,786	\$ 60,358,883	\$ 65,879,766	\$ 59,891,274
1,240,026	1,414,723	1,752,598	2,260,525	3,336,634
1,833,902	1,909,626	1,979,380	1,966,939	2,573,767
332,526	339,640	331,029	357,568	365,578
4,204,363	3,480,694	3,344,824	3,693,068	2,595,380
2,705,939	3,610,177	3,342,357	4,312,558	6,202,707
183,455	277,440	116,658	130,335	130,154
33,809	(9,121)	(191,185)	(121,797)	18,538
107,349	140,798	112,655	106,932	129,761
3,439,652	1,621,505	2,645,283	4,777,829	-
-	-	-	-	-
677,273	830,787	852,106	627,045	2,116,637
65,085,529	67,201,055	74,644,588	83,990,768	77,360,430
9,858,475	12,912,210	11,444,046	13,396,364	14,835,320
1,302,032	1,354,043	1,333,034	1,421,763	1,540,445
22,150,568	22,534,671	24,048,252	26,836,475	31,447,082
4,724,826	4,124,585	4,238,271	4,905,220	5,039,267
5,772,043	5,519,381	6,703,354	7,369,859	8,032,281
6,916,093	7,437,033	13,183,048	7,194,144	5,300,320
4,889,929	5,751,981	5,887,124	5,530,863	4,662,641
453,738	239,023	433,014	345,651	520,406
29,127,940	21,033,141	18,897,565	14,557,532	27,735,071
-	-	-	-	-
85,195,644	80,906,068	86,167,708	81,557,871	99,112,833
(20,110,115)	(13,705,013)	(11,523,120)	2,432,897	(21,752,403)
32,080,000	8,970,000	13,080,000	31,100,000	8,795,000
-	7,560,000	12,305,000	-	33,370,000
-	-	-	-	-
590,506	258,044	(11,377,320)	3,637,580	2,843,082
-	(7,697,335)	13,761,078	-	(36,111,136)
7,848,088	7,289,803	(12,653,006)	8,258,452	17,073,716
(6,548,029)	(7,129,595)	-	(8,362,607)	(18,498,029)
33,970,565	9,250,917	15,115,752	34,633,425	7,472,633
\$ 13,860,450	\$ (4,454,096)	\$ 3,592,632	\$ 37,066,322	\$ (14,279,770)
21.1%	22.0%	28.3%	19.5%	14.7%

CITY OF CONROE, TEXAS

SPENDING AND GROWTH ANALYSIS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2006	2007	2008	2009	2010
Expenditures					
General Government	\$ 9,671,105	\$ 7,061,998	\$ 10,535,145	\$ 8,043,022	\$ 10,469,930
Finance	961,631	967,077	1,269,490	1,277,562	1,259,066
Public Safety	15,964,914	16,987,159	19,506,439	20,322,601	21,289,975
Parks	3,877,382	3,033,828	3,678,713	4,294,923	4,403,634
Public Works	4,692,501	4,960,344	5,397,344	5,433,457	5,269,914
Debt Service - principal	5,029,157	5,351,293	5,812,976	6,496,604	6,687,970
Debt Service - interest	3,100,448	3,286,714	3,810,590	4,730,550	4,859,814
Debt Service - bond issuance costs	-	-	-	-	-
Capital Outlay	7,754,555	14,329,659	28,827,746	21,013,380	13,646,743
Total	\$ 51,051,693	\$ 55,978,072	\$ 78,838,443	\$ 71,612,099	\$ 67,887,046

Distribution of Spending

General Government	18.9%	12.6%	13.4%	11.2%	15.4%
Finance	1.9%	1.7%	1.6%	1.8%	1.9%
Public Safety	31.3%	30.3%	24.7%	28.4%	31.4%
Parks	7.6%	5.4%	4.7%	6.0%	6.5%
Public Works	9.2%	8.9%	6.8%	7.6%	7.8%
Debt Service - principal	9.9%	9.6%	7.4%	9.1%	9.9%
Debt Service - interest	6.1%	5.9%	4.8%	6.6%	7.2%
Debt Service - bond issuance costs	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Outlay	15.2%	25.6%	36.6%	29.3%	20.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Per Capita Expenditures Adjusted for CPI

Population	49,456	51,538	53,472	55,195	56,207
Per Capita	\$ 1,032	\$ 1,086	\$ 1,474	\$ 1,297	\$ 1,208
CPI Index (National)	203	208	219	216	218
Per Capita Spending Adjusted to 2006 Dollars	\$ 1,032	\$ 1,057	\$ 1,367	\$ 1,219	\$ 1,122

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 2006 Dollars is a measure of spending that is adjusted for purchasing power taking inflation into account.

TABLE C-6

2011	2012	2013	2014	2015	% CHG	Compounded Average Growth Rate
\$ 9,858,475	\$ 12,912,210	\$ 11,444,046	\$ 13,396,364	\$ 14,835,320	53.4%	4.87%
1,302,032	1,354,043	1,333,034	1,421,763	1,540,445	60.2%	5.37%
22,150,568	22,534,671	24,048,252	26,836,475	31,447,082	97.0%	7.82%
4,724,826	4,124,585	4,238,271	4,905,220	5,039,267	30.0%	2.96%
5,772,043	5,519,381	6,703,354	7,369,859	8,032,281	71.2%	6.15%
6,916,093	7,437,033	13,183,048	7,194,144	5,300,320	5.4%	0.59%
4,889,929	5,751,981	5,887,124	5,530,863	4,662,641	50.4%	4.64%
453,738	239,023	433,014	345,651	520,406	117.7%	9.03%
29,127,940	21,033,141	18,897,565	14,557,532	27,735,071	257.7%	15.21%
\$ 85,195,644	\$ 80,906,068	\$ 86,167,708	\$ 81,557,871	\$ 99,112,833	94.1%	7.65%
11.6%	16.0%	13.3%	16.4%	15.0%		
1.5%	1.7%	1.5%	1.7%	1.6%		
26.0%	27.9%	27.9%	32.9%	31.7%		
5.5%	5.1%	4.9%	6.0%	5.1%		
6.8%	6.8%	7.8%	9.0%	8.1%		
8.1%	9.2%	15.3%	8.8%	5.3%		
5.7%	7.1%	6.8%	6.8%	4.7%		
0.5%	0.3%	0.5%	0.4%	0.5%		
34.2%	26.0%	21.9%	17.8%	28.0%		
100.0%	100.0%	100.0%	100.0%	100.0%		
						Compounded Average Growth Rate
56,257	56,530	61,564	71,592	71,879		4.24%
\$ 1,514	\$ 1,431	\$ 1,400	\$ 1,139	\$ 1,379		3.27%
227	231	234	238	238		1.79%
\$ 1,354	\$ 1,255	\$ 1,213	\$ 971	\$ 1,176		1.46%

CITY OF CONROE, TEXAS
TABLE C-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
2006	\$ 9,274,223	\$ 27,297,564	\$ 175,416	\$ 3,031,455	\$ 719,925	\$ 40,498,583
2007	10,376,943	28,266,100	279,111	3,160,436	697,608	42,780,198
2008	11,716,511	29,786,065	228,666	3,747,522	629,074	46,107,838
2009	13,171,609	28,863,680	406,603	3,940,939	1,138,897	47,521,728
2010	14,164,088	27,168,790	690,112	4,189,983	566,461	46,779,434
2011	14,222,611	30,033,856	591,940	4,715,542	763,286	50,327,235
2012	14,951,252	31,967,819	801,963	4,837,834	1,025,918	53,584,786
2013	16,610,584	36,640,659	926,572	5,275,521	905,547	60,358,883
2014	17,950,171	40,261,541	1,103,093	5,498,112	1,066,849	65,879,766
2015	19,787,780	32,013,059	1,237,267	5,794,059	1,059,109	59,891,274
Change 2006-2015	113%	17%	605%	91%	47%	48%

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

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

Fiscal Year	Residential Property	Commercial Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2006	\$ 1,365,324,116	\$ 694,723,935	\$ 588,997,649	\$ 483,915,135	\$ 2,165,130,565	\$ 0.4335
2007	1,412,912,626	767,896,649	835,045,102	554,553,365	2,461,301,012	0.4300
2008	1,661,807,741	851,895,855	886,627,778	617,560,392	2,782,770,982	0.4250
2009	1,948,093,457	1,001,283,950	977,551,693	743,239,121	3,183,689,979	0.4200
2010	2,030,626,191	1,124,367,371	1,101,005,332	828,644,880	3,427,354,014	0.4200
2011	2,167,059,632	1,136,236,430	985,264,053	838,389,460	3,450,170,655	0.4200
2012	2,313,008,691	1,155,513,957	1,076,071,214	913,635,952	3,630,957,910	0.4200
2013	2,433,878,457	1,361,859,836	1,224,422,172	1,017,472,186	4,002,688,279	0.4200
2014	2,554,166,206	1,554,076,046	1,444,595,982	1,230,012,103	4,322,826,131	0.4200
2015	2,461,152,288	2,051,929,566	1,577,299,368	1,260,587,672	4,829,793,550	0.4200

Source: Montgomery Central Appraisal District

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

CITY OF CONROE, TEXAS

PROPERTY TAX RATES-DIRECT AND OVERLAPPING LAST TEN FISCAL YEARS

TABLE C-9

Fiscal Year	City Direct Rates			Overlapping Rates								
	Operations & Maintenance	General Obligation Debt Service	Total Direct Rate	Montgomery County	Mont. Co. Hospital District	Lone Star College	Conroe ISD	Willis ISD	Mont. Co. MUD #90	Mont. Co. MUD #92	Mont. Co. MUD #107	
2006	\$ 0.2435	\$ 0.1900	\$ 0.4335	\$ 0.4963	\$ 0.0850	\$ 0.1207	\$ 1.7600	\$ 1.6020	\$ 0.6000	\$ 0.6000	N/A	
2007	0.2400	0.1900	0.4300	0.4913	0.0781	0.1167	1.5900	1.3060	0.6000	0.6000	0.6000	
2008	0.2350	0.1900	0.4250	0.4888	0.0777	0.1144	1.2400	1.3700	0.6000	0.6000	0.6000	
2009	0.2300	0.1900	0.4200	0.4838	0.0760	0.1101	1.2700	1.3700	0.6000	0.6000	0.6000	
2010	0.2450	0.1750	0.4200	0.4838	0.0755	0.1101	1.2850	1.3700	0.6000	0.6000	0.7000	
2011	0.2500	0.1700	0.4200	0.4838	0.0754	0.1176	1.2950	1.3700	0.6000	0.6000	0.7000	
2012	0.2500	0.1700	0.4200	0.4838	0.0729	0.1198	1.2900	1.3900	0.6000	0.6000	0.7000	
2013	0.2500	0.1700	0.4200	0.4838	0.0727	0.1160	1.2850	1.3900	0.6000	0.6000	0.7000	
2014	0.2500	0.1700	0.4200	0.4767	0.0725	0.1081	1.2800	1.3900	0.6000	0.6000	0.7000	
2015	0.2500	0.1700	0.4200	0.4767	0.0710	0.1079	1.2800	1.3900	0.6000	0.6000	0.7000	

Source: Montgomery Central Appraisal District.

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

TABLE C-10

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Conroe Hospital Corporation	\$ 73,829,980	1	1.53%	\$ 44,966,600	2	1.50%
McKesson Corporation	55,028,560	2	1.14	135,057,213	1	4.57
The GEO Group	54,811,260	3	1.13			
Professional Directional LTD	52,888,740	4	1.10			
Wal-Mart Real Estate Bus. Trust	47,643,264	5	0.99			
Maverick Tube Texas Works	43,419,448	6	0.90	39,939,170	3	1.35
Reme Inc	39,029,910	7	0.81			
Entergy Texas Inc.	37,451,620	8	0.78			
Western Rim Investors 2010-1 LP	37,063,310	9	0.77			
JYOTI Amerias LLC	37,056,410	10	0.77			
Consolidated Communications of Tx Co.				32,872,340	4	1.11
Crown Cork & Seal Co				29,873,400	5	1.01
Conroe Regional Medical Center				23,143,556	6	0.78
Gulf States Utilities Co				19,018,100	7	0.64
Conroe Hospital Corporation				17,840,280	8	0.60
Ball Metal Container Group				17,058,320	9	0.57
Siemens Water Technologies				15,575,260	10	0.52
	<u>\$478,222,502</u>		<u>9.67%</u>	<u>\$375,344,239</u>		<u>12.65%</u>

CITY OF CONROE, TEXAS**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN CALENDAR YEARS****TABLE C-11**

Fiscal Year Ended Sept 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 9,381,199	\$ 9,274,223	98.28%	\$ 81,541	\$ 9,355,764	99.73%
2007	10,549,673	10,376,943	98.38%	144,243	10,521,186	99.73%
2008	11,813,302	11,716,511	99.18%	75,133	11,791,644	99.82%
2009	13,395,885	13,171,609	98.33%	190,663	13,362,272	99.75%
2010	14,378,880	14,164,088	98.51%	85,150	14,249,238	99.10%
2011	14,452,462	14,222,611	98.41%	132,639	14,355,250	99.33%
2012	15,205,842	14,951,252	98.33%	146,561	15,097,813	99.29%
2013	16,858,196	16,610,584	98.53%	162,789	16,773,373	99.50%
2014	18,076,015	17,950,171	99.30%	39,893	17,990,064	99.52%
2015	20,245,827	19,787,780	97.74%	-	19,787,780	97.74%

Source: Montgomery County Tax Assessor-Collector

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

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

TABLE C-12

	Calendar Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 ⁽¹⁾
Agriculture										
Forestry & Fishing	\$ 124	\$ 218	\$ 287	\$ 2	\$ -	\$ 4	\$ 6	\$ 54	\$ 55	\$ 39
Mining	2,763	3,928	8,895	11,527	11,892	11,915	6,053	25,385	32,553	53,172
Construction	23,581	36,790	40,017	45,295	28,214	27,992	23,958	33,488	31,336	38,737
Manufacturing	59,229	58,104	70,697	80,117	57,968	55,559	75,498	115,291	141,766	144,822
Transportation,										
Communication & Utilities	1,748	1,750	3,819	5,877	3,813	4,117	1,524	843	562	1,227
Wholesale Trade	92,273	99,775	110,891	88,029	58,721	56,385	72,428	93,319	113,592	139,891
Retail Trade	558,577	627,361	760,016	798,061	745,719	775,226	786,202	850,416	952,609	1,033,821
Information	15,260	19,228	39,333	53,842	23,303	23,282	29,425	31,573	35,432	42,848
Finance,										
Insurance & Real Estate	25,599	27,275	36,160	39,862	22,009	20,163	28,683	28,226	37,252	42,252
Services	170,183	179,955	187,367	193,176	198,447	193,343	201,872	218,972	237,869	307,646
Other	540	5	-	11	-	-	-	-	-	1
Total	<u>\$ 949,877</u>	<u>\$ 1,054,390</u>	<u>\$ 1,257,482</u>	<u>\$ 1,315,799</u>	<u>\$ 1,150,086</u>	<u>\$ 1,167,986</u>	<u>\$ 1,225,649</u>	<u>\$ 1,397,567</u>	<u>\$ 1,583,026</u>	<u>\$ 1,804,455</u>
City Direct Sales Tax Rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	1.50%

(1) As of October 1, 2014 (FY2015) CIDC is recorded as a discrete component unit and is not included.

Source: Texas Comptroller of Public Accounts

Notes: Calendar years 2005-2006 reflect the State Comptroller's change of industry codes. Original submission of data based on NAICS codes. Data shown based on SIC codes.

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

<u>Fiscal Year</u>	<u>City Direct Rate</u>
2006	2.00%
2007	2.00%
2008	2.00%
2009	2.00%
2010	2.00%
2011	2.00%
2012	2.00%
2013	2.00%
2014	2.00%
2015	1.50%

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

Source: City Finance and Administration Department

CITY OF CONROE, TEXAS

SALES TAX REVENUE PAYERS BY INDUSTRY
FISCAL YEARS 2004 AND 2014
(DOLLARS ARE IN MILLIONS)

TABLE C-14

Tax Remitter	Fiscal Year 2004				Fiscal Year 2014			
	Number of Filers	% of Total	Tax Liability	% of Total	Number of Filers	% of Total	Tax Liability	% of Total
Agriculture, Forestry & Fishing	297	4.15%	\$ 0.08	0.41%	44	0.38%	\$ -	0.00%
Mining	32	0.45%	0.05	0.28%	142	1.23%	0.94	1.90%
Construction	521	7.27%	0.24	1.28%	961	8.30%	0.76	2.04%
Manufacturing	356	4.97%	0.79	4.26%	988	8.53%	2.83	9.03%
Transportation, Communication & Utilities	103	1.44%	0.54	2.94%	113	0.98%	0.02	0.04%
Wholesale Trade	419	5.85%	1.76	9.52%	708	6.11%	2.75	6.83%
Retail Trade	3,580	49.99%	13.79	74.68%	3,961	34.20%	20.32	60.54%
Information	-	0.00%	-	0.00%	160	1.38%	0.85	2.21%
Finance, Insurance & Real Estate	24	0.34%	0.01	0.03%	443	3.83%	0.85	2.27%
Services	1,716	23.96%	1.21	6.58%	4,033	34.82%	5.95	15.14%
Other	114.00	1.59%	-	0.01%	28	0.24%	-	0.00%
Total	7,162	100.00%	\$ 18.47	100.00%	11,581	100.00%	\$ 35.27	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 City's revenue.

CITY OF CONROE, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				Total Long-Term Debt
	Refunding Bonds, CO Bonds & Sales Tax Revenue Bonds ⁽¹⁾	Capital Leases Obligation	Notes		
2006	\$ 62,977,842	\$ 3,788,485	\$ 1,658,666		\$ 68,424,993
2007	78,918,355	2,518,351	1,788,890		83,225,596
2008	105,567,233	1,698,375	1,505,666		108,771,274
2009	112,679,681	1,018,771	1,423,666		115,122,118
2010	116,322,401	666,467	1,343,000		118,331,868
2011	142,211,540	617,374	1,256,000		144,084,914
2012	143,868,156	566,341	1,165,000		145,599,497
2013	145,034,959	513,293	1,070,000		146,618,252
2014	172,569,882	458,149	971,000		173,999,031
2015	135,705,804	400,827	868,002		136,974,633

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

(2) See Table C-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 C-15

Business-type Activities					
Revenue Bonds	Capital Leases Obligation	Total Long-Term Debt	Total Primary Government	Percentage of Personal Income ⁽²⁾	Per Capita
\$ 11,828,536	\$ 6,387,667	\$ 18,216,203	\$ 86,641,196	9.97%	\$ 1,752
16,865,000	6,634,623	23,499,623	106,725,219	11.16%	2,071
27,479,444	6,082,839	33,562,283	142,333,557	15.09%	2,662
34,434,295	5,517,554	39,951,849	155,073,967	12.83%	2,810
49,811,369	4,980,983	54,792,352	173,124,220	14.51%	3,080
53,963,439	4,610,237	58,573,676	202,658,590	15.39%	3,602
71,718,321	4,224,846	75,943,167	221,542,664	16.86%	3,919
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	270,401,900	20.40%	3,777
105,404,059	2,974,908	108,378,967	245,353,600	15.20%	3,413

CITY OF CONROE, TEXAS

**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

TABLE C-16

Fiscal Year	General Bonded Debt Outstanding			Less: Amounts Available in Debt Service Fund ⁽¹⁾	Total	Percentage of Actual Taxable Value of Property	Per Capita
	Refunding Bonds	Certificates of Obligation	Total				
2006	\$ 10,650,000	\$ 38,805,000	\$ 49,455,000	\$ 596,287	\$ 48,858,713	2.26%	\$ 988
2007	22,420,000	44,220,000	66,640,000	4,885,305	61,754,695	2.51%	1,198
2008	20,820,000	58,470,000	79,290,000	356,030	78,933,970	2.84%	1,476
2009	18,490,000	69,365,000	87,855,000	8,598,275	79,256,725	2.49%	1,436
2010	19,040,000	73,480,000	92,520,000	5,114,405	87,405,595	2.55%	1,555
2011	15,950,000	89,410,000	105,360,000	6,293,542	99,066,458	2.87%	1,761
2012	19,570,000	89,775,000	109,345,000	7,028,107	102,316,893	2.82%	1,810
2013	15,475,000	83,000,000	98,475,000	8,342,744	90,132,256	2.25%	1,464
2014	12,440,000	112,490,000	124,930,000	10,632,394	114,297,606	2.64%	1,597
2015	42,665,000	85,640,000	128,305,000	12,084,748	116,220,252	2.41%	1,617

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

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

See Table C-7 for property value data.

Population data can be found on Table C-20.

CITY OF CONROE, TEXAS
DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2015
(DOLLARS IN THOUSANDS)

TABLE C-17

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid with Property Taxes			
Montgomery County	\$ 401,000	11.06%	\$ 44,351
Conroe Independent School District	970,260	17.18%	166,691
Willis Independent School District	59,512	18.45%	10,980
Lone Star College	569,325	3.24%	18,446
MUD #90	6,845	100.00%	6,845
MUD #92	3,440	100.00%	3,440
MUD #107	11,715	100.00%	11,715
Conroe MUD #1	3,750	100.00%	3,750
Subtotal, Overlapping Debt			\$266,218
City Direct Debt (Net of original issuance discounts and premiums)	167,729		<u>167,729</u>
Total Direct and Overlapping Debt			<u>\$ 433,947</u>

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

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

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

	2006	2007	2008	2009
Assessed Value	\$ 2,165,130,565	\$ 2,461,301,012	\$ 2,782,770,982	\$ 3,183,689,979
Debt Limit <5% of assessed value>	108,256,528	123,065,051	139,138,549	159,184,499
Debt Applicable to Limit:				
Total Bonded Debt	49,455,000	66,640,000	79,290,000	87,855,000
Less: Assets in Debt				
Service Funds available				
for payment of principal	(596,287)	(4,885,305)	(356,030)	(8,598,275)
Total Net Debt Applicable to Limit	48,858,713	61,754,695	78,933,970	79,256,725
Net Legal Debt Margin	59,397,815	61,310,356	60,204,579	79,927,774
Total Net Debt Applicable to the Debt Limit				
As a Percentage of Debt Limit	45.13%	50.18%	56.73%	49.79%
Total Net Debt Margin as a Percentage				
of Debt Limit	54.87%	49.82%	43.27%	50.21%
Total Bonded Debt as a Percentage				
of Assessed Value	2.28%	2.71%	2.85%	2.76%

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, 2014 is \$0.4200 per \$100.00 with assessed valuation at 100% of market value.

TABLE C-18

2010	2011	2012	2013	2014	2015
\$ 3,427,354,014	\$ 3,450,170,655	\$ 3,630,957,910	\$ 4,002,688,279	\$ 4,322,826,131	\$ 4,829,793,550
171,367,701	172,508,533	181,547,896	200,134,414	216,141,307	241,489,678
92,520,000	105,360,000	109,345,000	98,475,000	124,930,000	128,305,000
(5,114,405)	(6,293,542)	(7,028,107)	(8,342,744)	(10,632,394)	(12,084,748)
87,405,595	99,066,458	102,316,893	90,132,256	114,297,606	116,220,252
83,962,106	73,442,075	79,231,003	110,002,158	101,843,701	125,269,426
51.00%	57.43%	56.36%	45.04%	52.88%	48.13%
49.00%	42.57%	43.64%	54.96%	47.12%	51.87%
2.70%	3.05%	3.01%	2.46%	2.89%	2.66%

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

TABLE C-19

Water and Sewer Revenue Bonds						
Fiscal Year	Utility Service Charge	Less: Adjusted Operating Expenses ⁽¹⁾	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2006	11,043,310	10,626,384	416,926	685,000	64,651	0.56
2007	11,298,324	8,354,613	2,943,711	715,000	525,885	2.37
2008	13,767,268	7,139,031	6,628,237	415,000	721,633	5.83
2009	14,200,623	7,598,300	6,602,323	390,000	1,124,066	4.36
2010	15,476,990	7,753,255	7,723,735	745,000	1,431,911	3.55
2011	21,775,264	8,900,768	12,874,496	1,025,000	1,839,729	4.49
2012	20,982,974	8,941,053	12,041,921	1,660,000	2,062,585	3.23
2013	24,277,240	10,516,921	13,760,319	1,910,000	2,676,544	3.00
2014	26,395,316	14,947,138	11,448,178	2,595,000	2,839,499	2.11
2015	30,034,855	18,108,103	11,926,752	2,945,000	3,463,381	1.86

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

(1) Operating Expenses for Water and Sewer Revenue Bonds are adjusted and shown net of Payment-in-lieu-of-taxes (PILOT), debt service payments, and the following interfund activity: transfers to the General Fund & Conroe Tower Fund for administrative overhead and transfers to the Revenue Debt Service Reserve Fund. Lease principal and lease interest payments for the Siemens Energy Efficiency upgrade project as well as amounts for Accounts Charged Off are also excluded.

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

TABLE C-20

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2006	49,456	\$ 869,140	\$ 17,574	28.9	10,215	3.9%
2007	51,538	956,700	18,563	29.1	10,594	3.5%
2008	53,472	943,193	17,639	29.8	10,806	3.8%
2009	55,195	1,208,439	21,894	33.0	11,495	7.4%
2010	56,207	1,192,937	21,224	28.8	12,229	7.6%
2011	56,257	1,317,033	23,411	33.0	11,091	7.8%
2012	56,530	1,313,870	23,242	33.0	11,861	6.5%
2013	61,564	1,325,350	21,528	33.0	12,518	5.1%
2014	71,592	1,607,670	22,456	33.0	13,345	3.9%
2015	71,879	1,614,115	22,456	31.5	12,447	3.8%

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

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

CITY OF CONROE, TEXAS

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

TABLE C-21

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Conroe Independent School District	6,403	1	21.24%	5,130	1	23.70%
Montgomery County	1,998	2	6.63%	1,959	2	9.05%
Conroe Regional Medical Center	1,300	3	4.31%	1,200	3	5.54%
National Oilwell Varco - Reed Hycalog	647	4	2.15%	250	6	1.15%
City of Conroe	538	5	1.78%	350	4	1.62%
Consolidated Communications of Texas	433	6	1.44%	220	7	1.02%
Wal-Mart	408	7	1.35%			
National Oilwell Varco - Fluid Control	375	8	1.24%			
Professional Directional	266	9	0.88%			
Tri-County Services Inc.	255	10	0.85%			
Maverick Tube				289	5	1.34%
Bordon Milk Products				190	8	0.88%
R&M Energy				175	9	0.81%
Crown Beverage Packaging				150	10	0.69%
	12,623		41.87%	9,913		45.80%



CITY OF CONROE, TEXAS

FULL – TIME EQUIVALENT EMPLOYEES BY FUNCTIONS/PROGRAMS

LAST TEN FISCAL YEARS

	2006 ⁽¹⁾	2007 ⁽²⁾	2008 ⁽³⁾	2009 ⁽⁴⁾	2010 ⁽⁵⁾	2011 ⁽⁶⁾	2012	2013 ⁽⁷⁾	2014 ⁽⁸⁾	2015 ⁽⁹⁾
<u>Functions/Programs</u>										
General Government										
Administration	3	3	3	3	3	3	2	3	3	3
Mayor & Council	2	2	2	2	2	2	2	2	2	2
Arts & Communications	1	1	1	1	1	1	1	1	-	-
Downtown Development	1	1	1	1	1	1	1	-	-	-
Legal	3	3	3	3	3	3	3	3	3	3
Municipal Court	8	9	9	9	10	10	10	10	10	10
CDBG Administration	2	2	2	2	2	2	2	2	2	2
Human Resources	8	5	5	5	5	5	5	5	6	6
Finance	8	9	10	10	10	10	10	10	10	10
Transit	-	-	-	-	-	-	-	-	1	1
Information Technology	4	5	5	7	7	7	11	11	11	11
Public Safety										
Police Administration	7	5	4	5	5	6	5	7	9	9
Police Support	28	28	30	30	29	28	28	28	12	12
Police Patrol	56	60	65	66	64	63	63	63	99	100
Police Investigative Services	26	26	29	28	28	28	29	29	32	33
Police Professional Services	12	12	11	11	14	14	14	15	-	-
Police Animal Services	-	-	-	-	5	5	5	5	5	2
Red Light Program	-	-	-	-	-	1	1	1	1	-
Traffic Services	-	-	-	-	-	2	2	2	2	2
Commercial Vehicle Enforcement	-	-	-	-	-	-	-	-	-	1
Fire	86	86	87	87	88	88	88	86	87	117
Parks										
Parks & Rec Admin	11	11	11	13	13	13	2	2	2	2
Recreation Center	5	5	5	5	5	5	5	5	6	6
Oscar Johnson, Jr. CC	4	4	4	-	-	-	-	-	-	-
Swim Center	7	7	7	-	-	-	-	-	-	-
Aquatic Center	-	-	-	7	7	7	7	7	7	7
Parks Operations	-	-	-	-	-	-	11	11	11	11
Public Works										
Community Development	21	23	27	27	26	25	13	15	15	19
Drainage Construction	7	7	7	7	7	7	7	7	7	7
Streets	28	28	28	28	28	28	28	28	28	27
Signal Maintenance	-	-	-	-	-	2	2	3	3	3
Engineering	-	-	-	-	-	-	8	21	21	22
Building Maintenance	6	-	-	-	-	-	-	-	-	-
Warehouse Purchasing	4	5	5	5	5	5	5	5	5	5
Conroe Industrial Development	-	-	-	-	-	-	-	5	4	4
Conroe Tower	1	1	1	1	1	1	1	1	1	1
Hotel/Motel Occupancy Tax	-	-	-	-	2	2	3	3	4	4
Component Unit										
Oscar Johnson, Jr. CC	-	-	-	4	4	4	4	4	4	4

TABLE C-22

	2006 ⁽¹⁾	2007 ⁽²⁾	2008 ⁽³⁾	2009 ⁽⁴⁾	2010 ⁽⁵⁾	2011 ⁽⁶⁾	2012 ⁽⁷⁾	2013 ⁽⁸⁾	2014 ⁽⁹⁾	2015
Water & Sewer										
Utilities/Meter Readers	12	9	9	9	9	9	9	9	9	9
Public Works	5	3	3	5	6	6	5	5	6	6
Water Conservation	-	-	-	-	-	-	-	1	1	1
Water	15	15	15	15	15	15	15	15	15	11
Wastewater Treatment	15	14	11	11	11	11	11	11	10	10
Sewer	18	18	18	20	20	20	20	20	20	12
Pump & Motor Maint.	6	6	7	7	7	7	7	7	6	6
Project Engineering	12	12	12	12	12	13	13	-	-	-
Project Construction	17	17	17	17	17	17	17	17	17	29
Fleet Services	7	7	7	7	7	6	6	7	8	8
Self Funded Insurance	1	1	1	1	1	1	1	1	-	-
Total	457	450	462	471	480	483	482	493	505	538

Source: City Finance Office.

Notes:

- (1) In FY 2006, the Mayor & Council Dept. was added to the General Government function.
Self Funded Insurance was added.
- (2) In FY 2007, the Building Maintenance Dept. was renamed Pump & Motor Maintenance and moved from the Public Works function and added to the Water & Sewer function.
- (3) In FY 2008, Oscar Johnson, Jr. Community Center (OJJCC) was reported as a discretely presented component unit in the CAFR.
- (4) In FY 2009, Oscar Johnson, Jr. Community Center (OJJCC) was removed from the Parks function.
Swim Center was renamed to Aquatic Center.
- (5) In FY 2010, Police Animal Services was added to the Public Safety function.
Hotel/Motel Occupancy Tax was added.
- (6) In FY 2011, Red Light Cameras and Traffic Services were added to the Public Safety function.
Signal Maintenance was added to the Public Works function.
- (7) In FY 2013, the following changes were made:
Downtown Development was moved to the Conroe Industrial Development Corporation (CIDC) Fund.
Engineering and Project Engineering were combined.
Water Conservation was added.
- (8) In FY 2014, the following changes were made:
The Arts & Communications position was moved to the Recreation Center.
The Self Funded Insurance position was moved to Human Resources.
One position previously in CIDC was moved to the newly created Transit fund.
The Communications Officers in Police Support were moved to Police Patrol.
The positions in Professional Services were moved to Police Administration, Police Patrol, and Criminal Investigations.
The secretary position previously in Waste Water Treatment Plant was moved to Public Works.
- (9) In FY 2015, the following changes were made:
The Citizens voted to eliminate Red Light Cameras thereby moving the position to Police Patrol Department.
The Animal Shelter was out-sourced to a private company reducing the number of positions needed
The Commercial Vehicle Enforcement division was added.
The annexation of April Sound included the need for another Fire Station which increased the number of Fire personnel by 30.
Four positions from Water and eight positions from Sewer were moved to Project Construction.

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

	2006	2007	2008	2009
<u>Functions/Programs</u>				
General Government				
Building Permits Issued	1,027	850	682	546
Building Inspections Conducted	24,934	24,537	19,362	18,377
Police				
Physical Arrests	3,561	4,178	4,146	4,049
Parking Violations	4,988	5,425	1,473	1,922
Traffic Violations	10,791	17,079	15,429	15,671
Fire				
Emergency Responses	4,069	3,644	5,383	5,063
Fires Extinguished	378	172	257	244
Inspections	674	1,236	1,143	2,655
Refuse Collection				
Refuse Collected (tons per day) (a)	67.40	65.00	50.44	55.04
Recyclables Collected (tons per day) (a)	0.24	0.35	0.58	1.73
Other Public Works				
Street Resurfacing (miles)	-	11.00	5.83	2.50
Potholes Repaired (b)	N/A	N/A	N/A	N/A
Parks and Recreation				
Athletic Field Permits Issued	316	460	402	285
Community Center Admissions	476,122	384,340	390,000	339,000
Water				
New Connections (c)	4,139	768	441	557
Water Main Breaks	800	735	861	726
Average Daily Consumption (thousands of gallons)	8,306	7,389	8,730	9,182
Peak Monthly Consumption (thousands of gallons)	305,349	286,000	374,576	399,575
Wastewater				
Average Daily Sewage Treatment (thousands of gallons)	5,500	6,792	6,609	6,800
Transit				
Total Route Miles - OJJCC	8,670	6,948	8,874	7,440
Total Route Miles - Conroe Connection (d)	-	-	-	-
Passenger - OJJCC	16,740	13,680	12,617	12,240
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 C-23

2010	2011	2012	2013	2014	2015
645	489	520	789	1,443	1,486
16,950	15,317	14,957	16,995	17,871	20,924
4,163	3,915	4,313	4,758	4,502	4,289
2,485	3,113	4,554	2,972	3,724	2,560
13,865	26,673	27,181	15,482	16,142	14,449
5,425	6,111	6,417	7,124	7,083	8,427
180	320	133	129	222	204
2,863	2,724	1,675	1,017	1,778	1,333
58.07	38.00	37.50	58.00	41.00	73.20
0.61	9.48	12.10	16.00	10.00	17.20
1.50	5.63	2.20	5.10	9.00	11.00
N/A	N/A	550	582	415	2,193
288	326	297	304	290	292
298,261	307,662	366,045	424,640	353,024	422,884
387	787	400	736	923	613
770	888	800	775	692	1,072
8,554	11,291	9,893	9,652	9,189	9,249
384,058	500,038	395,510	393,936	377,559	281,344
7,000	7,000	7,000	7,000	7,200	7,800
8,100	7,140	8,330	11,219	12,240	9,912
-	-	-	-	-	54,108
13,140	12,175	12,222	14,020	14,232	18,420
-	-	-	-	-	22,811

CITY OF CONROE, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTIONS/PROGRAMS

LAST TEN FISCAL YEARS

<u>Functions/Programs</u>	Fiscal Year			
	2006	2007	2008	2009
Police				
Stations	1	1	1	1
Zone Offices	-	-	1	1
Patrol Units	51	49	45	46
Fire Stations	4	4	5	5
Refuse Collection				
Collection trucks	4	5	6	8
Other Public Works				
Streets (miles)	218.60	220.00	225.00	240.00
Highways (miles) (a)	N/A	N/A	N/A	N/A
Streetlights (b)	N/A	N/A	N/A	N/A
Traffic Signals	4	5	5	5
Parks and Recreation				
Acreage	345.70	347.50	350.00	350.00
Playgrounds	32	32	34	34
Baseball/Softball Diamonds	31	31	31	35
Soccer/Football Fields	10	10	10	13
Community Centers	3	3	3	3
Water (d)				
Water Mains (miles)	309.53	314.01	318.09	334.72
Fire Hydrants	2,300	2,700	2,800	2,955
Storage Capacity (thousands of gallons)	7,490	7,490	8,490	9,490
Wastewater (d)				
Sanitary Sewers (miles)	333.67	337.59	340.61	355.92
Storm Sewers (miles) (c)	23.691	26.340	26.340	36.564
Treatment capacity (thousands of gallons)	10,000	10,000	10,000	10,000
Transit				
Vans	4	4	4	4

Source: Various City Departments

Notes:

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

TABLE C-24

Fiscal Year					
2010	2011	2012	2013	2014	2015
1	1	1	1	1	1
1	1	1	1	1	1
46	48	46	55	56	56
5	5	5	5	5	6
8	8	8	8	9	10
248.00	268.00	276.00	270.00	270.00	315.00
N/A	N/A	N/A	N/A	N/A	N/A
3,200	3,200	3,518	3,530	3,550	3,550
6	6	80	82	102	110
354.00	354.00	407.00	407.00	407.00	407.00
17	18	19	19	19	19
28	25	27	27	27	27
18	21	18	18	18	18
4	4	4	4	4	4
340.61	342.44	367.00	403.00	403.00	409.50
2,996	3,009	3,009	3,009	3,335	3,410
9,490	11,490	11,490	11,490	11,490	11,490
357.65	360.21	389.00	391.00	398.00	404.00
40.162	40.280	41.720	42.000	42.953	49.000
10,000	10,000	10,000	10,000	10,000	10,000
4	4	4	4	4	8

CITY OF CONROE, TEXAS

*WATER WORKS SYSTEM – TOP TEN WATER AND SEWER USERS (IN GALLONS)
AS OF SEPTEMBER 30, 2015*

TABLE C-25

Customer	Fiscal Year 2015 Water Consumption	Fiscal Year 2015 Water Revenues	Percent of Total 2015 Water Revenues
EvoQua Water Technologies LLC	108,789,000	\$273,888	2.5%
Borden Inc.	94,598,000	238,700	2.1
Ball Metal Container Group	50,945,000	136,989	1.2
Medical Center Hospital	38,727,000	138,485	1.2
The Geo Group - Joe Corley	33,328,000	90,598	0.8
Reedhycalog L.P.	29,921,000	82,205	0.7
Crown Cork & Seal	27,808,000	79,835	0.7
R & M Energy Systems	26,895,000	74,331	0.7
Montgomery County MUD #126	26,401,000	71,597	0.6
Montgomery County Jail	21,108,000	61,012	0.5

Customer	Fiscal Year 2015 Sewer Consumption	Fiscal Year 2015 Sewer Revenues	Percent of Total 2015 Sewer Revenues
EvoQua Water Technologies LLC	108,789,000	\$297,164	3.3
Borden Inc.	94,598,000	258,423	2.9
Ball Metal Container Group	50,237,000	137,317	1.5
City of Willis	41,049,000	51,311	0.6
The Geo Group - Joe Corley	33,169,000	90,721	1.0
Medical Center Hospital	31,600,000	87,540	1.0
Reedhycalog L.P.	29,671,000	81,172	0.9
Crown Cork & Seal	27,808,000	76,086	0.1
Montgomery County Jail	21,108,000	57,795	0.6
KC RiverPoint LP	15,877,000	43,514	0.5

CITY OF CONROE, TEXAS**WATER AND SEWER RATES****AS OF SEPTEMBER 30, 2015****TABLE C-26****Minimum Monthly Base Charge By Meter Size**

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

* Typical residential meter size.

A Surface Water Fee was implemented to recover expenses the City incurred participating in the Groundwater Reduction Plan with the San Jacinto River Authority. This charge is assessed at \$2.70 per 1,000 gallons of water consumed for residential, sprinkler and commercial customers. The Lone Star Groundwater Conservation District fee is a pass through fee to regulate ground water consumption. This charge is assessed at \$.06 per 1,000 gallons consumed for residential, sprinkler and non-residential customers.

Water and Sewer Service Charges

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

Residential and Sprinkler Rates Inside City Limits

<u>Usage</u>	<u>Water Rate</u>	<u>Sanitary Sewer Rate</u>
Minimum 0 - 3,999 gallons	Base Charge	\$ 22.36
Per thousand gallons		
4,000 - 10,999 gallons, per thousand	\$ 2.56	2.73
11,000 - 15,999 gallons, per thousand	3.15	
16,000 - 25,999 gallons, per thousand	3.74	
26,000 - 35,999 gallons, per thousand	4.27	
36,000 gallons and over	7.47	
Total Charge at 10,000 gallons		41.47

Non-Residential Rates Inside City Limits

<u>Usage</u>	<u>Water Rate</u>	<u>Sanitary Sewer Rate</u>
Minimum 0 - 3,999 gallons	Base Charge	\$ 22.36
Per thousand gallons		
4,000 - 10,999 gallons, per thousand	\$ 2.67	2.73
11,000 - 15,999 gallons, per thousand	3.15	
16,000 - 25,999 gallons, per thousand	3.74	
26,000 - 35,999 gallons, per thousand	4.27	
36,000 - 100,999 gallons, per thousand	7.47	
101,000 gallons and over	2.46	

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

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





CITY OF CONROE