



CITY OF CONROE

Est. 1904

March 19nd , 2026

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

The Annual Comprehensive Financial Report of the City of Conroe, Texas (the City) for the fiscal year ended September 30, 2025, 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 4.

I. PROFILE OF THE GOVERNMENT

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

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

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

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

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

The Chief Finance Officer may, at any time with the consent of the City Administrator, transfer any unencumbered appropriation from one line-item to another line-item within the same department. Provided, however, that no unencumbered appropriation may be transferred from one department or fund to another, except upon the express approval of the City Council. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. The legal level of budgetary control (that is, the level at which expenditures may not legally exceed appropriation) is the department level.

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

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

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

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

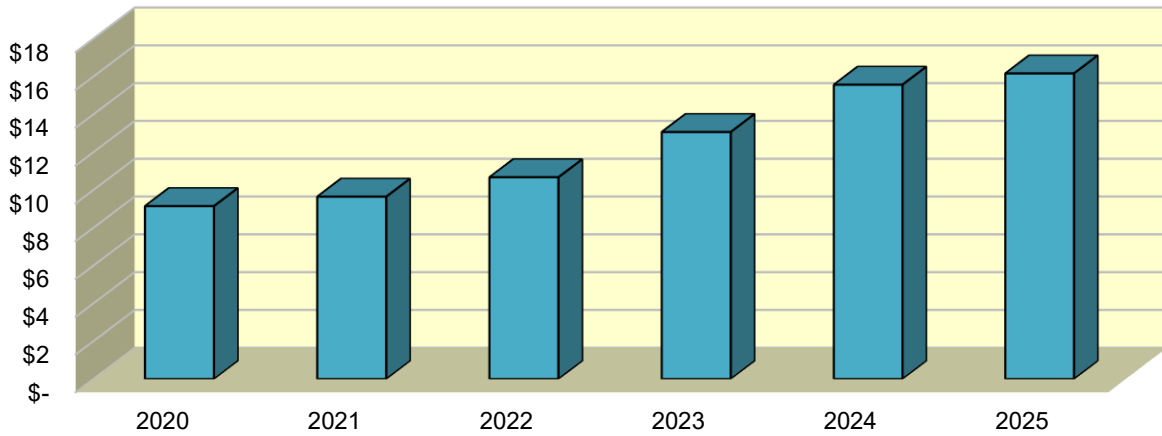
The Basic Financial Statements of the City include all government activities, organizations, and functions for which the City is financially accountable, as defined by the Governmental Accounting Standards Board (GASB).

LOCAL ECONOMY

Because of the strength of the regional and local economy, Conroe continues to experience growth in residential, commercial, and light industrial development. Conroe's estimated population for 2025 is 120,417.

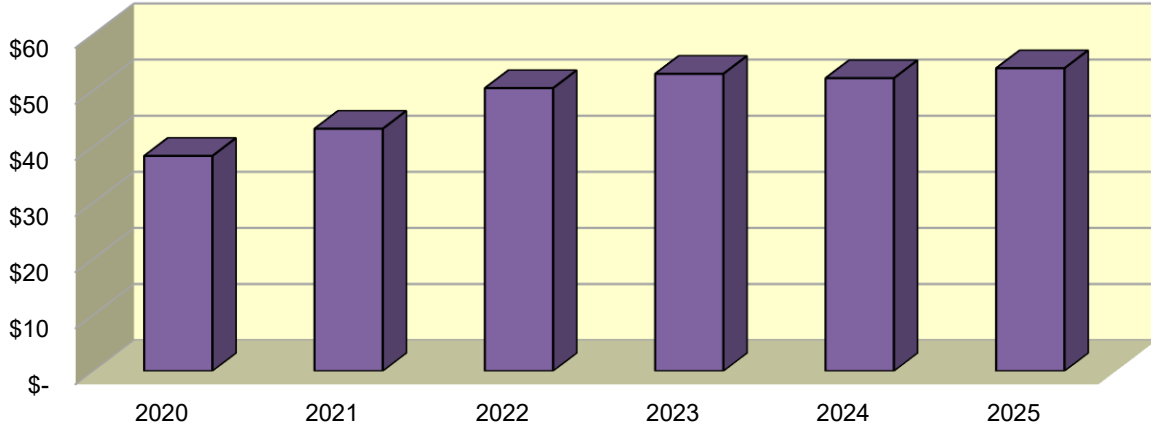
The tax roll certified by the Montgomery Central Appraisal District for 2025 (FY26) increased by \$597,072,359 or 3.8% to \$16,165,106,714. New improvements and personal property accounted for approximately \$692,909,211 of this amount. Newly annexed property did not add any value to the tax roll. This will affect revenues recorded in next year's Annual Comprehensive Financial Report (ACFR). The taxable value increase for the current fiscal year is \$1,209,867,399 or 8.4%.

**Assessed Property Valuation
(in billions)**



Sales tax revenue is the largest revenue source for the City. Excluding the CIDC's portion, the City's sales tax revenue totaled \$54,128,699 for the fiscal year ended September 30, 2025. This amount represents an increase of \$1,921,746 or 3.7%, from the prior fiscal year.

**Sales Tax Revenues
(in millions)**



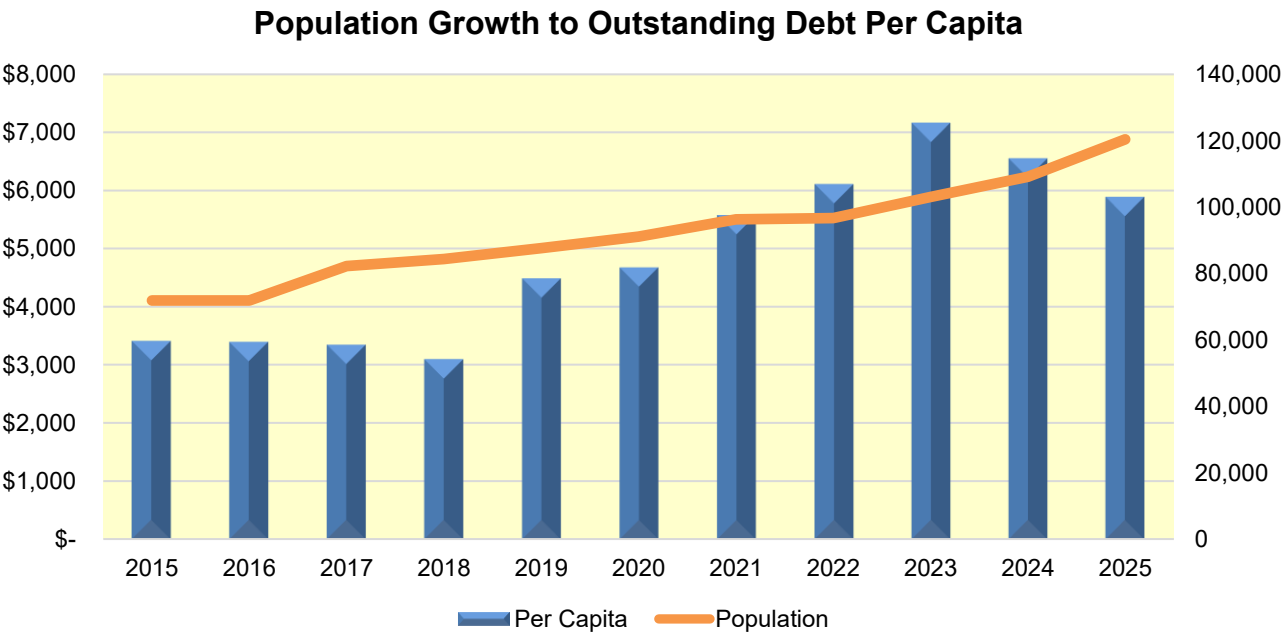
The City issued 2,844 building permits for properties & improvements valued at \$1,016,966.913. This included 1,952 building permits for single family housing starts totaling \$538,030.634. The average single-family home value, exclusive of land, was \$275,630. The City reported a total labor force of 57,888 with an unemployment rate of 4.3% as of September 2025. These data are compiled by the Texas Labor Market Information (TexasLMI.com).

LONG-TERM FINANCIAL PLANNING

The \$91,010,933 unassigned fund balance in the General Fund is the equivalent of 302 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, 2031, in the current budget. As a result of the multi-year review, the City has been able to maintain its property tax rate of \$0.4272 per \$100 of value for FY 25.

Outstanding debt per capita decreased from \$6,543 in 2024 to \$5,882 in 2025. The current ratio of net general bonded debt to assessed value of all taxable property is 1.60%. 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.



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

MAJOR INITIATIVES

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 years. The CIDC is currently funding two Water Plant projects, which should be completed in FY 27, 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 26 including street rehabilitation in the Glenwood Park subdivision, East Semands street area, South Pine Lake Road, and Tanglewood-Briarwood area; signal upgrades to SH 75 at Mill, Metcalf and Gladstell Avenue, SH 105 East at 6th and 10th street, and North Loop 336 at Plantation Drive; repairs for fire station #5 and the police training facility; construction of restroom building for Carl Barton, Jr. Park; water plant and well rehab at E. Walley Wilkerson Parkway and FM 1484; water plant #18 congressional earmark; water Plant #5, #7, and #13 senate house funded; water Plant #17 MCC panel and equipment; sewer upgrades for SSOI Program – section 10 and 12, Foster Oaks area, downtown area phase 1 – South of Highway 105, Shadow Lakes area; and lift station consolidation area No. 2 and No. 3.

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 AND 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, 2024. This was the nineteenth 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, 2024. This was the tenth 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 Pattillo, Brown & Hill, LLP, was selected by the City Council. This requirement has been fulfilled, and the auditors' opinion is included in this report. Pattillo, Brown & Hill, LLP, has issued an unmodified ("clean") opinion of the City's financial statements for the year ended September 30, 2025. Their report is located at the front of the financial section of this report.

Respectfully Submitted,

Khanh Ariel Gibbs

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Director of Finance/Chief Finance Officer