
CITY OF CONROE, TEXAS

2022-23

ANNUAL REPORT



CITY OF CONROE, TEXAS
FISCAL YEAR **2022-23**



POPULAR ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2023

Message from the Mayor

On behalf of our elected officials and dedicated city employees, I am pleased to present to you the City of Conroe Popular Annual Financial Report.

The Popular Annual Financial Report (PAFR) is prepared using financial information taken from the 2023 Annual Comprehensive Financial Report (ACFR). The ACFR includes full financial statements and note disclosures prepared in accordance with Generally Accepted Accounting Principles (GAAP). The PAFR condenses and simplifies information in the ACFR and is not intended to replace the ACFR. Information in the PAFR is unaudited and is not prepared in accordance with GAAP, due to its condensed and simplified presentation. Those seeking a deeper understanding of the City's finances are encouraged to review a copy of the City's ACFR, which is available on the City's website at www.CityofConroe.org/transparency/financial-reports.

Thanks to the best City employees in the country - our City's financial standing is strong, and businesses and developments continue to move to Conroe, bringing more job opportunities to our citizens. The city continues to move forward with more investments in infrastructure, including our streets, water and sewer systems, as well as parks, community centers, new restaurants, retail shops, residential projects and commercial buildings. The City also remains committed to supporting the arts, culture, public health, public transportation and local businesses. These local businesses, artists, musicians, events and venues are what make us such a unique community and our City a great destination for tourists.

I hope you enjoy learning more about the "Miracle City", Conroe, TX!

JODY CZAJKOSKI
MAYOR



Mayor Jody Czajkoski

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Conroe City Council

The City of Conroe is governed by a Mayor-Council form of government. The City Council shall enact local legislation, adopt budgets, determine policies and execute the laws and administer the government of the City.

The Mayor and 5 Councilmembers are elected at large from the City of Conroe and are elected to four-year terms. Each Council member may run for two consecutive four-year terms.

Council Meetings

Conroe City Council meetings are held on the 2nd and 4th Thursdays of the month. Regular meetings on the 2nd Thursday are at 6:00pm and the 4th Thursday are at 9:30am. Each regular meeting is preceded by a Workshop meeting at 2:00pm on the day prior to the regular meeting.

Council meetings and Workshops are open to the public and are located on the first floor of the Conroe Tower, 300 West Davis.



Jody Czajkoski, Mayor
Curt Maddux, Mayor Pro Tem
Todd Yancey, Place 1
Harry Hardman, Place 3
Howard Wood, Place 4
Marsha Porter, Place 5

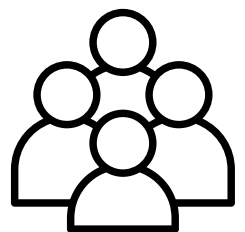
Visit Cityofconroe.org for meeting dates and agendas.

Citizens are invited to speak during the Citizen Inquiry portion of the meetings. Citizen inquiries are limited to 3 minutes per person.

Meetings are streamed live at Cityofconroe.org and on local cable channel. On-demand meeting archives are available at cityofconroe.org.



The City of Conroe is governed by an at-large Mayor and 5 at-large Councilmembers.



ABOUT CONROE

Our Mission

To protect and serve the citizens of Conroe and exceed their expectations.

Located 40 miles north of Houston along I-45, Conroe, the county seat of Montgomery County, is one of the fastest-growing cities in the United States. Conroe's modern, business-friendly atmosphere attracts a wide variety of industries ranging from tourism and dining to distribution, manufacturing, life sciences, and professional services. Residents are attracted to new and affordable homes, award-winning educational institutions, beautiful Lake Conroe, easily accessible walking trails, Conroe's charming Downtown, and how easy it is to get around.



Message from the City Administrator



Fellow Citizens of Conroe:

I am pleased to present the City of Conroe's Popular Annual Financial Report (PAFR) for the fiscal year ended September 30, 2023. The PAFR provides a detailed overview of the financial condition of the City through an easy to understand, user-friendly reporting format in an effort to increase public awareness and understanding of where City revenues come from and where dollars are spent.

For the seventh time, the City's PAFR earned the prestigious Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association (GFOA). The information presented in this year's report has been summarized reflecting the City's more detailed 2023 Annual Comprehensive Financial Report. The 2023 Annual Report is available for review on the City's website at www.cityofconroe.org.

The City of Conroe ended the fiscal year with a surplus in the General Fund. While continuing to focus on maintaining fiscal stability for the coming year, the City Council will work closely with City staff.

I hope the Popular Annual Financial Report assists you in understanding the City's finances and the mission of our City staff and City Council. Questions, comments and feedback are welcome, so please do not hesitate to contact the City Administrator's Office at 936-522-3000.

GARY A. SCOTT
CITY ADMINISTRATOR

City Profile



Located 40 miles north of Houston, Conroe is the perfect blend of starry nights and city lights. And being the fastest-growing city in Texas, Conroe has so much to offer. Conroe is bordered by 22,000-acre Lake Conroe, Sam Houston National Forest, and W. Goodrich Jones State Forest, making for a veritable utopia for the outdoor lover in us all.

Aside from the outdoors, Conroe has a bustling downtown with breweries, theatres and plenty of shopping. There is also plenty of live music, which has earned Conroe the designation of Music Friendly Community by the state of Texas. Whether you are looking for an adventure or a little rest and relaxation, you will find it in Conroe.

HISTORY OF CONROE

On Oct. 16, 1881, a retired Civil War Illinois Calvary captain came into Montgomery County from Houston looking for a place to make his mark in the lumber industry. His name was Isaac Conroe.

Isaac Conroe positioned his sawmill at the junction of the Union Pacific and Burlington Northern Santa Fe railroads in Montgomery County. This strategic crossroads paired with an ample supply of pine forests for lumber helped Conroe to flourish. Settlers poured in, bringing with them the need for homes, schools and church congregations—all of which sprung up quickly.

Despite several epidemics and two disastrous fires, the town continued growing. Conroe blossomed into a major shipping center for livestock, lumber and crops with mills, brickyards a cotton gin as well as hotels, general stores and a rapidly growing population.

Like much of the country, Conroe took a heavy blow during The Great Depression in the 1930s. Many mills and businesses were shuttered before George W. Strake struck oil on the outskirts of town in December 1931, and Conroe became known as the “Miracle City”. Soon the local economy began to recover as petroleum wholesalers and workers flooded in. People from around the country would seek out their fortunes and look for opportunities in Conroe. Although it was a brief reign, Conroe was once home to more millionaires per capita than any other town in the United States, thanks to its oil fields.





FY 2022-23
NET POSITION **\$352,358,882**

The City of Conroe Statement of Net Position presents the financial condition of the City at a specific point in time (in this case as of the end of the City's fiscal years, September 30, 2023, September 30, 2022, and September 30, 2021).

Fiduciary funds are excluded. Readers of the Financial Position Statement and the Financial Activity Statement should keep in mind that these statements are presented on a non-GAAP basis. Non-GAAP means that the statements do not comply with generally accepted accounting principles. The statements include summarizations and combinations of accounting data that would not be allowed by GAAP.

Financial Highlights

STATEMENT OF NET POSITION

The financial information in the City of Conroe's Statement of Net Position and Statement of Activities is derived from information presented in the City of Conroe's Annual Comprehensive Financial Report ('ACFR') for 2023. The ACFR is lengthy and somewhat complex. However, it is available on the City's webpage, which can be accessed at: www.cityofconroe.org/transparency/financial-reports

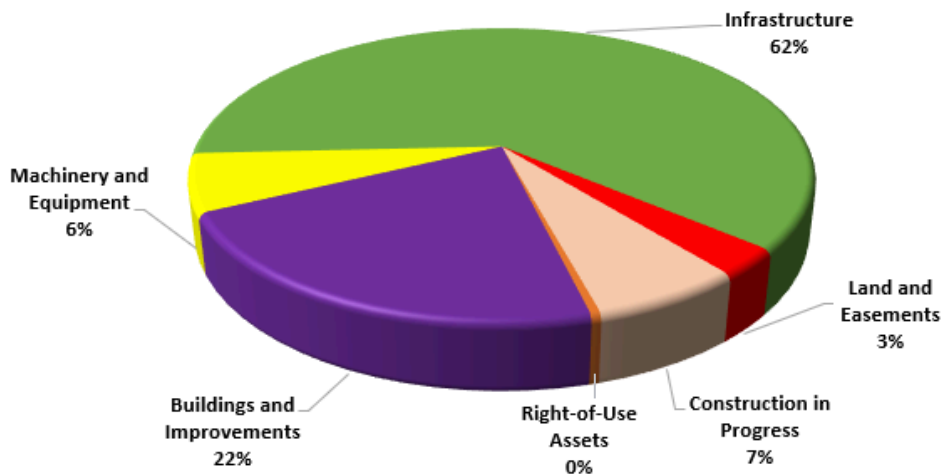
The condensed statements presented herein do not include the detail presented in the ACFR including footnotes required for full disclosure. In addition, the statements do not include information related to the City's discrete component units (separate legal entities whose financial information is provided in the ACFR separately from the City's financial information).

	2023	2022	2021
ASSETS			
Current Assets	\$ 417,814,915	\$ 429,090,662	\$ 404,333,581
Capital Assets, Net	767,360,909	687,209,869	588,584,533
Total Assets	1,239,175,824	1,116,300,531	992,918,114
Deferred Outflows of Resources	48,608,265	37,780,632	36,321,510
LIABILITIES			
Current Liabilities	94,053,537	64,449,042	41,765,834
Long Term Liabilities	811,247,199	743,175,349	703,428,053
Total Liabilities	905,300,736	807,624,391	745,193,887
Deferred Inflows of Resources	30,124,471	43,797,439	25,191,027
NET POSITION			
Net Investment in Capital Assets	203,873,546	172,902,869	148,883,060
Restricted	66,200,350	68,168,441	52,795,530
Unrestricted	82,284,986	61,588,023	57,176,120
Total Net Position	\$ 352,358,882	\$ 302,659,333	\$ 258,854,710

Capital Assets

The City's capital assets include land and easements, construction in progress, buildings and improvements, machinery and equipment, and infrastructure. Some major capital asset projects include: Hyatt Regency Conroe Hotel and Convention Center, Westside Recreation Center, a new Oscar Johnson, Jr. Community Center, various road rehabilitation projects, and a new wastewater treatment plant.

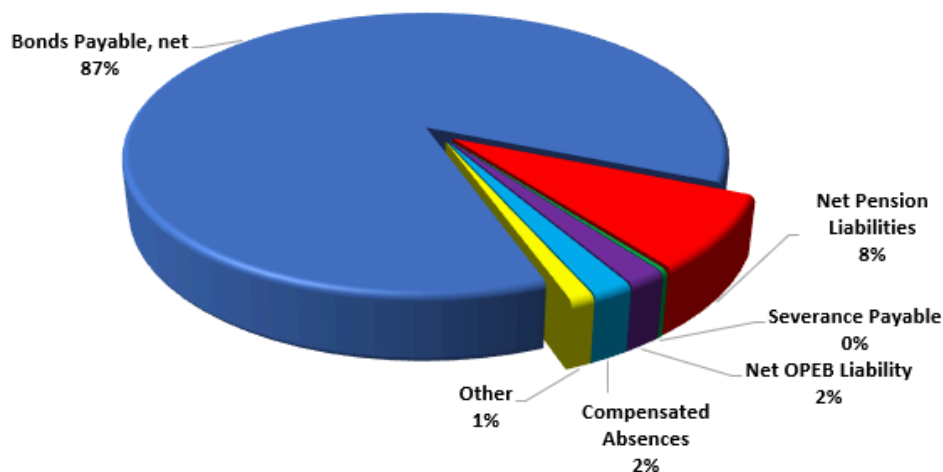
CAPITAL ASSETS AS OF SEPTEMBER 30, 2023



Long Term Liabilities

The City's long-term liabilities consists of bonds payable (reported net of premiums), net OPEB liability, net pension liabilities, severance payable, compensated absences, and other (including: customer deposits, leases, health claims liability).

LONG-TERM LIABILITIES AS OF SEPTEMBER 30, 2023



Financial Highlights

STATEMENT OF ACTIVITIES

	2023	2022	2021
Revenues	\$362,278,048	\$235,632,487	\$192,933,926
Less Expenses	\$312,578,499	\$191,827,864	\$179,237,438
Change in Net Position	\$49,699,549	\$43,804,623	\$13,696,488
Net Position, Beginning of Year	302,659,333	258,854,710	220,363,755
Prior Period Adjustments	-	-	24,794,467
Net Position, End of Year	\$352,358,882	\$302,659,333	\$258,854,710

REVENUES

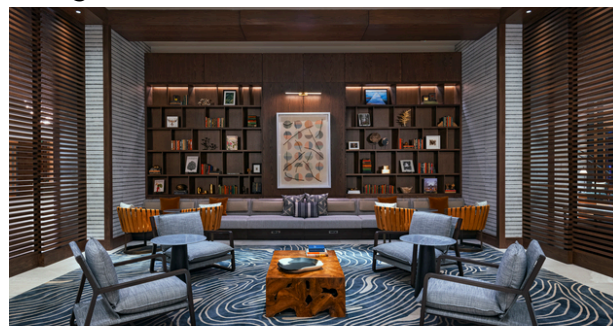
The largest portion of revenues is Capital Grants and Contributions of \$88M, which is 24% of total revenues. These revenues include revenues collected by the newly constructed hotel, fees collected by Public Works, as well as collections derived from water and sewer charges.

Other large revenue sources consist of Charges for Services of \$84M or 23% of total revenues, Sales and Other Taxes of \$71M or 20% of total revenues, and Property Taxes of \$54M or 15% of total revenues, which is a \$7.6M increase from prior year, primarily due to increases in appraised values.



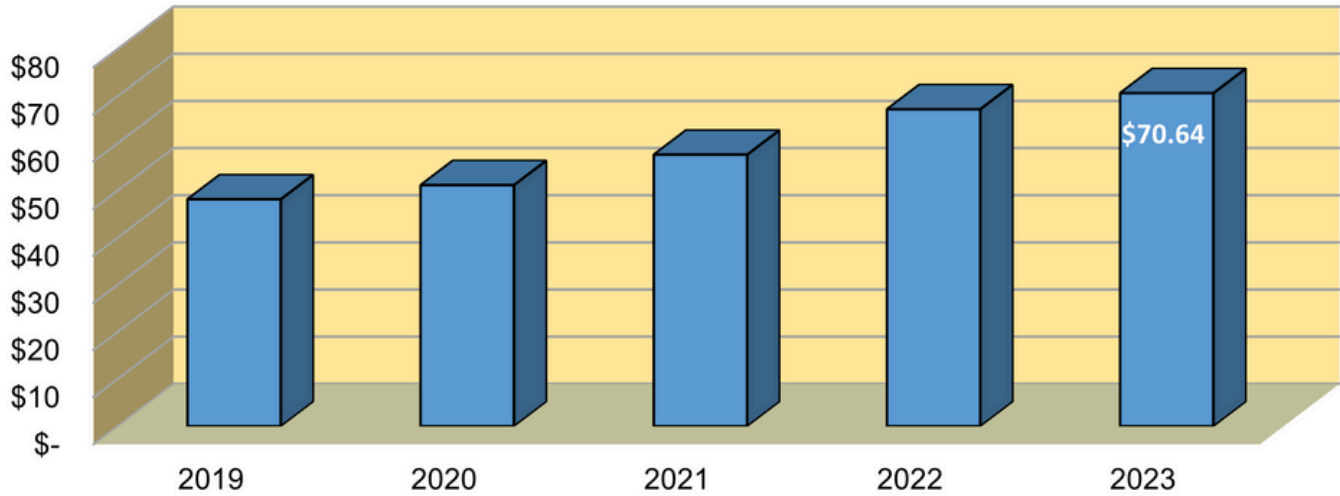
EXPENSES

Expenses are categorized in the ACFR by functions that clearly identify activities performed by the departments. Overall expenses increased \$121M or 39%, which can be primarily attributed to hotel expenses and salaries due to cost-of-living and merit increases.

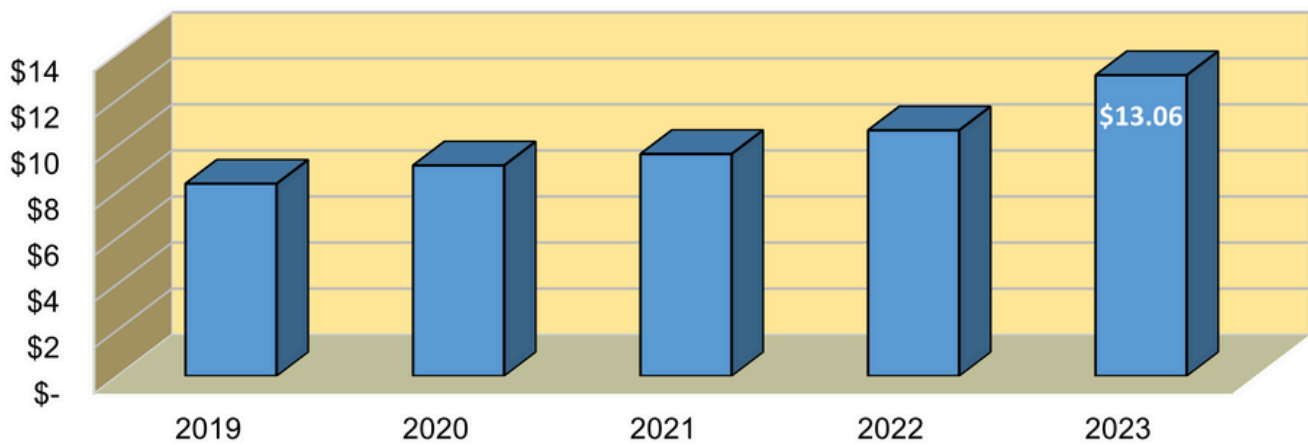


Major Revenue Sources

Sales Tax Revenues
(in millions)



Assessed Property Valuation
(in billions)

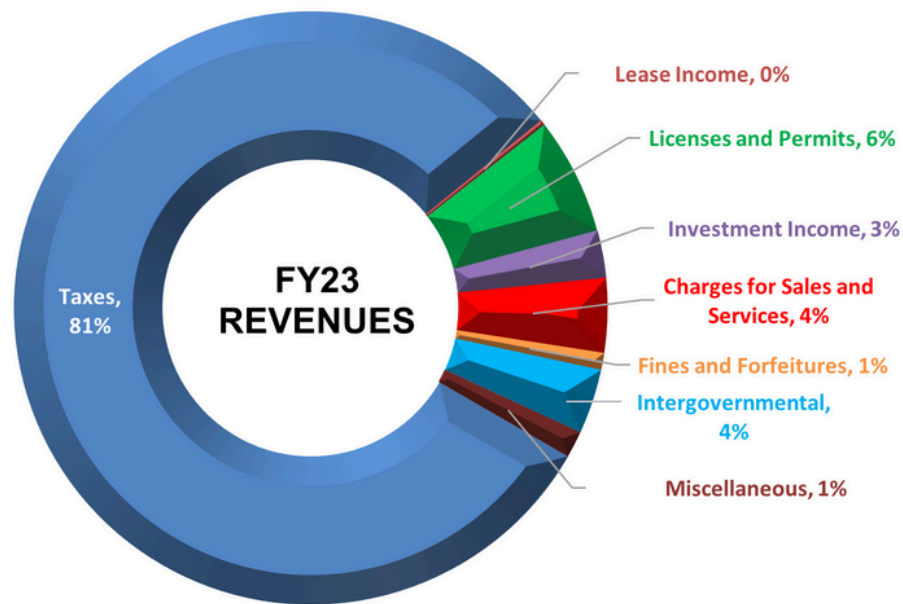


General Fund Overview

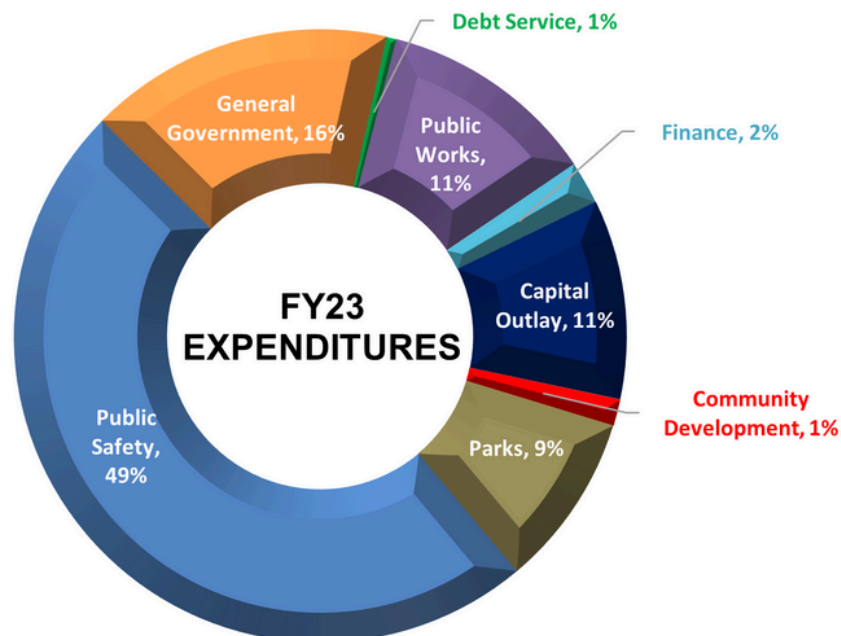
HOW IS THE CITY'S GENERAL FUND ALLOCATED?

The General Fund is the City's primary operating fund, used to account for day-to-day operations except those required by other funds.

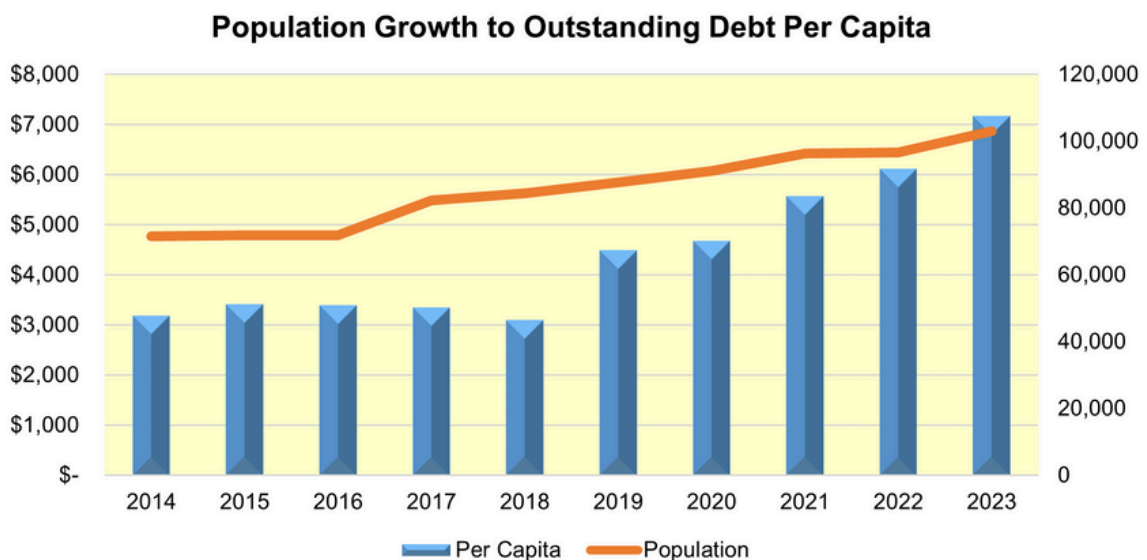
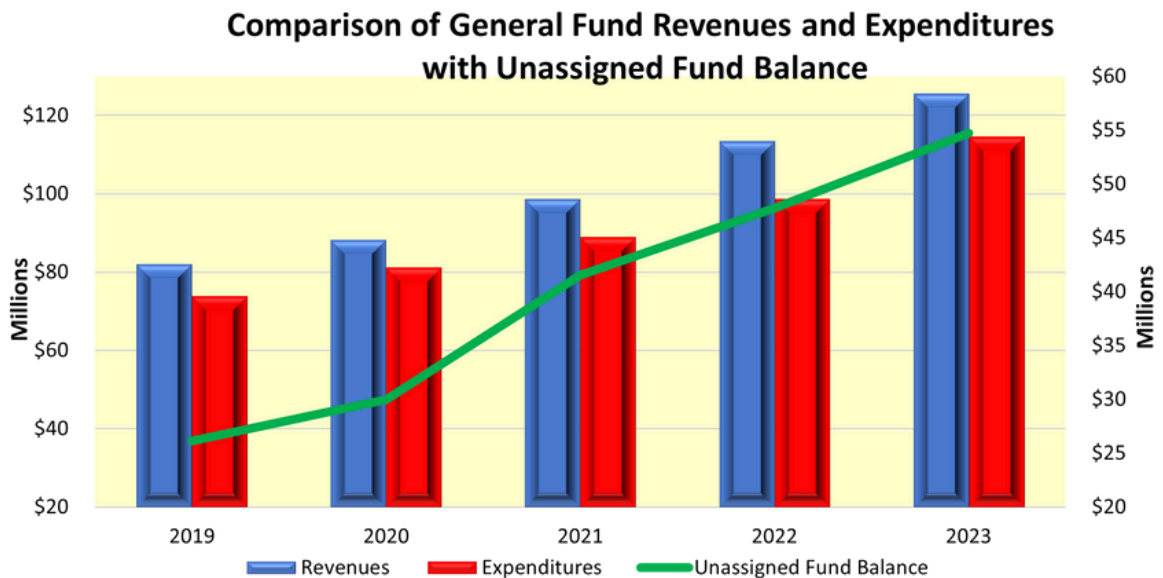
Property tax and sales tax collections represent the largest sources of revenue for the General Fund. When combined with Franchise Fee revenue, tax collections comprise 81% of total General Fund revenues.



The majority of General Fund goes to Public Safety. Comprised of costs for administering assistance through the Police Department and the Fire Department.



The unassigned fund balance may serve as a useful measure of a government's net resources available for spending. For fiscal year 2023, unassigned fund balance was \$54.7M or 48% of total General Fund expenditures.



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

Conroe's Community



Population



103,035



Property Tax Rate

\$0.4272

Median Age

32.9



Top 10 Employers

1. Conroe Independent School District
2. Montgomery County
3. HCA Houston Healthcare Conroe
4. City of Conroe
5. Steris
6. National Oilwell Varco
7. Tri-County Behavioral Healthcare
8. Walmart
9. Consolidated Communications
10. McKesson



Unemployment Rate

3.6%



Major Initiatives

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

The Hyatt Regency Conroe offers all of the services and amenities expected for an upper-upscale convention center hotel serving both corporate and leisure guests. Food and beverage amenities includes a full-service three-meal restaurant with private dining room, a club lounge, a lobby bar, and a breakfast buffet. Other amenities includes a business center, high-speed Internet, an outdoor pool terrace with amenity deck, a fitness center, and a marketplace area.

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

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

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

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

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

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

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

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

Awards & Acknowledgements

Certificate of Achievement Program

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

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

PAFR Certificate of Achievement

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

Independent Audit

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



Glossary

Accrual Basis of Accounting is a method of accounting that recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing of the related cash flows.

Current Assets are available or can be made readily available to finance current operations or to pay current liabilities. Current assets include those which will be used up or converted into cash within one year. Some examples are cash, investments, taxes receivable, prepaid items, and inventories.

Capital Assets include land, improvements to land, easements, construction in progress, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Deferred Outflows of Resources represent a consumption of net positions that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows consist of deferred charges on debt refundings, pension contributions after the measurement date, pension activity, OPEB contributions after the measurement date, and OPEB activity. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded (old) debt or refunding (new) debt. The pension contributions after the measurement date are deferred and recognized in the following fiscal year. The pension activity is amortized over a 30 year period.

Current Liabilities are expected to be paid to vendors or employees from current financial resources within one year. Also included are unearned revenue and accrued interest.

Long Term Liabilities are liabilities with a future benefit over one year, including bonds, capital leases, notes payable, health claims liability, Other Post-Employment Benefits ("OPEB"), net pension liability, severance payable, and compensated absences.

Deferred Inflows of Resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows consist of pension activities related to the difference in expected and actual pension experience and OPEB activities related to the difference in expected and actual experience.

Net Investment in Capital Assets represents the City's investment in its capital assets less accumulated depreciation and any outstanding debt due to the acquisition, construction, or improvement of capital assets.

Restricted Net Position is restricted by constraints imposed from outside the City for debt obligations.

Unrestricted Net Position represents the portion available to meet the ongoing obligations of the City.



City of Conroe | 300 W. Davis, Conroe, TX 77301 | (936) 522-3000 | cityofconroe.org