PRELIMINARY OFFICIAL STATEMENT

Dated March 27, 2012

Ratings:
Moody's: Applied For
Fitch: Applied For
See ("OTHER INFORMATION - RATINGS" herein)

NEW ISSUE - Book-Entry-Only

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW, AND THE BONDS ARE NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS AND CORPORATIONS, EXCEPT FOR CERTAIN ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS **WILL NOT BE** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$65,000,000*
FORT BEND COUNTY, TEXAS
UNLIMITED TAX ROAD BONDS, SERIES 2012

Dated Date: April 1, 2012 **Due: March 1, as shown on inside cover**

PAYMENT TERMS . . . Interest on the $65,000,000* Fort Bend County, Texas, Unlimited Tax Road Bonds, Series 2012 (the "Bonds") will accrue from April 1, 2012 (the "Dated Date") and will be payable September 1 and March 1 of each year, commencing September 1, 2012, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is Wells Fargo Bank, N.A., Dallas, Texas (see "THE BONDS - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly Chapter 1471, Texas Government Code, as amended, and election held in the County and are direct obligations of Fort Bend County, Texas (the "County"), payable from a continuing ad valorem tax levied on all taxable property within the County, without legal limit as to rate or amount, as provided in the order authorizing the Bonds (the "Order") (see "THE BONDS - AUTHORITY FOR ISSUANCE").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the construction of macadamized, graveled and paved roads and turnpikes, and the aid therefore, and to pay the costs of issuance of the Bonds.

SEE MATURITY SCHEDULE ON THE INSIDE COVER

OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2022*, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2021*, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - OPTIONAL REDEMPTION").

MANDATORY SINKING FUND REDEMPTION . . . In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on the inside cover hereof are combined to create Term Bonds, each such Term Bond shall be subject to mandatory sinking fund redemption commencing on March 1 of the first year which has been combined to form such Term Bond and continuing on March 1 in each year thereafter until the stated maturity date of that Term Bond, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule above. Term Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Bonds then subject to redemption. The County, at its option, may credit against any mandatory sinking fund redemption requirement Term Bonds of the maturity then subject to redemption which have been purchased and canceled by the County or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the underwriters and subject to the approving opinion of the Attorney General of Texas and the legal opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas (see APPENDIX C, "FORM OF BOND COUNSEL'S OPINION"). Certain legal matters will be passed upon for the Underwriters by Bracewell & Giuliani LLP, Underwriter's Counsel, Houston, Texas. Allen Boone Humphries Robinson LLP will serve as disclosure counsel for the County.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on May 1, 2012.

SIEBERT BRANDFORD SHANK & CO., L.L.C.

RAYMOND JAMES

KIPLING JONES JEFFERIES

* Preliminary; subject to change.

MATURITY SCHEDULE*

Principal	Maturity Mar 1	Rate	Yield [1]	CUSIP Numbers [2]	Principal	Maturity Mar 1	Rate	Yield [1]	CUSIP Numbers [2]
$ 2,050,000	2013				$ 3,215,000	2023 [3]			
2,145,000	2014				3,360,000	2024 [3]			
2,240,000	2015				3,515,000	2025 [3]			
2,345,000	2016				3,680,000	2026 [3]			
2,455,000	2017				3,850,000	2027 [3]			
2,565,000	2018				4,025,000	2028 [3]			
2,685,000	2019				4,210,000	2029 [3]			
2,810,000	2020				4,405,000	2030 [3]			
2,940,000	2021				4,610,000	2031 [3]			
3,075,000	2022 [3]				4,820,000	2032 [3]			

(Accrued Interest from April 1, 2012 to be added)

(1) The initial reoffering prices or yields of the Bonds are furnished by the Underwriters (as defined herein) and represent the initial offering prices or yields to the public, which may be changed by the Underwriters at any time.

(2) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, A Division of the McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services.

(3) The County reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2022*, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2021*, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - OPTIONAL REDEMPTION").

* Preliminary; subject to change.

For purposes of compliance with Rule 15c2-12 of the SEC, as amended and in effect on the date of this Preliminary Official Statement, this document constitutes a Preliminary Official Statement of the County with respect to the Bonds that has been deemed "final" by the County as of its date, except for the omission of no more than the information permitted by Rule 15c2-12.

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the County and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or other matters described.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement. Certain defined terms used in this summary are defined elsewhere in this Official Statement.

THE COUNTY	The County is a political subdivision of the State, located in southeast Texas. The County covers approximately 886 square miles located in the greater Houston metropolitan area. The City of Richmond is the County Seat.
THE BONDS	The Bonds are issued as $65,000,000* Fort Bend County, Texas Unlimited Tax Road Bonds, Series 2012. The Bonds are issued as serial bonds maturing March 1, 2013 through March 1, 2032, unless the Underwriters designate one or more maturities as a Term Bond (see "THE BONDS - DESCRIPTION OF THE BONDS").
PAYMENT OF INTEREST	Interest on the Bonds accrues from April 1, 2012, and is payable September 1, 2012, and each March 1 and September 1 thereafter until maturity or prior redemption (see "THE BONDS - DESCRIPTION OF THE BONDS" and "THE BONDS - OPTIONAL REDEMPTION").
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1471, Texas Government Code, as amended, an election held within the County and an Order passed by the Commissioners Court of the County (see "THE BONDS - AUTHORITY FOR ISSUANCE").
SECURITY FOR THE BONDS	The Bonds constitute direct and voted obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax, without legal limit as to rate or amount, on all taxable property located within the County (see "THE BONDS - SECURITY AND SOURCE OF PAYMENT").
REDEMPTION	The County reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2022*, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2021*, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Bonds may be subject to mandatory redemption in the event the Underwriters elect to aggregate one or more maturities as a Term Bond (see "THE BONDS - MANDATORY SINKING FUND REDEMPTION").
TAX EXEMPTION	In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and the Bonds are not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used for the construction of macadamized, graveled and paved roads and turnpikes, and the aid therefore, and to pay the costs of issuance of the Bonds.
RATINGS	The presently outstanding tax supported debt of the County is rated "Aa1" by Moody's Investors Service, Inc. ("Moody's") and "AA+" by Standard & Poor's Ratings Services, A Division of The McGraw-Hill Companies, Inc. ("S&P"). Applications for contract ratings on the Bonds have been made to Moody's and Fitch Ratings ("Fitch") (see "OTHER INFORMATION - RATINGS").
BOOK-ENTRY-ONLY SYSTEM	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - BOOK-ENTRY-ONLY SYSTEM").
PAYMENT RECORD	The County has never defaulted in payment of its general obligation tax debt.

* Preliminary; subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ending	Estimated County Population[(1)]	Taxable Assessed Valuation[(2)]	Per Capita Taxable Assessed Valuation	General Obligation ("G.O.") Tax Debt[(3)]	Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	Percent Of Total Tax Collections	Tax Year
2007	501,974	$ 28,933,750,694	$ 57,640	$375,765,000	$ 749	1.30%	99.84%	2006
2008	501,974	33,115,582,569	65,971	367,690,000	732	1.11%	99.70%	2007
2009	528,392	37,636,014,706	71,227	479,050,000	907	1.27%	99.67%	2008
2010	547,876	39,338,322,831	71,802	467,300,000	853	1.19%	99.51%	2009
2011	585,375	39,002,614,226	66,628	452,755,000	773	1.16%	99.09%	2010
2012	606,786	39,802,376,289	65,595	502,810,000 (4)	829 (4)	1.26% (4)	(5)	2011

(1) Source: Fort Bend Economic Development Council.
(2) As reported by the Fort Bend Central Appraisal District, subject to change during the ensuing year.
(3) Includes the currently outstanding Subordinate Lien Toll Road bonds (as defined herein). The Subordinate Lien Toll Road Bonds are secured by a subordinate lien on all net revenues from the operation of the Toll Roads. In addition, the Subordinate Lien Toll Road Bonds are secured by a pledge of the County's ad valorem taxes in this event that the net revenues from the operation of the Toll Roads are insufficient to pay principal and interest on the Subordinate Lien Toll Road Bonds (see "DEBT INFORMATION – FORT BEND COUNTY TOLL ROAD BONDS" herein.)
(4) Projected, includes the Bonds. Preliminary, subject to change.
(5) In process of collection.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2011	2010	2009	2008	2007
Beginning Balance	$ 43,380,373	$ 34,563,707	$ 38,745,345	$ 35,701,557	$ 36,839,696
Total Revenue	205,874,064	201,338,740	202,351,004	178,619,780	154,532,126
Total Expenditures	201,490,868	189,159,547	196,582,144	167,430,805	147,075,383
Transfer In (Out)	(3,704,588)	(3,362,527)	(9,950,498)	(8,145,190)	(8,594,882)
Ending Balance	$ 44,058,981	$ 43,380,373	$ 34,563,707	$ 38,745,342	$ 35,701,557

Source: County's audited financial statements.

For additional information regarding the County, please contact:

Ed Sturdivant
Fort Bend County Auditor
309 S. Fourth St. Suite 533
Richmond, TX 77469
(281) 341-3760

or

Joe Morrow
First Southwest Company
700 Milam Street, Suite 500
Houston, Texas 77002
(713) 654-8690

COUNTY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Commissioners Court	Position	Length of Service	Term Expires December 31
Robert Hebert	County Judge	8 Years	2014
Richard Morrison	Commissioner - Precinct 1	4 Years	2012
Grady Prestage	Commissioner - Precinct 2	19 Years	2014
Andy Meyers	Commissioner - Precinct 3	13 Years	2012
James Patterson	Commissioner - Precinct 4	12 Years	2014

OTHER ELECTED AND APPOINTED OFFICIALS

Name	Position	Length of Service to County
Ed Sturdivant	County Auditor	8 Years
Jeff Council	County Treasurer	4 Years
Patsy Schultz	Tax Assessor/Collector	4 Years
Roy Cordes, Jr.	County Attorney	4 Years

CONSULTANTS AND ADVISORS

Auditor .... Null-Lairson P.C.
Houston, Texas

Bond Counsel .... Allen Boone Humphries Robinson LLP
Houston, Texas

Financial Advisor .... First Southwest Company
Houston, Texas

Disclosure Counsel .... Allen Boone Humphries Robinson LLP
Houston, Texas

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$65,000,000*
FORT BEND COUNTY, TEXAS
UNLIMITED TAX ROAD BONDS, SERIES 2012

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $65,000,000* Fort Bend County, Texas, Unlimited Tax Road Bonds, Series 2012 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the order to be adopted on the date of sale of the Bonds which will authorize the issuance of the Bonds (the "Order"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the County and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the County's Financial Advisor, First Southwest Company, Houston, Texas.

DESCRIPTION OF THE COUNTY

The County was organized in 1838 and operates as specified under the Constitution of the State of Texas and statutes which provide for a Commissioners Court consisting of the County Judge and four Commissioners, one from each of four geographical Commissioners Precincts. The County Judge is elected for a term of four years and the Commissioners for four year staggered terms. Other County elected officers include the County Clerk, County Attorney, County Tax Assessor/Collector and County Treasurer. The County Auditor is appointed for a term of two years by and serves at the will of the State District Judges whose courts are located in Fort Bend County, Texas. The 2010 Census population for the County was 585,375, an increase of 65% over the 2000 population of 354,452. The County covers approximately 886 square miles located in the greater Houston metropolitan area. The City of Richmond is the County Seat.

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds are dated April 1, 2012 and mature, or are subject to mandatory redemption prior to maturity, on March 1 in each of the years and in the amounts shown on the inside cover page hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1, commencing September 1, 2012. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

AUTHORITY FOR ISSUANCE

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1471, Texas Government Code, as amended; an election held May 12, 2007, and passed by a super-majority of the participating voters; and the Order.

SECURITY AND SOURCES OF PAYMENT

All taxable property within the County is subject to a continuing direct annual ad valorem tax levied by the County sufficient to provide for the payment of principal of and interest on all obligations payable in whole or in part from ad valorem taxes, without legal limit as to rate or amount.

TAX RATE LIMITATION

General Operations; Limited Tax Bonds, Time Warrants, Certificates of Obligation and Contractual Obligations . . . Texas Constitution (Article VIII, Section 9) imposes a tax rate limitation of $0.80 per $100 assessed valuation for all purposes of General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, including debt service of bonds, warrants or certificates of obligation issued against such funds. The Attorney General of Texas will not approve limited tax bonds in an amount which produces debt service requirements exceeding that which can be paid from $0.40 of the foregoing $0.80 maximum tax rate calculated at 90% collection.

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* Preliminary; subject to change.

Unlimited Tax Road Bonds . . . Unlimited tax rate authorized for debt service pursuant to Article III, Section 52 of Texas Constitution. The Bonds are unlimited tax obligations.

Road Maintenance (Special Road and Bridge Tax) . . . Imposed pursuant to Texas Constitution (Article VIII, Section 9), $0.15 per $100 Assessed Valuation, no part of which may be used for debt service.

Farm-to-Market and Flood Control Purposes . . . Imposed pursuant to Texas Constitution (Article VIII, Section 1-a), $0.30 per $100 assessed valuation after exemption of homesteads up to $3,000; no allocation prescribed by statute between debt service and maintenance.

OPTIONAL REDEMPTION

The County reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2022*, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on March 1, 2021*, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the County may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION

In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule above are combined to create Term Bonds, each such Term Bond shall be subject to mandatory sinking fund redemption commencing on March 1 of the first year which has been combined to form such Term Bond and continuing on March 1 in each year thereafter until the stated maturity date of that Term Bond, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule above. Term Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Bonds then subject to redemption. The County, at its option, may credit against any mandatory sinking fund redemption requirement Term Bonds of the maturity then subject to redemption which have been purchased and canceled by the County or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

NOTICE OF REDEMPTION

Not less than 30 days prior to a redemption date for the Bonds, the County shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE

The Order provides that the County may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the County payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the County adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the County adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to the investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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* Preliminary; subject to change.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the County to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the County: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and accredited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The County believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The County cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriters take any responsibility for the accuracy thereof.

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry Only System, and (ii) except as described above, notices that are to be given to registered owners under the Resolution will be given only to DTC.

Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the County or the Purchasers.

EFFECT OF TERMINATION OF BOOK-ENTRY ONLY SYSTEM In the event that the Book-Entry Only System is discontinued by DTC or the use of the Book-Entry Only System is discontinued by the County, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Resolution and summarized under "THE BONDS - TRANSFER, EXCHANGE AND REGISTRATION" below.

Paying Agent/Registrar

The initial Paying Agent/Registrar is Wells Fargo Bank, N.A., Dallas, Texas. In the Order, the County retains the right to replace the Paying Agent/Registrar. The County covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the County agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the County nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 15th day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the County. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Bondholders' Remedies

The Order does not establish specific events of default with respect to the Bonds. Under State law there is no right to the acceleration of maturity of the Bonds upon the failure of the County to observe any covenant under the Order. Although a registered owner of Bonds could presumably obtain a judgment against the County if a default occurred in the payment of principal of or interest on any such Bonds, such judgment could not be satisfied by execution against any property of the County. Further, any claim for monetary damages may be subject to the defense of sovereign immunity. Such registered owner's only practical remedy, if a default occurs, is a writ of mandamus or mandatory injunction proceeding to compel the County to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The Order does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the County to perform in accordance with the terms of the Order, or upon any other condition. Furthermore, the County is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code. Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the County avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

USE OF BOND PROCEEDS

Proceeds from the sale of the Bonds are expected to be expended as follows:

	Bonds
Deposit to Construction Fund	$
Estimated Costs of Issuance	
Total	$ -

TAX INFORMATION

AD VALOREM TAX LAW

The appraisal of property within the County is the responsibility of the Fort Bend Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the less of (1) the market value of the property, or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The County may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the County by petition filed with the Appraisal Review Board.

Reference is made to the Texas Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the Texas Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant: (1) An exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision; (2) An exemption of up to 20% of the market value of residence homesteads. The minimum exemption under this provision is $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000.

Effective January 1, 2004, under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead and to a surviving spouse living in such homestead who is disabled or is at least 55 years of age. If improvements (other than maintenance or repairs) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repeated or rescinded.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

The County may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The County in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE

By each September 1 or as soon thereafter as practicable, the Commissioners Court adopts a tax rate per $100 taxable value for the current year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the County must annually calculate and publicize its "effective tax rate" and "rollback tax rate". The Commissioners Court may not adopt a tax rate that exceeds the prior year's levy until it has held a public hearing on the proposed increase following notice to the taxpayers and otherwise complied with the Property Tax Code. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the County by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT

Property within the County is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST

Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6 %	1 %	7 %
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 15% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the County's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

County Application of Tax Code

The County grants an exemption to the market value of the residence homestead of persons over 65 years of age or disabled of $100,000.

The County has granted an additional exemption of 20% of the market value of residence homesteads.

See Table 1 for a listing of the amounts of the exemptions described above.

The County has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

Ad valorem taxes are not levied by the County against the exempt value of residence homesteads for the payment of debt.

The County does not tax nonbusiness personal property; and the County collects its own taxes.

The County does not permit split payments, and discounts are not allowed.

The County does tax freeport property.

The County does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

Tax Abatement Policy

The County has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. The value of property subject to abatement is shown in Table 1.

Tax Increment Reinvestment Zone

A municipality in the County may establish a tax increment reinvestment zone ("TIRZ") within a defined area of such municipality. In 2005, the Texas Legislature authorized Texas counties to create a TIRZ within a defined area of the county. The cost of certain public improvements in a TIRZ may be financed or repaid by contribution of future tax revenues from incremental increases in property values in the TIRZ. The County may contribute all or a portion of its tax revenue on such increase in value to a special tax increment fund created by the municipality. The County has agreed to participate in TIRZs in the past and may continue to do so in the future. Increment revenue derived from the participation of the County in a TIRZ will not be available for payment on the Bonds.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2011/2012 Certified Appraised Value by Fort Bend Central Appraisal District (excluding totally exempt property)		$ 50,758,690,938
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead Exemptions	$ 5,489,886,004	
Over 65 Exemptions	1,886,672,409	
Disabled & Deceased Veteran's Exemptions	308,485,286	
Lease Vehicle Exemption	140,572,896	
Abatements	294,407,390	
Productivity Loss	2,327,154,350	
Pollution	378,077,680	
House Bill 366	235,735	
Historical	12,764,075	
Community Housing Development	16,080,470	
Prorated Exempt Property	9,865,854	
10% Homestead Cap Adjustment	92,112,500	10,956,314,649
Prorated Exempt Property		
2011/2012 Taxable Assessed Valuation		$ 39,802,376,289
County Funded Debt Payable from Ad Valorem Taxes (as of April 1, 2012)		
Limited Tax Bonds	$ 190,330,000	
Unlimited Tax Road Bonds(1)	170,970,000	
Unlimited Tax Toll Road Bonds(2)	132,845,000	
Fort Bend Flood Control Water Supply Corp. Revenue Bonds	8,665,000	
County Funded Debt Payable from Ad Valorem Taxes		$ 502,810,000
Ratio Tax Supported Gross Debt to Taxable Assessed Valuation		1.26%

2012 Population Estimate - 606,786 (3)
Per Capita Taxable Assessed Valuation - $65,595
Per Capita Tax Debt - $829

(1) Projected, includes the Bonds. Preliminary, subject to change.
(2) See "DEBT INFORMATION – FORT BEND COUNTY TOLL ROAD BONDS" herein.
(3) Source: Fort Bend County.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Tax Year					
	2011		2010		2009	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 33,271,249,534	65.55%	$ 32,405,502,925	64.81%	$ 31,469,106,324	62.57%
Real, Residential, Multi-Family	986,735,050	1.94%	974,134,090	1.95%	933,131,501	1.86%
Real, Vacant Lots/Tracts	1,032,622,618	2.03%	1,017,512,443	2.04%	1,117,900,848	2.22%
Real, Acreage (Land Only)	2,580,025,665	5.08%	2,640,019,515	5.28%	2,747,928,916	5.46%
Real, Farm and Ranch Improvements	341,573,665	0.67%	336,375,780	0.67%	337,629,492	0.67%
Real, Commercial and Industrial	7,067,549,562	13.92%	7,186,318,692	14.37%	7,657,173,417	15.22%
Real, Oil, Gas & Other Mineral Reserves	273,708,150	0.54%	334,652,480	0.67%	288,508,240	0.57%
Real and Tangible Personal, Utilities	661,873,150	1.30%	680,505,438	1.36%	708,852,540	1.41%
Tangible Personal, Commercial and Industrial	3,644,423,318	7.18%	3,519,402,303	7.04%	3,901,899,997	7.76%
Tangible Personal, Other	56,173,610	0.11%	56,757,845	0.11%	65,568,290	0.13%
Real, Inventory	758,201,911	1.49%	789,447,630	1.58%	998,032,310	1.98%
Special Inventory	74,156,420	0.15%	46,825,140	0.09%	61,579,430	0.12%
Intangible Property and/or Uncertified Property	10,398,285	0.02%	10,051,655	0.02%	9,736,015	0.02%
Total Appraised Value Before Exemptions	$ 50,758,690,938		$ 49,997,505,936		$ 50,297,047,320	100.00%
Less: Total Exemptions/Reductions	10,956,314,649		10,994,891,710		10,958,724,489	
Taxable Assessed Value	$ 39,802,376,289		$ 39,002,614,226		$ 39,338,322,831	

	Tax Year			
	2008		2007	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 29,600,226,897	62.03%	$ 26,074,875,092	62.60%
Real, Residential, Multi-Family	856,320,675	1.79%	740,362,100	1.78%
Real, Vacant Lots/Tracts	1,025,949,648	2.15%	896,515,866	2.15%
Real, Acreage (Land Only)	2,327,690,553	4.88%	1,752,086,402	4.21%
Real, Farm and Ranch Improvements	332,671,171	0.70%	298,632,638	0.72%
Real, Commercial and Industrial	7,381,581,427	15.47%	6,017,907,895	14.45%
Real, Oil, Gas & Other Mineral Reserves	460,348,230	0.96%	484,742,740	1.16%
Real and Tangible Personal, Utilities	714,323,255	1.50%	683,824,846	1.64%
Tangible Personal, Commercial and Industrial	3,721,004,950	7.80%	3,447,644,919	8.28%
Tangible Personal, Other	67,335,172	0.14%	72,602,165	0.17%
Real, Inventory	1,154,054,680	2.42%	1,104,613,967	2.65%
Special Inventory	73,003,110	0.15%	70,754,990	0.17%
Intangible Property and/or Uncertified Property	7,596,006	0.02%	6,722,296	0.02%
Total Appraised Value Before Exemptions	$ 47,722,105,774	100.00%	$ 41,651,285,916	100.00%
Less: Total Exemptions/Reductions	10,086,091,068		8,535,703,347	
Taxable Assessed Value	$ 37,636,014,706		$ 33,115,582,569	

NOTE: Valuations shown are certified taxable assessed values reported by the Fort Bend Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended Sept 30	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding at End of Year[(3)]	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Tax Supported Debt Per Capita	Tax Year
2007	501,974	$ 28,933,750,694	$ 57,640	$ 375,765,000	1.30%	$ 749	2006
2008	501,974	33,115,582,569	65,971	367,690,000	1.11%	732	2007
2009	528,392	37,636,014,706	71,227	479,050,000	1.27%	907	2008
2010	547,876	39,338,322,831	71,802	467,300,000	1.19%	853	2009
2011	585,375	39,002,614,226	66,628	452,755,000	1.16%	773	2010
2012	606,786	39,802,376,289	65,595	502,810,000 [(4)]	1.26% [(4)]	829 [(4)]	2011

(1) Source: Fort Bend Economic Development Council.
(2) As reported by the Fort Bend Central Appraisal District; subject to change during the ensuing year.
(3) Includes the currently outstanding Subordinate Lien Toll Road bonds (as defined herein). The Subordinate Lien Toll Road Bonds are secured by a subordinate lien on all net revenues from the operation of the Toll Roads. In addition, the Subordinate Lien Toll Road Bonds are secured by a pledge of the County's ad valorem taxes in this event that the net revenues from the operation of the Toll Roads are insufficient to pay principal and interest on the Subordinate Lien Toll Road Bonds (see "DEBT INFORMATION – FORT BEND COUNTY TOLL ROAD BONDS" herein.)
(4) Projected, includes the Bonds. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended	Tax Rate	Tax Levy	% Current Collections[(1)]	% Total Collections[(2)]
2007	$0.51674	$ 148,839,278	98.20%	99.84%
2008	0.51674	171,770,665	98.39%	99.70%
2009	0.49976	188,553,896	98.65%	99.67%
2010	0.49976	196,839,196	98.96%	99.51%
2011	0.49976	194,635,943	99.09%	99.09%
2012	0.49976	192,915,068	[(3)]	[(3)]

(1) Collected within the fiscal year of the levy.
(2) As of September 30, 2011 for each respective year's levy.
(3) In the process of collections.

TABLE 5 - TAX RATE DISTRIBUTION ANALYSIS

	Tax Year 2011	2010	2009	2008	2007
General Fund	$ 0.38184	$ 0.38100	$ 0.38620	$ 0.39595	$ 0.41454
Road & Bridge Fund	0.03032	0.02770	0.03100	0.03920	0.02420
Debt Service Fund[(1)]	0.06880	0.07146	0.06180	0.04861	0.06000
Drainage District	0.01880	0.01960	0.02076	0.01600	0.01800
Farm-to-Market & Lateral Road Fund	0.00000	0.00000	0.00000	0.00000	0.00000
County Total Tax Rate	$ 0.49976	$ 0.49976	$ 0.49976	$ 0.49976	$ 0.51674

(1) The debt service fund tax includes a levy for unlimited tax bonds which are outside the constitutional tax limit.

TABLE 6 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2011/2012 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
NRG Texas Power LLC	Electrict Utility	$ 1,421,179,330	3.57%
Centerpoint Energy Electric	Electrict Utility	237,460,690	0.60%
Katy Mills Mall LTD Partnership[(1)]	Shopping Mall	100,168,290	0.25%
First Colony Mall Venture	Shopping Mall	94,024,230	0.24%
Inova Geophysical Equipment	Geophysical Technology	84,725,890	0.21%
Tramontina USA Inc.	Manufacturing	83,604,240	0.21%
Cardinal Health 411 Inc.	Healthcare	78,578,240	0.20%
Lakepointe Assets LLC	Commercial	74,000,000	0.19%
Fountains Dunhill LLC	Commercial	70,886,673	0.18%
Medistar Sugar Land Medical Center, Ltd.	Healthcare	70,524,870	0.18%
		$ 2,315,152,453	5.82%

(1) The County has agreed to participate in the City of Katy TIRZ that includes Katy Mills Mall. Under its TIRZ Participation Agreement with the City of Katy, the County has agreed to contribute fifty percent of the tax increment produced in the City of Katy TIRZ to the City of Katy tax increment fund.

GENERAL OBLIGATION DEBT LIMITATION

Limited Tax Bonds Payable From the $0.80 Constitutional Tax Rate . . . Article 722, VATCS, limits the amount of bonds that may be issued for certain purposes as follows:

Courthouse Bonds	-	2% of Assessed Valuation
Jail Bonds	-	1 1/2% of Assessed Valuation
Courthouse and Jail Bonds	-	3 1/2% of Assessed Valuation
Road and Bridge Bonds	-	1 1/2% of Assessed Valuation

However, courthouse, jail and certain other types of bonds may be issued under the authority of Article 2370b, VATCS, which removes the above limitations.

Article VIII, Section 9, of the Texas Constitution, imposes a limit of $0.80 per $100 Assessed Valuation for all constitutional purposes, including the General Fund, Permanent Improvement Fund, Road and Bridge Fund and Jury Fund, and debt service of bonds, certificates, warrants and certificates of obligation issued against such funds. Administratively, the Attorney General of the State of Texas will permit allocation of $0.40 of the $0.80 constitutional tax rate for Limited Tax Bond debt service.

Unlimited Tax Road Bonds . . . Article III, Section 52, Texas Constitution, provides that Unlimited Tax Road Bond Debt may not exceed 25% of the County's assessed valuation of real estate. The Bonds are unlimited tax obligations.

TABLE 7 - TAX ADEQUACY

A portion of the County's tax supported debt is expected to be paid from net revenues generated from the Fort Bend County Toll Road System.

The following table represents the tax rate required for all bonded debt of the County that has a pledge of ad valorem taxes. See "DEBT INFORMATION – FORT BEND COUNTY TOLL ROAD BONDS" herein.

2012 Principal and Interest Requirements	$	37,772,001	(1)
$0.09890 Tax Rate at 96% Collection Produces	$	37,789,968	
Average Principal and Interest Requirements (2012-2021)	$	41,696,540	(1)
$0.10920 Tax Rate at 96% Collection Produces	$	41,725,627	
Average Principal and Interest Requirements (2022-2026)	$	39,724,521	(1)
$0.10400 Tax Rate at 96% Collection Produces	$	39,738,692	
Average Principal and Interest Requirements (2027-2032)	$	30,355,761	(1)
$0.07950 Tax Rate at 96% Collection Produces	$	30,377,174	
Maximum Principal and Interest Requirements (2019)	$	42,616,510	(1)
$0.11160 Tax Rate at 96% Collection Produces	$	42,642,674	

(1) Projected, includes the Bonds. Preliminary, subject to change.

TABLE 8 - ESTIMATED CONSOLIDATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the County are paid out of ad valorem taxes levied by such entities on properties within the County. Such entities are independent of the County and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the County, the County has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the County.

Taxing Jurisdiction	Total G.O. Debt as of Various Dates	Estimated % Applicable	County's Overlapping G.O. Debt as of Various Dates
Fort Bend County	**$ 502,810,000** (1)	**100.00%**	**$ 502,810,000** (1)
Cities			
Arcola	1,655,000	100.00%	$ 1,655,000
Beasley	370,000	100.00%	370,000
Kendleton	64,000	100.00%	64,000
Meadows Place	3,645,000	100.00%	3,645,000
Needville	85,000	100.00%	85,000
Orchard	37,000	100.00%	37,000
Richmond	10,645,000	100.00%	10,645,000
Rosenberg	52,029,000	100.00%	52,029,000
Sugar Land	236,556,502	100.00%	236,556,502
County-Line Cities			
Houston	3,408,440,000	0.61%	$ 20,791,484
Katy	11,865,000	39.36%	4,670,064
Missouri City	159,340,000	95.65%	152,408,710
Pearland	307,985,000	1.61%	4,958,559
Stafford	635,000	100.00%	635,000
Total Cities			$ 488,550,319
School Districts			
Fort Bend ISD	951,714,425	100.00%	$ 951,714,425
Lamar Consolidated ISD	453,390,000	100.00%	453,390,000
Needville ISD	72,240,000	100.00%	72,240,000
County-Line School Districts			
Brazos ISD	16,769,993	73.16%	$ 12,268,927
Katy ISD	1,077,256,064	36.98%	398,369,292
Stafford MSD	63,840,000	99.62%	63,597,408
Total School Districts			$ 1,951,580,052
Special District Debt			
Total Special District Debt (2)			$ 1,939,061,149
Other			
Houston Community College District	181,000,000	2.91%	$ 5,267,100
Total Other			$ 5,267,100
Summary of Total Estimated Overlapping Debt			
Cities			$ 488,550,319
School Districts			1,951,580,052
Special Districts			1,939,061,149
Other			5,267,100
Estimated Overlapping Debt			$ 4,384,458,620
Fort Bend County - Direct Obligations			$ 502,810,000 (1)
Total Direct and Estimated Overlapping Debt			$ 4,887,268,620

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

(1) County debt outstanding as of April 1, 2012. Projected, includes the Bonds. Preliminary, subject to change.

(2) Total Special District Debt includes numerous special districts with varying amounts of debt applicable to the County.

DEBT INFORMATION

TABLE 9 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

	County Debt Paid From Ad Valorem Taxes					
Year End September 30	Limited Tax Bonds	Unlimited Tax Bonds(1)	Flood Control Water Supply Corporation Limited Tax Bonds	Total Debt Service Paid From Ad Valorem Taxes	Toll Road Unlimited Tax Bonds(2)	Grand Total Requirements
2012	$ 15,911,263	$ 12,265,260	$ 1,284,738	$ 29,461,260	$ 8,310,741	$ 37,772,001
2013	15,912,200	15,626,135	1,270,119	32,808,454	8,496,050	41,304,504
2014	15,916,938	15,524,923	1,323,700	32,765,560	8,844,425	41,609,985
2015	15,915,238	15,424,160	1,262,300	32,601,698	9,190,300	41,791,998
2016	15,918,338	15,329,835	1,182,100	32,430,273	9,739,138	42,169,410
2017	15,509,113	15,222,348	1,128,000	31,859,460	10,249,488	42,108,948
2018	15,513,038	15,120,348	1,074,500	31,707,885	10,824,250	42,532,135
2019	15,512,088	15,018,673	1,026,500	31,557,260	11,059,250	42,616,510
2020	15,513,488	14,916,810	949,500	31,379,798	11,220,500	42,600,298
2021	15,512,944	14,820,966	893,200	31,227,110	11,232,500	42,459,610
2022	15,512,750	12,978,588		28,491,338	11,238,250	39,729,588
2023	15,512,125	12,971,511		28,483,636	11,222,625	39,706,261
2024	15,515,500	12,972,456		28,487,956	11,254,125	39,742,081
2025	15,511,344	12,967,831		28,479,175	11,232,000	39,711,175
2026	15,512,875	12,974,872		28,487,747	11,245,750	39,733,497
2027	15,508,556	10,611,763		26,120,319	11,248,750	37,369,069
2028	15,512,588	8,699,088		24,211,675	11,240,500	35,452,175
2029	15,513,969	8,699,300		24,213,269	11,230,250	35,443,519
2030	15,511,213	4,928,463		20,439,675	11,256,000	31,695,675
2031	9,884,306	4,930,625		14,814,931	11,217,250	26,032,181
2032		4,928,450		4,928,450	11,213,500	16,141,950
	$ 306,629,869	$ 256,932,403	$ 11,394,656	$ 574,956,928	$ 222,765,641	$ 797,722,568

(1) Includes the debt service for the Bonds; interest on the Bonds has been estimated for the purpose of illustration. Preliminary, subject to change.
(2) See "DEBT INFORMATION – FORT BEND COUNTY TOLL ROAD BONDS" herein.

TABLE 10 INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending September 30, 2012		$ 37,772,001
Interest and Sinking Fund, September 30, 2011	$ 5,181,758	
Estimated Interest and Sinking Fund Tax Levy @ 97% Collections	26,562,514	
Transfer from Toll Road Authority	8,310,741	
Projected Other Income	1,045,000	41,100,012
Estimated Balance, September 30, 2012		$ 3,328,012

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Issued To Date	This Issue	Unissued Balance
County Roads	5/12/2007	$ 156,000,000	$ 50,000,000	$ 65,000,000	$ 41,000,000
		$ 156,000,000	$ 50,000,000	$ 65,000,000	$ 41,000,000

Fort Bend County Toll Road Bonds

In 2003 and 2004, respectively, the County issued two series of Unlimited Tax and Subordinate Lien Toll Revenue Bonds (collectively, the "Subordinate Lien Toll Road Bonds"). The Subordinate Lien Toll Road Bonds were issued to finance the construction of the Fort Bend Parkway Toll Road and the Fort Bend Westpark Tollway The Fort Bend Parkway Toll Road and the Fort Bend Westpark Tollway are collectively referred to herein as the "Toll Roads." The County has engaged the Fort Bend County Toll Road Authority, a non-profit local government corporation created by the County (the "Toll Road Authority"), to manage the construction and operation of the Toll Roads.

The Toll Road Bonds are secured by a subordinate lien on all net revenues from the operation of the Toll Roads. In addition, the Toll Road Bonds are secured by a pledge of the County's ad valorem taxes in the event that the net revenues from the operation of the Toll Roads are insufficient to pay principal and interest on the Toll Road Bonds. The County has reserved the right to issue senior lien toll road bonds that would be secured by a senior lien on net revenues from the operation of the Toll Roads, or additional parity bonds.

The Fort Bend Parkway Toll Road opened to traffic in August 2004 and the Fort Bend Westpark Tollway opened to traffic in August 2005. Based on the recent history of revenues from the Toll Roads and the availability of other funds, the County and the Toll Road Authority expect a tax will not be necessary for the payment of debt service on the Toll Road Bonds in the foreseeable future.

The County presently expects to issue its first series of senior lien revenues bonds in 2012 to finance the construction and expansion of the Fort Bend Parkway Toll Road and to purchase certain rights of way. The financing is estimated to be approximately $30 million. Such bonds would not be secured by a pledge of a County ad valorem tax. Additional Fort Bend County Toll Road Revenue Bonds are expected to be issued over the next several years to continue to expand the toll road system. These additional bonds may or may not include a pledge of County ad valorem taxes.

Fort Bend County Grand Parkway Toll Road

In September 2009, Fort Bend County created the Fort Bend Grand Parkway Toll Road Authority (the "FBGPTRA"), a local government corporation, pursuant to Chapter 431, Texas Transportation Code. FBGPTRA's purpose is to aid and assist the County in the development of the Grand Parkway sections that fall within Fort Bend County. The Grand Parkway is a proposed 190 mile "loop" highway around the Houston Metropolitan Area. Segment D of the Grand Parkway (the portion that primarily is within Fort Bend County) connects U.S. 59 South in Sugar Land, Texas to I-10 West near Katy, Texas. Currently, FBGPTRA is designing and constructing 11 tolled overpasses along the existing roadway. This initial phase of construction is estimated to cost $140 million. FBGPTRA is planning on issuing $170 million in bonds to pay for these improvements in the 2012. These bonds will be secured by the toll revenues from the use of the overpasses on the Grand Parkway. The County may enter into an agreement with FBGPTRA to further secure such bonds by pledging the County's limited ad valorem tax to pay any shortfall in projects revenues necessary to pay debt service and operating and maintenance costs of the Grand Parkway overpasses. No representation can be made as to whether the County will enter into such agreement or the impact of such agreement on the County's tax rate or ability to pay debt service on the Bonds.

Anticipated Issuance of General Obligation Debt

The County does not anticipate any further issuance of general obligation debt in the current fiscal year.

Table 12 – Other Obligations

As of September 30, 2011, the County has no other outstanding obligations.

Pension Fund

The County provides pension, disability and death benefits for all of its full-time employees through a non-traditional, joint contributory, defined contribution plan in the state-wide Texas County and District Retirement System (TCDRS). Under the state law governing TCDRS, the contribution rate of the County is a fixed percent equal to the contribution rate payable by the employee member, which is 7% as adopted by the governing body of the County. This rate is not actuarially determined and is one of the rates that can be adopted in accordance with the TCDRS Act. However, the plan of benefits adopted by the employer at the time of plan inception and when benefit increases are adopted is limited by statute to what the actuary determines can be adequately financed by the commitment of the employer to contribute the same amount as the employee. The statute specifies that the actuary's determination is based on a maximum period for amortizing the unfunded pension benefit obligation of 30 years. (For more detailed information concerning the retirement plan, see the County's Annual Financial Report for Fiscal Year Ending September 30, 2011" - Note # 8.)

OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits through the Texas County and District Retirement System, the County sponsors and administers a single-employer defined benefit health care plan titled "Fort Bend County Employee Benefit Plan" (Plan). The Plan was established and approved by Fort Bend County Commissioners Court and Chapter 175 of the Local Government Code which provides eligible employees, retirees, and their eligible dependents with the following post-employment benefits:

• Eligible retirees have a portion of their medical and dental insurance premiums paid by the County for participation with the County's healthcare provider; and at the County's cost to cover current employees

• Eligible dependents of retirees have a portion of their medical and dental insurance premiums paid by the County for participation with the County's healthcare provider; and at the County's cost to cover current employees

The Plan does not issue a separate, publicly available report.

The County recognizes its share of the costs of providing these benefits when paid, on a "pay-as-you-go" basis. These payments are budgeted annually. The County contributed approximately $2.7 million for the fiscal year ended September 30, 2011. At September 30, 2011, there were 415 retirees receiving benefits and approximately 2,424 active members not yet eligible to receive such benefits. Commencing in fiscal year 2008, the County implemented GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions." The County has performed an actuarial valuation of its post-retirement benefit liability. The financial statement disclosures for 2010 are as follows:

For fiscal year 2011, the County's annual OPEB cost for the Plan was $31,754,414. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended September 30, 2011, were as follows:

	Fiscal Year Ending 9/30/11
Determination of Annual Required Contribution	
Normal Cost at Fiscal Year End	$ 17,130,282
Amortization of Unfunded Actuarial Accrued Liability	15,793,330
Annual Required Contribution (ARC)	32,923,612
Determination of Net OPEB Obligation	
Annual Required Contribution	32,923,612
Interest on prior-year Net OPEB Obligation	3,004,505
Adjustment to ARC	(4,176,703)
Annual OPEB Cost	31,751,414
Less Assumed Contributions Made	(5,104,000)
Estimated Increase in Net OPEB Obligation	26,647,414
Net OPEB Obligation - Beginning of Year	75,112,628
Net OPEB Obligation - End of Year	$ 101,760,042
Percentage of OPEB Cost Contributed	16.1%

The following table shows the annual OPEB cost and net OPEB obligation for the prior 3 years assuming the plan is not prefunded (4% discount)

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2008	4%	$26,985,307	10.5%	$24,163,790
2009	4%	26,608,211	7.3%	48,819,922
2010	4%	30,699,706	14.4%	75,112,628
2011	4%	31,751,414	16.1%	101,760,042

FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
Revenues:	2011	2010	2009	2008	2007
Program Revenues:					
Charges for Services	$ 37,241,289	$ 35,156,664	$ 35,102,888	$ 33,424,910	$ 30,555,885
Operating Grants and Contributions	35,820,119	23,313,282	33,935,787	24,399,799	19,049,110
Capital Grants and Contributions	25,214,312	30,358,341	63,974,765	33,540,586	103,693,431 (1)
General Revenues:					
Property Taxes	196,820,339	198,888,176	191,467,403	171,832,680	151,404,502
Earnings on Investments	2,925,202	3,870,155	3,664,184	8,072,311	12,009,284
Other	6,065,510	4,237,069	3,901,588	2,170,172	1,693,188
Total Revenues	$ 304,086,771	$ 295,823,687	$ 332,046,615	$ 273,440,458	$ 318,405,400
Expenditures:					
General Administration	$ 47,101,717	$ 44,235,342	$ 40,876,045	$ 41,632,474	$ 12,414,272
Financial Administration	8,648,273	8,059,389	8,841,189	7,588,070	5,666,739
Administration of Justice	86,081,856	78,194,354	75,836,037	45,849,068	33,554,996
Construction & Maintenance	46,150,023	45,850,196	45,882,038	40,018,361	-
Road & Bridge	-	-	-	-	44,381,066
Health & Welfare	25,283,662	23,789,044	25,623,533	21,690,506	19,866,544
Cooperative Service	1,177,426	1,131,763	1,188,580	1,132,987	934,276
Public Safety	55,190,407	55,214,005	61,126,911	68,877,031	52,325,953
Parks & Recreation	2,915,986	2,576,095	1,879,525	2,114,983	1,822,404
Flood Control Projects	-	-	-	-	6,434,608
Libraries & Education	14,810,488	13,468,700	12,956,363	12,280,421	10,694,749
Capital Outlay, interim activity	-	-	-	-	-
Internal Service Fund, interim activity	-	-	-	-	-
Interest on Long-Term Debt	14,887,908	15,494,994	12,338,352	10,621,067	6,051,065
Total Expenditures	$ 302,247,746	$ 288,013,882	$ 286,548,573	$ 251,804,968	$ 194,146,672
Change in Net Assets	$ 1,839,025	$ 7,809,805	$ 45,498,042	$ 21,635,490	$ 124,258,728
Net Assets, Beginning	715,845,088 (2)	708,025,880 (2)	663,834,575 (2)	642,199,088	517,940,360 (2)
Ending Fund Balance	$ 717,684,113	$ 715,835,685	$ 709,332,617	$ 663,834,578	$ 642,199,088

Source: County's audited financial statements.
(1) Unaudited, represents Texas Department of Transportation projects with the County as a partner that have been completed.
(2) Restated.

TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
Revenues:	2011	2010	2009	2008	2007
Taxes	$150,611,129	$154,092,302	$150,881,918	$139,477,502	$122,607,412
Fees and Fines	26,538,216	24,501,004	22,691,631	20,061,234	18,593,505
Intergovernmental	23,894,468	18,114,404	24,989,268	14,556,972	6,519,034
Earnings on Investments	1,457,487	1,445,301	1,247,763	2,866,409	4,469,895
Miscellaneous	3,372,764	3,185,729	2,540,424	1,657,663	2,342,280
Total Revenues	$205,874,064	$201,338,740	$202,351,004	$178,619,780	$154,532,126
Expenditures:					
Current Operating:					
General Administration	41,623,232	39,663,645	36,997,902	35,207,103 (2)	26,030,749
Financial Administration	7,158,932	6,709,784	7,130,068	6,328,276	5,631,690
Administration of Justice	54,210,526	50,317,627	50,165,055	22,752,204	18,784,040
Road & Bridge	-	-	-	-	2,693,264
Construction and Maintenance	2,843,242	2,795,780	3,057,376	2,637,980	-
Health & Welfare	17,345,040	17,576,622	19,440,480	17,179,487	14,957,641
Cooperative Service	986,392	933,519	1,049,985	975,720	934,276
Public Safety	42,751,912	39,189,698	43,501,625	61,678,076 (2)	50,294,207
Parks & Recreation	2,263,590	2,231,528	1,815,986	1,739,346	1,822,404
Libraries & Education	12,113,853	11,297,919	11,274,245	10,342,295	10,605,484
Capital Outlay	20,194,149	18,443,425	22,149,422	8,590,318	15,321,628
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest & Fiscal Charges	-	-	-	-	-
Total Expenditures	$201,490,868	$189,159,547	$196,582,144	$167,430,805	$147,075,383
Revenues Over (Under) Expenditures	$ 4,383,196	$ 12,179,193	$ 5,768,860	$ 11,188,975	$ 7,456,743
Transfer In (Out)	(3,704,588)	(3,362,527)	(9,950,498)	(8,145,190)	(8,594,882)
Beginning Fund Balance, January 1	43,380,373	34,563,707	38,745,345 (1)	35,701,557	36,839,696
Ending Fund Balance	$ 44,058,981	$ 43,380,373	$ 34,563,707	$ 38,745,342	$ 35,701,557

Source: County's audited financial statements.

(1) Restated.

(2) Construction in Progress expenditures were previously categorized as Capital Outlay. These expenditures are now categorized based on the governmental function it benefits.

FINANCIAL POLICIES

Basis of Accounting . . . The accounting policies of the County conform to generally accepted accounting principles for governmental entities as promulgated by the Government Accounting Standards Board. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the combined balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The accounts of the Governmental Fund Types (the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds) and Agency Funds are maintained, and the financial statements have been prepared, on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when they become susceptible to accrual (i.e., both measurable and available). Available means collectible within the current year or soon enough thereafter to be used to pay liabilities of the current year. Substantially all revenues, except property taxes, are considered to be susceptible to accrual. Property taxes, which are levied in the last quarter of the year and collected before year-end, are considered deferred revenues because such revenues are not legally available to pay liabilities in the current year. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on the general long-term debt are recognized as expenditures when due.

General Fund Balance . . . The General Fund is used to account for all revenues and expenditures not accounted for in other funds, relating to general operations.

Debt Service Fund Balance . . . Used to account for payment of principal and interest on general long-term debt.

Budgetary Procedures . . . The County Budget Officer prepares the proposed budget using revenue estimates furnished by the County Auditor. A public hearing is held on the budget before finalizing it. The Commissioners Court may increase or decrease the amounts requested by the departments. In the final budget, which is usually adopted in the last quarter of the year, appropriations of the budgeted funds cannot exceed the available fund balances in such funds on January 1, plus the estimated revenues for the ensuing year. During the year, the Commissioners Court may increase budgeted revenues and expenditures for unexpected revenues or beginning fund balances in excess of budget estimates, provided it rules that a state of emergency exists. The level of budgetary control is at the major operating group level. There are four major operating groups:

Salary and Personnel Costs	Information Technology Costs
Operating and Training Costs	Capital Acquisition Costs.

The underlying budget is maintained at the line item level, but departments are able to transfer amounts within each major group without court approval. Transfers between major groups require court approval. Transfers among individual expenditure line items within major categories may be made during the year, but no such transfer may increase the overall total of the budget without the declaration of an emergency. It is the amended budget that is presented in the financial statements on the budgetary basis. Except for transfers among budgeted line items and the amendment to the indigent health care budget, there were no other significant increases in the adopted budget.

INVESTMENTS

The County invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the Commissioners Court of the County. Both state law and the County's investment policies are subject to change.

LEGAL INVESTMENTS

Under Texas law, the County is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation or are secured as to principal by obligations described in the preceding clauses or in any other manner and amount provided by law for County deposits, (7) certificates of deposit and share certificates issued by a state or federal credit union domiciled in the State of Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (5) or in any other manner and amount provided by law for County deposits, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, (12) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceding clauses; and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent, (13) bonds issued, assumed, or guaranteed by the State of Israel, and (14) guaranteed investment contracts secured by obligations of the United States of America or its agencies and instrumentalities, other than the prohibited obligations described in the next succeeding paragraph.

The County may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The County is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Effective September 1, 2003, governmental bodies in the State are authorized to implement securities lending programs if (i) the securities loaned under the program are collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the Agency or a third party designated by the Agency; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

Investment Policies

Under Texas law, the County is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for County funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All County funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, County investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the County shall submit an investment report detailing: (1) the investment position of the County, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest County funds without express written authority from the Commissioners Court.

Additional Provisions

Under Texas law the County is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Commissioners Court; (3) require the registered principal of firms seeking to sell securities to the County to: (a) receive and review the County's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the County's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict its investment in mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

TABLE 14 - CURRENT INVESTMENTS

As of November 30, 2011, the County's investable funds were invested in the following categories:

Description	Book Value	Market Value
Texas Term Investment Pool	$ 2,193,598	$ 2,193,598
Texas Class Investment Pool	5,359	5,359
LOGIC State Pool	8,068	8,068
	$ 2,207,025	$ 2,207,025

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) the Bonds are not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on a Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Bonds.

OTHER INFORMATION

RATINGS

The presently outstanding tax supported debt of the County is rated "Aa1" by Moody's and "AA+" by Standard &Poor's. Applications for contract ratings on this issue have been made to Moody's and Fitch. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the County makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds.

LITIGATION

It is the opinion of the County Attorney and County Staff that there is no pending litigation against the County that would have a material adverse financial impact upon the County or its operations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The County assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION – RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the County has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The County will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bonds and to the effect that the Bonds are valid and legally binding obligations of the County, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law and the Bonds are not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations described under "TAX MATTERS". The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Order. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from County records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

FINANCIAL ADVISOR

First Southwest Company is employed as Financial Advisor to the County in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the County has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the County and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

The Underwriters, represented by __________, have agreed, subject to certain conditions precedent, to purchase the Bonds from the County, at a price of $____________ (representing the par amount of the Bonds of _________ $________________ plus a premium of $_______________, less an underwriters' discount of $_______________). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the County, that are not purely historical, are forward-looking statements, including statements regarding the County's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the County on the date hereof, and the County assumes no obligation to update any such forward-looking statements. The County's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgements with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the County. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the County has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The County is required to observe the agreement for so long as it remains an "obligated person" with respect to the Bonds, within the meaning of the Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). Under the agreement, the County will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS

The County will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the County of the general type included in this Official Statement under Tables numbered 1 through 7 and 9 through 15 and in Appendix B. The County will update and provide this information within six months after the end of each fiscal year ending in and after September 30, 2012.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the County commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the County will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the County may be required to employ from time to time pursuant to State law or regulation.

The County's current fiscal year end is September 30. Accordingly, it must provide updated information by March in each year, unless the County changes its fiscal year. If the County changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS

The County will also provide timely notices of certain events to the MSRB. The County will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the County, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the County will provide timely notice of any failure by the County to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the County, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and Orders of a court or governmental authority, or the entry of an Order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County.

AVAILABILITY OF INFORMATION

The County has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS

The County has agreed to update information and to provide notices of certain specified events only as described above. The County has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The County makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The County disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the County to comply with its agreement.

The County may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the County, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the County (such as nationally recognized Certificate counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The County may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the County so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

The County has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

The financial data and other information contained herein have been obtained from the County's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Order authorizing the issuance of the Bonds will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Underwriters.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the County will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the County contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the County and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the County, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the County believes to be reliable and the County has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the County since the date of the last audited financial statements of the County.

FORT BEND COUNTY, TEXAS

____

County Judge

ATTEST:

____

County Clerk

APPENDIX A

GENERAL INFORMATION REGARDING THE COUNTY

THE COUNTY

The following information has been derived from various sources, including the Texas Almanac, Texas Municipal Reports, U.S. Census Bureau, Greater Fort Bend Economic Development Council, Fort Bend Chamber of Commerce, National Decision Systems, Texas Employment Commission, Sales and Marketing Management, Urban Decision Systems, Woods & Poole Economics, and County officials. While such sources are believed to be reliable, no representation is made as to the accuracy thereof.

GENERAL

Fort Bend County, a component of the Houston Statistical Area, has an economy based on mineral production, construction, manufacturing and agriculture. According to the Fort Bend County Economic Development Council, the County has been one of the nation's twenty fastest growing counties for over fifteen years. The County was created from Austin County in 1837 and organized in 1838 and encompasses 886 square miles. The County is located in the coastal plains of southeast Texas, bordering Harris County to the northeast. The County is bisected from east to west by U.S. Highway 59 and north to south by State Highway 36.

Cities within the County are Richmond, Rosenberg, Sugar Land, Needville, Beasley, Kendleton, Orchard, Fulshear, Pleak, Arcola, Simonton, Thompsons and portions of Katy, Missouri City, Stafford and a very small portion of Houston.

Schools within the County are Fort Bend ISD, Lamar Consolidated ISD, Needville ISD, Katy ISD, Stafford Municipal ISD and Wallis-Orchard ISD. The school district with the largest assessed value is Fort Bend ISD, comprising approximately 174 square miles located in the northeastern section of the County and adjacent to portions of Harris County and Brazoria County. The boundaries of Fort Bend ISD include the Cities of Sugar Land and Missouri City. The school district encompassing the largest area in the County is Lamar Consolidated ISD, comprising approximately 384 square miles located in the central and west portion of the County. The boundaries of Lamar Consolidated ISD include the cities of Richmond and Rosenberg.

Two Junior College systems have satellite campuses in Fort Bend County: Wharton County Junior College has campuses located in Richmond and Sugar Land, and Houston Community College has a campus located in Stafford. The West Houston Institute of the University of Houston occupies a facility in the Cinco Ranch project in the North Central portion of the County. Additionally, the University of Houston at Sugar Land brings the resources of the four UH System universities into Fort Bend County. Through the collaborative efforts of the University of Houston and Wharton County Junior College, all the course work for accredited bachelor's and master's degree programs can be done in Sugar Land. More than 1,400 students now attend classes at the Sugar Land campus and can choose from more than 32 degree programs through the masters level at this multi-institutional teaching center. The community college offers freshman and sophomore courses, while the University of Houston Sugar Land offers junior, senior and master's courses.

TRANSPORTATION

HIGHWAY INFRASTRUCTURE . . . The County can be easily accessed by road systems from every direction. The Southwest Freeway (US 59), Katy Freeway (I-10), US 90A, the Fort Bend Westpark Tollway and the Fort Bend Parkway Toll Road generally provide access to the County from east to west. State Highway 6, the Sam Houston Tollway (Beltway 8), State Highway 36, FM 723, and the Grand Parkway all provide excellent north-south access from US 59 to I-10. The Texas Department of Transportation provides responsive programs in an effort to meet all requirements of a growing County.

BY LAND . . . Trucking is now deregulated with more than 600 truck lines operating within the Houston region. Rates are negotiable. No additional transportation costs are required for companies delivering finished products to or from Fort Bend County.

BY SEA . . . Fort Bend's proximity to one of the world's busiest ports adds an international dimension to its market access. The Port of Houston ships cargo to 200 ports around the world. County companies have easy access to the Port via U.S. Highway 59, the most utilized highway serving Mexico from the Port of Houston.

BY RAIL . . . The Burlington North & Santa Fe and Union Pacific provide the necessary rail service for the greater Houston metropolitan area. These railroads give manufacturers effective access to raw materials and low cost transportation for their finished goods to all national markets.

BY COMMERCIAL AIR . . . George Bush Intercontinental/Houston and William P. Hobby Airports provide extensive, cost-effective air transportation to 150 destinations worldwide. Travelers can reach anywhere in the United States or Mexico in five hours or less by air. These modern, highly advanced airports can meet the needs of the smallest to the largest companies in the marketplace.

By Corporate Air . . . Sugar Land Municipal Airport is a general aviation facility with the capability to service all types of aircraft. The airport is an all-weather facility with a new tower allowing for improved commercial and corporate air service. Houston Southwest Airport is a convenient alternative in southeast Fort Bend County with easy access to the Texas Medical Center, Reliant Park and the emerging Highway 288 commercial corridor.

By Overnight Express . . . UPS, Federal Express, and DHL are among the many carriers that serve Fort Bend County's domestic and international delivery needs. UPS, the largest package distribution company in the world, has a distribution hub located in Stafford.

Water Transportation . . . The Port of Houston adds an international dimension to the exceptional market access enjoyed by Fort Bend companies. Whether a company needs to import raw materials or export finished products, the Port has the facilities and equipment to accommodate shipper's needs in a cost-effective manner.

Utilities

Electricity . . . Reliant Energy is engaged in the generation, transmission, distribution and sale of electric energy, serving an estimated area of 5,000 square miles. With over 13 million kilowatts in net generating capability, Reliant Energy is fully equipped to handle the electric needs of any industrial or commercial consumer, now and in the foreseeable future.

Natural Gas . . . Natural gas is abundant with Center Point Energy offering a reliable long-term supply to companies in the region.

Population(1)

1960	1970	1980	1990	2000	2010	2020(2)
40,527	52,314	130,846	225,421	354,452	585,375	601,590

(1) Source: U.S. Census Bureau.
(2) Projected. Source: Woods & Pool Economics, 1995.

Labor Statistics

Year	Civilian Labor Force	Total Employment	Unemployment	Rate
2004	225,687	213,190	12,497	5.5%
2005	235,559	223,284	12,275	5.2%
2006	244,250	232,646	11,604	4.8%
2007	252,813	242,492	10,321	4.1%
2008	264,928	253,010	11,918	4.5%
2009	276,683	256,987	19,696	7.1%
2010	282,100	259,430	22,670	8.0%
2011	300,276	278,237	22,039	7.3%
2012 (1)	302,394	282,049	20,345	6.7%

Source: Texas Employment Commission
(1) Average through January 2012.

Major Employers

Employer	Line of Business	Number of Employees
Fort Bend ISD	Public Education	9,492
Lamar CISD	Public Education	2,884
Fluor Daniel	Engineering, Construction, Maintenance & Technical Services	2,500
Fort Bend County	County Government	2,225
Schlumberger Technology Corp.	Energy Exploration Technology/Research	2,150
Richmond State School	Special Education	1,446
Methodist Sugar Land Hospital	Healthcare	1,400
Texas Instruments	Electronics & Semiconductor Manufacturer	1,150
Texas Dept. of Criminal Justice	State Prison	1,109
United Parcel Service	Package Distribution	924
Oak Bend Medical Center	Healthcare	678
City of Sugar Land	Government	649
St. Luke's Sugar Land Hospital	Hospital	600
Nalco Company	Chemical Production	496
Frito-Lay, Inc.	Snack Food Manufacturer	463
Memorial Hermann - Fort Bend	Hospital	454
Texana Center	Healthcare	453
Baker Petrolite, Inc.	Checmical Manufacturer	437
Tramontina	Manufacturer & Marketer of Cutlery & Cookware	433
Fiserv Output Solutions	Technology	427
Puffer-Sweiven	Industrial	420
Tyco Valves & Controls	Valve Manufacturer	311
National Oilwell Varco, Inc.	Manufacturing & Service for Drilling & Oilfield Equipment	300
City of Missouri City	Government	293
Fairfield Industries	Seismic Company	282
SouthWest Water	Manages, Operates & Maintains Waste Water Systems	277
Flextronics	Electronics, Design, Fabrication, Assembly & Test Company	274
Noble Drilling Services	Drilling Services	274
Wharton County Junior College	Public Education	273
Champion Technologies, Inc.	Specialty Chemical Company	254
Yokogawa Corp. of America	Manufacturer & Supplier of Instrumentation, Process Control	250
CSM Baker Products	Baked Good Manufacturer	246
Hudson Products	Industrial Equipment Manufacturer	246
City of Rosenberg	Government	229
Sunoco Logistics Partners	Pipeline	223
Allied Concrete	Produces Concrete	210
Thermo Process Instruments	Industrial	185
Houston Community College	Public Education	178
City of Katy	Government	174
Suntron Corporation	Manufacturer	173
Benedittini Cabinetry	Cabinetry Manufacturer	150
Kelsey-Seybold Clinic	Healthcare	143
AT&T	Telephone Utility	142
City of Richmond	Government	142
Global Flow Technologies	Manufacturer of Valves and Actuators	140
Biotics Research Corporation	Manufacturer of Specially Designed Nutritional Products	139
Classic Chevrolet	Car Dealership	139
Crown & Cork Seal	Supplier of Packaging Products to Consumer Marketing	137
Accredo Packaging, Inc.	Manufacturer of Packaging of Food	129
City of Stafford	Government	123
CenterPoint Energy	Electric Utility	119
Silver Eagle, Inc.	Beer Distributer	111
General Technologies, Inc.	Specialty Reinforcement Systems	110

Source: Greater Fort Bend County Economic Development Council, April 2011

APPENDIX B

EXCERPTS FROM THE

FORT BEND COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2011

The information contained in this Appendix consists of excerpts from the Fort Bend County, Texas Annual Financial Report for the Year Ended September 30, 2011, and is not intended to be a complete statement of the County's financial condition. Reference is made to the complete Report for further information.

Sandersen Knox & Co., L.L.P.
Certified Public Accountants
130 Industrial Blvd, Suite 130 · Sugar Land, Texas 77478 · 281/242-3232 · Fax 281/242-3252 · www.sktx.com

INDEPENDENT AUDITORS' REPORT

To the Honorable Robert E. Hebert, County Judge
and Members of the Commissioners Court
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Fort Bend County, Texas (the "County"), as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County, as of September 30, 2011, and the respective changes in financial position, and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2012, on our consideration of the County'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3 through 13 and 62 through 74 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Sanford Kahn & Co.

Sugar Land, Texas
March 16, 2012

As management of Fort Bend County (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2011. The following narrative includes approximate values and percentages in the wording to summarize the schedules and financials in this report that include the exact values. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by $717.7 million (net assets). Of this amount, there is a deficit of $60.1 million in unrestricted net assets due to the continued liability increase for other post-employment benefits that now totals $101.8 million.
- The County's total net assets increased by $1.9 million.
- As of the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of $79.4 million, a decrease of $68.4 million from the prior year.
- At the end of the current fiscal year approximately $10.8 million is available for spending at the government's discretion in the General Fund (unassigned fund balance). This fund balance amounts to 5% of total General Fund expenditures. There is a deficit unassigned fund balance in the 2009 Mobility capital projects fund of $4.4 million.
- The County's total long-term liabilities increased by $13.7 million during the current fiscal year. The increase was primarily due to an increase in the other post-employment benefit obligations (OPEB) of $26.6 million less net change in long-term debt related to bonds of $13.1 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. As noted above this narrative includes approximate values and percentages in the wording to summarize the schedules and financials in this report that include the exact values. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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).

The government-wide financial statements present functions of the County that are principally supported by taxes (governmental activities). The governmental activities of the County include general administration, financial administration, administration of justice, construction and maintenance, health and welfare, cooperative service, public safety, parks and recreation, libraries and education, and interest on long-term debt.

The government-wide financial statements include not only the County itself (known as the primary government), but also legally separate entities for which the County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The County's five discretely presented component units consist of the following:

- Fort Bend County Toll Road Authority
- Fort Bend Grand Parkway Toll Road Authority
- Fort Bend County Surface Water Supply Corporation
- Fort Bend County Housing Finance Corporation
- Fort Bend County Industrial Development Corporation

The government-wide financial statements can be found on pages 17 through 19 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial 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 on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 62 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 and Debt Service Fund, both of which are considered to be major funds. Data from the other 60 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the comprehensive annual financial report.

The basic governmental fund financial statements can be found on pages 20 through 23 of this report.

Proprietary funds

The County uses internal service funds to report activities that provide services for the County's other programs and activities. The Employee Benefits Fund and Other Self-Funded Insurance Fund are the County's internal service funds. Their purpose is to provide for the accumulation of money for insurance and employee benefits used in County operations. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in the comprehensive annual financial report.

The basic proprietary fund financial statements can be found on pages 24 through 26 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 27 of this report.

Combining component unit financial statements

The County's four discretely presented component units shown in aggregate on the face of the government-wide financial statements have individual information for each of the major discretely presented component units presented in the form of combining statements immediately following the fund financial statements of the primary government.

The combining component unit financial statements can be found on pages 29 through 31 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32 through 60 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees. The County adopts an annual appropriated budget for its general, debt service and certain special revenue funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 62 through 73 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $717.7 million at the close of the most recent fiscal year.

The County's capital assets (e.g., land, buildings, vehicles, machinery and equipment, office furniture and equipment, infrastructure, and construction-in-progress), less any related debt used to acquire those assets that is still outstanding, total $773.3 million. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CONDENSED SCHEDULE OF NET ASSETS
September 30, 2011 and 2010

	Primary Government Governmental Activities	
	2011	**2010**
Current and other assets	$ 140,500,675	$ 204,573,205
Capital assets, net	1,064,035,810	977,884,351
Total Assets	1,204,536,485	1,182,457,556
Long-term liabilities	437,628,727	423,953,977
Other liabilities	49,183,445	42,658,491
Total Liabilities	486,812,172	466,612,468
Net Assets:		
Invested in capital assets, net of related debt	773,322,172	714,396,078
Restricted	4,477,906	4,168,945
Unrestricted	(60,075,765)	(2,719,935)
Total Net Assets	$ 717,724,313	$ 715,845,088

A portion of the County's net assets, $4.5 million, represents resources that are subject to external restrictions on how they may be used. The deficit balance for unrestricted net assets of $60.1 million was primarily due to the expense of current assets to purchase and construct capital assets.

The County's assets exceeded its liabilities by $717.7 million, resulting in an increase of $1.9 million from the prior year. This increase is primarily due to the following: decrease in cash of $64.1 million due to expense of bond funds for facilities and road projects; increase in capital assets of $86.1 million due to construction of new facilities and construction and contribution of new roads; increase in long term liabilities of $13.6 million due to an increase of $26.6 million for other post-employment benefits (OPEB) offset by a decrease of $13 million in outstanding long-term debt; and an increase in other liabilities of $6.5 million due to an increase in accounts payables for construction projects.

SCHEDULE OF CHANGES IN NET ASSETS

For the years ended September 30, 2011 and 2010

	Primary Government Governmental Activities	
	2011	**2010**
Revenues		
Program revenues:		
Charges for services	$ 37,241,289	$ 35,156,664
Operating grants and contributions	35,820,119	23,313,282
Capital grants and contributions	25,214,312	30,358,341
General revenues:		
Property taxes	196,820,339	198,888,176
Earnings on investments	2,925,202	3,870,155
Other	6,065,510	4,237,069
Total Revenues	304,086,771	295,823,687
Expenses		
General administration	47,061,517	43,485,772
Financial administration	8,648,273	8,059,389
Administration of justice	86,081,856	78,173,873
Construction and maintenance	46,150,023	46,946,163
Health and welfare	25,283,662	23,718,848
Cooperative services	1,177,426	1,123,951
Public safety	55,190,407	55,269,509
Parks and recreation	2,915,986	2,263,280
Libraries and education	14,810,488	13,468,700
Interest on long-term debt	14,887,908	15,494,994
Total Expenses	302,207,546	288,004,479
Change in Net Assets	1,879,225	7,819,208
Net Assets, Beginning	715,845,088	708,025,880
Net Assets, Ending	$ 717,724,313	$ 715,845,088

At the end of the current fiscal year, the County was able to report a positive balance in net assets for the government as a whole. The same situation held true for the prior fiscal year.

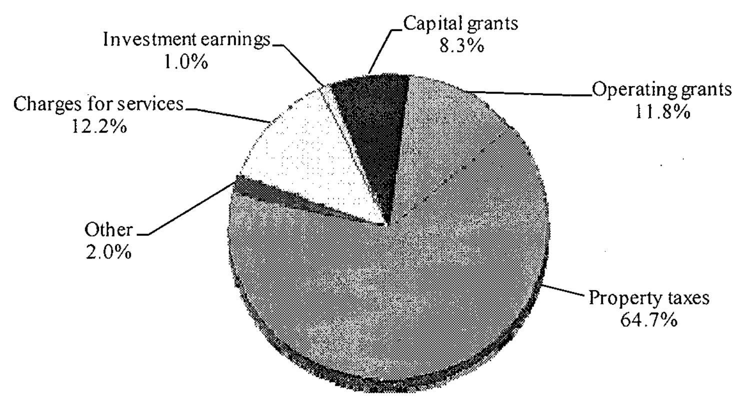
Governmental activities increased the County's net assets by $1.9 million. This increase is down from last year's increase of $7.8 million. The key elements of the lower increase in net assets are as follows:

- Increase in charges for services of $2.1 million primarily due to increased collections of fines, fees, and court costs.
- Decrease in earnings on investments of $0.9 million due to lower cash balances caused by expenditure of bond funds.
- Increase in other revenue of $1.8 million due to increase in forfeited assets of $246 thousand by order of the courts, increase in miscellaneous revenue of $245 thousand due to a settlement agreement of $225 thousand and a cost sharing agreement of $25 thousand, increase in fuel reimbursement of $307 thousand due to an increase in fuel costs, increase in miscellaneous reimbursements of $375 thousand for payments received from local cities for road repairs, and an increase in miscellaneous reimbursements of $100 thousand for payment from Houston Galveston Area Council of Governments for purchase of equipment.

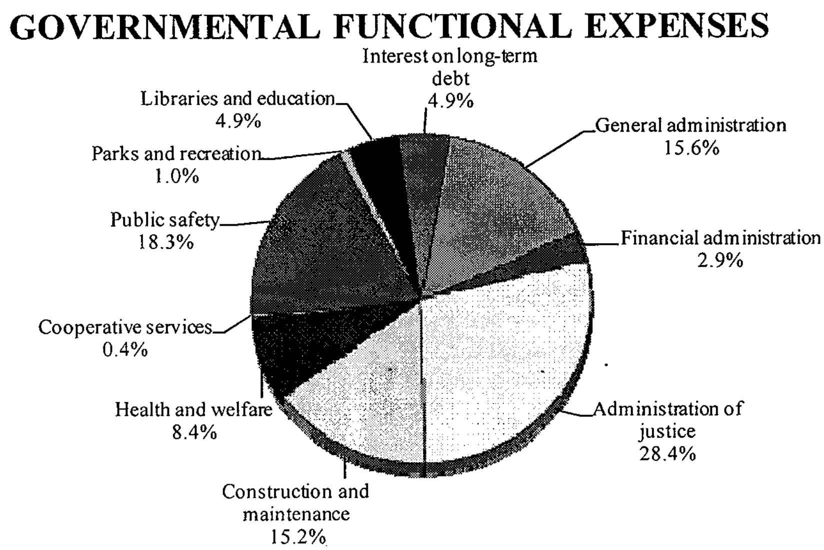
- Decrease from the prior year for capital grants and contributions of $5.1 million resulting from a decrease in right of way reimbursements from the State of Texas for ongoing mobility projects.
- Increase in operating grants and contributions of $12.5 million primarily due to increase of funds received from the Texas Commission on Environmental Quality of $1.4 million, increase in local revenue of $1.2 million for participation in Upper Oyster Creek Project, increase in federal funding of $1.3 million of energy efficiency grant, increase in federal funding of $4.3 million for Urban Area Security Initiative grants, increase in federal funding of $2.8 million for transportation grants, and an increase in federal funding of $1.3 million for Community Development Block Grants.
- Expenses increased in several governmental functions: Administration of justice expenses increased by $7.9 million primarily due to an increase in health benefits cost of $6.1 million caused by rising healthcare costs, and depreciation expense of $1.6 million due to the opening of the new justice center; Libraries and education expenses increased by $1.3 million due to the opening of a new library branch; Health and welfare expenses increased by $1.6 million primarily due to an increase in health benefits cost of $520 thousand caused by rising healthcare costs, and public assistance payments of $1.1 million for Community Development Block Grant allotments; General administration expenses increased by $3.6 million primarily due to an increase in health benefits cost of $1.2 million caused by rising healthcare costs, increase in depreciation expense of $1.7 million due to prior period adjustment relating to capital assets, and increased fuel costs of $881 thousand due to rising fuel prices.

Governmental revenues for fiscal year 2011 are graphically displayed as follows:

GOVERNMENTAL REVENUES



Governmental functional expenses were as follows:



Financial Analysis of the County's Funds

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

The County's governmental funds reflect a combined fund balance of $79.4 million. Of this, $10.8 million is unassigned fund balance and available for day-to-day operations within General Fund. There is a deficit unassigned fund balance of $4.4 million in the 2009 Mobility capital projects fund due to an advance from General Fund to enable this capital project fund to proceed until the issuance of the next mobility bond issue, which is expected in April 2012. $33.1 million is committed fund balance for capital projects within General Fund. $39.7 million is restricted fund balance for debt service and the non-major governmental funds in the amount of $5.2 million and $34.5 million respectively. $205.4 thousand is designated as nonspendable fund balance for General Fund and the non-major governmental funds in the amount of $136.0 thousand and $69.4 thousand respectively for prepaid items.

There was a decrease in the combined fund balance of $68.4 million from the prior year for the governmental funds. This overall decrease was primarily due to net expenditures and transfers out in capital project funds as follows: Mobility 2009 Projects of $24.8 million; 2007 Facilities Bonds of $14.7 million; Justice Center Project of $19.0 million; and 2001-2007 Mobility Projects of $9.0 million. Debt Service fund balance increased by $0.3 million due to the refunding of the 2001 Flood Control Water Supply Corporation bonds bringing ending fund balance to $5.2 million. General Fund Balance increased by $0.7 million which is down from the previous year's increase of $8.8 million. This reduction in fund balance increase of $8.1 million is primarily due to the following factors:

- Decrease in General Fund property tax allocation of $3.5 million due to a shift of a *portion* of the 2011 operating and maintenance tax rate to the interest and sinking tax rate to accommodate the increase in debt service.
- Increase in fees of office collections of $2.0 million due to increase in services from all the governmental functions.
- Increase in federal funds of $9.2 million primarily due to increase in federal funding of $1.3 million for energy efficiency grant, increase in federal funding of $4.3 million for Urban Area Security Initiative grants, and an increase in federal funding of $2.8 million for transportation grants.
- Decrease in state funds of $3.7 million primarily due to a decrease in right of way reimbursements from the State of Texas for ongoing mobility projects.
- Increase in payroll costs of $1.8 million primarily due to staffing of new library branch and new jail facility.
- Increase in healthcare costs of $5.9 million due to rising healthcare costs.
- Increase in contract fees of $1.6 million primarily for energy efficiency grant for County facilities.
- Decrease in supply costs of $0.9 million primarily due to the required costs to outfit the new library in fiscal year 2010.
- Increase in janitorial maintenance costs of $0.7 million due to increased facilities to maintain.
- Increase in utility costs of $0.5 million due to expansion of County facilities.
- Increase in fuel costs of $0.9 million due to rising fuel prices.
- Increase in capital acquisitions of $4.6 million primarily for equipment purchased under the Urban Area Security Initiative grant and various transportation grants.
- Decrease in construction in progress of $2.8 million primarily due to facilities projects funded within the General Fund in fiscal year 2010.

Proprietary Funds - The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Employee Benefits Fund had a net assets balance at fiscal year-end of $0.6 million, which is a $1.6 million decrease from the prior year. This decrease was primarily caused by increased healthcare costs in fiscal year 2011. The Other Self-Funded Insurance Fund has a deficit net assets balance of $2.5 million at fiscal year-end which is the same as the previous year. The allocation for the Other Self-Funded Insurance Fund will continue to be increased by 33% annually over the next three fiscal years to eliminate this deficit net assets balance.

General Fund Budgetary Highlights

During the year there was a net decrease of $7.0 million in expenditure appropriations between the original and final amended budget. The main components of this were based on the following: $2.2 million budgeted for capital projects; $1.2 million from surplus indigent healthcare funds; $2.0 million from surplus non-departmental funds; $1.8 million from public transportation for local match of transportation grants transferred to multi-year grant budgets. The surplus amounts from indigent healthcare and non-departmental were transferred to multi-year capital projects with budgets that extend beyond the County's fiscal year.

General Fund revenues exceeded the amended budget by $3.6 million for the year. The reasons for this surplus are detailed as follows:

- Property taxes resulted in revenues of $0.3 million excess over budget due to underestimation of the collection rate.
- Fees and fines resulted in $1.7 million in excess revenues due to continued increased collections of fines, fees and court costs.
- Intergovernmental revenue resulted in $0.5 million in excess revenues primarily due to increased federal funding for transportation and energy efficiency offset by a decrease in state reimbursements for right of way acquisitions.
- Earnings on investments decreased by $0.1 million due to reduced cash balance for General Fund caused by expenditure of multi-year project budgets for facilities.
- Miscellaneous revenue resulted in $1.3 million in excess revenues primarily due to increased fuel reimbursements from outside entities due to higher fuel prices, a settlement agreement contract, and cost sharing agreements with local municipalities.

General Fund expenditures fell short of the amended budget by $1.1 million for the year primarily due to turnover within each of the departments. There were minor budgetary shortfalls within budget categories of some departments. These minor shortfalls were not covered by budget transfers at the end of the year due to materiality and that the overall departmental expenditure budget had a surplus. The individual governmental function's budgetary performance is detailed as follows:

- General administration expenditures had minor budget shortfalls within individual budget categories for Commissioner Precinct 1, Commissioner Precinct 2, and Purchasing that were funded by other budget categories within those departments. Non-departmental had a budget shortfall of $321 thousand in operating costs due to a correction for appellate fees that were improperly posted as a negative expenditure. This was corrected by the end of the year; however it allowed an over-expenditure of the amended budget. This did not cause an overall budget deficit for General administration, however, procedures have been put in place to prevent this in the future.
- Financial administration expenditures had minor budget shortfalls within individual budget categories for County Auditor that were funded by another budget category within that department.
- Administration of justice had minor budget shortfalls within individual budget categories for Courts Administration and Indigent Defense Program that were funded by other budget categories within those departments.
- Health and welfare had a budget shortfall of $120 thousand in Social Services under the operating costs budget category due to a negative encumbrance that allowed expenditures to exceed actual available funding. This did not cause an overall budget deficit for Health and welfare, however, procedures have been put in place to prevent this in the future.
- Public safety had minor budget shortfalls within individual budget categories for Constable Precinct 2 and Constable Precinct 3 that were funded by other budget categories within those departments.

Capital Assets and Debt Administration

Capital Assets - At the end of fiscal year 2011, the County's governmental activities had invested $1,064.0 million in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents an increase of approximately $86.2 million over the previous fiscal year.

	Governmental Activities	
	2011	**2010**
Non-Depreciable Capital Assets		
Land	$ 333,434,751	$ 318,334,776
Construction-in-progress	120,250,614	152,903,502
Other Capital Assets, Net		
Vehicles	11,780,089	8,791,182
Office furniture and equipment	11,259,478	10,768,112
Machinery and equipment	12,080,859	11,292,998
Buildings, facilities and improvements	251,258,481	171,658,164
Infrastructure	323,971,538	304,135,617
Totals	$ 1,064,035,810	$ 977,884,351

Construction-in-progress at year-end represents numerous ongoing projects, the largest of which are: 2000 Mobility Bond projects for $38.5 million; 2007 Mobility Bond projects for $47.8 million; Big Creek project for $2.1 million; Big Creek Flood Control Water Supply Corporation project for $12.0 million; and Upper Oyster Creek project for $7.6 million.

Long-Term Debt - At the end of the current fiscal year, the County had total bonds outstanding of $318.3 million. This is a decrease of $13.1 million from the prior year due to scheduled debt service payments made during fiscal year 2011. OPEB liability increased by $26.6 million based on the actuarial valuation dated September 30, 2011 to a total balance of $101.8 million.

	Governmental Activities	
	2011	**2010**
General obligation bonds	$ 318,265,000	$ 331,410,000
Premiums on bonds	12,043,251	12,038,573
Accrued compensated absences	5,560,434	5,392,775
Other post-employment benefits (OPEB) obligation	101,760,042	75,112,628
Total	$ 437,628,727	$ 423,953,976

The County received an insured rating of Aaa from Moody's and Standard and Poors on issuances prior to 2009. The three issuances in 2009 were not insured and therefore retained the uninsured ratings. The uninsured ratings were as follows:

Moody Investor Service Aa2
Standard and Poor's AA+

The Fort Bend County Housing Finance Corporation ("FBCHFC"), a component unit of the County, issues conduit debt in the form of tax-exempt bonds for the purpose of providing below-market interest rate financing to qualified homebuyers and developers of affordable rental housing, and sponsorship or the federal low-income housing tax credit program. The tax-exempt bonds issued by FBCHFC do not constitute a debt or pledge of faith by FBCHFC, but are payable by the user pursuant to terms defined in the loan agreement underlying each issue. As of September 30, 2011, approximately $11.0 million of total bonds were outstanding.

The Fort Bend County Industrial Development Corporation ("FBCIDC"), a component unit of the County, issues conduit debt in the form of bonds to finance all or part of the cost of one or more projects as defined in the Development Corporation Act of 1979, Article 5190.6, Vernon's Annotated Texas Civil Statutes, as amended. The bonds issued by the Corporation do not constitute a debt or pledge of faith by FBCIDC, but are payable by the user pursuant to terms defined in the loan agreement underlying each issue. As of September 30, 2011, approximately $13.8 million of total bonds were outstanding.

Additional information on capital assets and long-term debt is available in Notes 6 and 7 respectively.

Economic Factors and Next Year's Budgets and Rates

The County continues to enjoy growth in various demographic areas during this ongoing economic slowdown.

The population of the County is estimated at 606,786 in 2011 and is expected to grow by 4.44% annually through 2015. Total employment is estimated at 235,961 in 2011 and is expected to grow by 3.37% annually over the same period.

The number of households has increased to 195,264 in 2011 and is expected to grow to 230,330 by 2015. Mean household income for 2011 is $129,337 and is estimated to rise to $146,579 by 2015. Income per capita is currently at $41,986 and is expected to grow to $48,116 by 2015. Retail sales increased by 7.8% to $6.19 billion in 2011 and are expected to grow to $7.37 billion by 2015.

The Commissioners Court approved a $252.1 million total budget for the 2012 fiscal year. This is a 5.2% increase over the adopted 2011 fiscal year budget. The increase in the budget is due to increased debt service along with increases in operating expenditures for a new branch library and new facilities now in service. The overall tax rate remained constant from 2011 to 2012 at $0.49976 per $100 of assessed valuation.

Requests for Information

This financial report is designed to provide a general overview of Fort Bend County's finances for all of those with an interest in the County's finances. Questions concerning this report or requests for additional financial information should be directed to Ed Sturdivant, County Auditor, 301 Jackson, Suite 533, Richmond, TX 77469, telephone (281) 341-3760.

BASIC FINANCIAL STATEMENTS

FORT BEND COUNTY, TEXAS

STATEMENT OF NET ASSETS

September 30, 2011

	Primary Government: Governmental Activities	Component Units
Assets		
Cash and cash equivalents	$ 103,640,117	$ 32,466,202
Receivables:		
Taxes, net	7,547,814	
Grants	7,493,205	
Fees and fines	4,319,143	365
Accrued interest	7,557	26,288
Other	3,689,173	2,847,331
Prepaid items	205,387	124
Deferred issuance costs	3,311,493	738,947
Due from Fort Bend Grand Parkway Toll Road Authority		2,000,000
Due from component units	10,286,786	
Due from primary government		1,286,978
Capital assets, not being depreciated	453,685,365	11,561,227
Capital assets, net of accumulated depreciation	610,350,445	145,748,541
Total Assets	1,204,536,485	196,676,003
Liabilities		
Accounts payable and accrued expenses	37,773,482	3,900
Retainage payable	4,076,700	204,202
Accrued interest payable	1,224,897	590,800
Unearned revenues	3,556,645	
Due to component units	1,286,978	
Due to primary government		10,286,786
Due to Fort Bend County Toll Road Authority		2,000,000
Due to other governments	1,264,743	
Long-term liabilities due within one-year	14,690,109	1,645,000
Long-term liabilities due in more than one-year	422,938,618	135,847,059
Total Liabilities	486,812,172	150,577,747
Net Assets		
Invested in capital assets, net of related debt	773,322,172	19,817,709
Restricted for:		
Debt service	4,477,906	
Unrestricted	(60,075,765)	26,280,547
Total Net Assets	$ 717,724,313	$ 46,098,256

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General administration	$ 47,061,517	$ 7,520,478	$ 11,285,351	$
Financial administration	8,648,273	3,988,371		
Administration of justice	86,081,856	7,222,932	7,719,264	
Construction and maintenance	46,150,023	6,679,429	1,381,572	25,214,312
Health and welfare	25,283,662	5,930,364	6,479,035	
Cooperative services	1,177,426			
Public safety	55,190,407	5,621,993	8,623,225	
Park and recreation	2,915,986	141,893	157,468	
Libraries and education	14,810,488	246,699	174,204	
Interest on long-term debt	14,887,908			
Total Primary Government	$ 302,207,546	$ 37,352,159	$ 35,820,119	$ 25,214,312
Component Units:				
FBC Surface Water Supply Corporation	$	$	$	$
FBC Toll Road Authority	14,975,150	17,694,231		518,338
FB Grand Parkway Toll Road Authority	3,745,092			
FBC Housing Finance Corporation	11,060	141,870		
FBC Industrial Development Corporation	2,856.0	23,000.0		
Total Component Units	$ 18,734,158	$ 17,859,101	$	$ 518,338

General Revenues:
Property taxes, penalties, and interest
Earnings on investments
Miscellaneous
Total General Revenues
Changes in Net Assets
Net Assets, Beginning of Year
Net Assets, End of Year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component Units
Governmental Activities	
$ (28,255,688)	$
(4,659,902)	
(71,139,660)	
(12,874,710)	
(12,874,263)	
(1,177,426)	
(40,945,189)	
(2,616,625)	
(14,389,585)	
(14,887,908)	
(203,820,956)	
	3,237,419
	(3,745,092)
	130,810
	20,144
	(356,719)
196,820,339	
2,925,202	358,798
5,954,640	54,573
205,700,181	413,371
1,879,225	56,652
715,845,088	46,041,604
$ 717,724,313	$ 46,098,256

FORT BEND COUNTY, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2011

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 44,762,938	$ 5,165,917	$ 48,294,533	$ 98,223,388
Taxes receivable, net	5,918,057	521,045	1,108,712	7,547,814
Grants receivable	6,474,269		1,018,936	7,493,205
Fines and fees receivable	4,319,143			4,319,143
Accrued interest receivable	7,557			7,557
Other receivables	2,251,733	15,841	1,401,111	3,668,685
Due from other funds	15,317,511		9,512,732	24,830,243
Due from component units	10,286,786			10,286,786
Prepaid items	136,007		69,379	205,386
Total Assets	$ 89,474,001	$ 5,702,803	$ 61,405,403	$ 156,582,207
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ 26,067,578	$	$	$ 26,067,578
Accrued payroll	3,965,469			3,965,469
Retainage payable	61,506		4,006,314	4,067,820
Due to other funds	2,198,840		22,914,538	25,113,378
Due to component units	1,286,978			1,286,978
Due to other governments	1,242,379		22,364	1,264,743
Deferred revenue	10,592,270	521,045	4,310,287	15,423,602
Total Liabilities	45,415,020	521,045	31,253,503	77,189,568
Fund Balances:				
Nonspendable	136,007		69,379	205,386
Restricted		5,181,758	34,501,665	39,683,423
Committed	33,106,759			33,106,759
Unassigned	10,816,215		(4,419,144)	6,397,071
Total Fund Balances	44,058,981	5,181,758	30,151,900	79,392,639
Total Liabilities and Fund Balances	$ 89,474,001	$ 5,702,803	$ 61,405,403	$ 156,582,207

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
September 30, 2011

Total fund balances, governmental funds	$ 79,392,639
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Assets.	1,063,947,000
Other long-term assets are not available to pay for current-period expenditures and are therefore deferred in the funds.	11,866,957
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	(1,940,152)
Some liabilities (such as long-term claims and judgments payable, long-term compensated absences, and bonds payable) are not due and payable in the current period and are not included in the fund financial statements, but are reported in the governmental activities of the Statement of Net Assets.	
Bonds payable	(318,265,000)
Deferred issuance costs	3,311,493
Compensated absences	(5,560,434)
Other post-employment benefits (OPEB) obligation	(101,760,042)
Premiums on issuance of debt	(12,043,251)
Accrued interest is not due and payable in the current period and therefore not reported in the funds.	(1,224,897)
Net Assets of Governmental Activities	$ 717,724,313

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2011

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 150,611,129	$ 28,251,456	$ 18,544,313	$ 197,406,898
Fees and fines	26,538,216	76,613	10,867,165	37,481,994
Intergovernmental	23,894,468		13,077,519	36,971,987
Earnings on investments	1,457,487	141,647	1,198,905	2,798,039
Miscellaneous	3,372,764		3,151,627	6,524,391
Total Revenues	205,874,064	28,469,716	46,839,529	281,183,309
Expenditures				
Current:				
General administration	41,583,032		769,305	42,352,337
Financial administration	7,158,932		17,254	7,176,186
Administration of justice	54,210,526		17,628,820	71,839,346
Construction and maintenance	2,843,242		26,699,183	29,542,425
Health and welfare	17,345,040		4,722,704	22,067,744
Cooperative services	986,392			986,392
Public safety	42,751,912		1,404,590	44,156,502
Parks and recreation	2,263,590			2,263,590
Libraries and education	12,113,853		62,784	12,176,637
Capital Outlay	20,234,349		68,693,447	88,927,796
Debt Service:				
Principal		12,590,000		12,590,000
Interest and fiscal charges		15,528,257		15,528,257
Bond issuance costs		249,266		249,266
Total Expenditures	201,490,868	28,367,523	119,998,087	349,856,478
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,383,196	102,193	(73,158,558)	(68,673,169)
Other Financing Sources (Uses)				
Transfers in	5,260,901		9,141,885	14,402,786
Transfers (out)	(8,965,489)		(5,437,297)	(14,402,786)
Refunding bonds issued		9,675,000		9,675,000
Payment to refunded bond escrow agent		(10,230,000)		(10,230,000)
Premium on refunding bonds issued		784,853		784,853
Total Other Financing Sources (Uses)	(3,704,588)	229,853	3,704,588	229,853
Net change in fund balances	678,608	332,046	(69,453,970)	(68,443,316)
Fund Balances, Beginning of Year	43,380,373	4,849,712	99,605,870	147,835,955
Fund Balances, End of Year	$ 44,058,981	$ 5,181,758	$ 30,151,900	$ 79,392,639

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (GOVERNMENTAL FUNDS) TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2011

Net change in fund balances - total governmental funds	$ (68,443,316)
Adjustments for the Statement of Activities:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which current year capital outlay ($88.9 million) exceeded depreciation expense ($26.2 million) in the current period.	62,699,787
Capital contributions of infrastructure are reported in the governmental-wide financial statements but not in the fund financial statements.	23,717,658
Governmental funds report the entire net sales prices (proceeds) from the sales of capital assets as revenue because they provide current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the capital assets. Thus, the change in net assets differs from the change in fund balance by the costs of capital assets sold.	(354,795)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(10,210,587)
The long-term portion of accrued compensated absences is not due and payable in the current period and is therefore not reported in governmental funds.	(167,658)
Changes in the other post-employment benefits (OPEB) obligation are not due and payable in the current period, and therefore are not reported in the governmental funds.	(26,647,414)
Revenues that do not provide current financial resources are not reported as revenues in the governmental funds. This adjustment reflects the net change in receivables on the accrual basis of accounting.	(586,559)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds. This adjustment reflects the net change in interest payable on the accrual basis of accounting.	63,535
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	576,813
Principal payments on bonds are reported as expenditures in governmental funds but not as expenses in the government-wide statements.	22,820,000
Internal service funds are used by management to charge the costs of certain activities, such as insurance and equipment replacement, to individual funds. The net revenues (expenses) are reported with governmental activities.	(1,588,239)
Change in net assets of governmental activities	$ 1,879,225

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

September 30, 2011

		Governmental Activities
		Internal Service Funds
Assets		
Current Assets:		
Cash and cash equivalents	$	5,416,728
Due from other funds		283,237
Other receivables		20,490
Total Current Assets		5,720,455
Noncurrent Assets:		
Capital Assets:		
Construction-in-progress		88,810
Total Capital Assets		88,810
Total Noncurrent Assets		88,810
Total Assets		5,809,265
Liabilities		
Current Liabilities:		
Benefits payable		7,740,434
Retainage payable		8,881
Due to other funds		102
Total Current Liabilities		7,749,417
Total Liabilities		7,749,417
Net Assets (Deficit)		
Invested in capital assets, net of related debt		88,810
Unrestricted		(2,028,962)
Total Net Assets (Deficit)	$	(1,940,152)

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2011

	Governmental Activities
	Internal Service Funds
Operating Revenues	
Charges for services	$ 30,686,672
Total Operating Revenues	30,686,672
Operating Expenses	
Current operations - general administration	411,575
Benefits provided	31,990,499
Total Operating Expenses	32,402,074
Operating (Loss)	(1,715,402)
Non-Operating Revenues	
Earnings on investments	127,163
Total Non-Operating Revenues	127,163
Change in Net Assets	(1,588,239)
Total Net Assets (Deficit), Beginning of Year	(351,913)
Total Net Assets (Deficit), End of Year	$ (1,940,152)

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended September 30, 2011

	Governmental Activities
	Internal Service Funds
Cash Flows from Operating Activities	
Charges for services	$ 32,151,762
Payment of benefits	(31,400,379)
Payment of general administration expenses	(411,575)
Net Cash Provided by Operating Activities	339,808
Cash Flows from Investing Activities	
Interest earned on investments	127,163
Net Cash Provided by Investing Activities	127,163
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(79,929)
Net Cash (Used) by Capital and Related Financing Activities	(79,929)
Net Increase in Cash and Cash Equivalents	387,042
Cash and Cash Equivalents, Beginning of Year	5,029,686
Cash and Cash Equivalents, End of Year	$ 5,416,728
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities	
Operating (Loss)	$ (1,715,402)
Change in assets and liabilities:	
(Increase) in other receivables	(19,965)
Decrease in due from other funds	1,593,183
(Decrease) in due to other funds	(108,128)
Increase in benefits payable	590,120
Total adjustments	2,055,210
Net Cash Provided by Operating Activities	$ 339,808

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
September 30, 2011

	Agency Funds
Assets	
Cash and cash equivalents	$ 29,051,344
Miscellaneous receivables	311,599
Total Assets	$ 29,362,943
Liabilities	
Due to other governments	$ 29,362,943
Total Liabilities	$ 29,362,943

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS
STATEMENT OF NET ASSETS
COMPONENT UNITS
September 30, 2011

	Fort Bend County Surface Water Supply Corporation	Fort Bend County Toll Road Authority	Fort Bend Grand Parkway Toll Road Authority	Fort Bend County Housing Finance Corporation	Fort Bend County Industrial Development Corporation	Totals
Assets						
Cash and cash equivalents	$ 7,614	$ 31,734,552	$ 72	$ 700,944	$ 23,020	$32,466,202
Accounts receivable				365		365
Due from Fort Bend Grand Parkway Toll Road Authority		2,000,000				2,000,000
Due from primary government		1,286,978				1,286,978
Accrued interest receivable		25,125		1,163		26,288
Miscellaneous receivables		2,847,331				2,847,331
Deferred bond issuance costs		738,947				738,947
Prepaid items					124	124
Capital assets, not being depreciated		2,782,650	8,778,577			11,561,227
Capital assets, net of accumulated depreciation		145,748,541				145,748,541
Total Assets	7,614	187,164,124	8,778,649	702,472	23,144	196,676,003
Liabilities and Net Assets						
Liabilities						
Accounts payable				3,900		3,900
Retainage payable			204,202			204,202
Due to Fort Bend County Toll Road Authority			2,000,000			2,000,000
Due to primary government			10,286,786			10,286,786
Accrued interest payable		558,119	32,681			590,800
Long-term liabilities						
Due within one year		1,645,000				1,645,000
Due in more than one year		135,847,059				135,847,059
Total Liabilities		138,050,178	12,523,669	3,900		150,577,747
Net Assets						
Invested in capital assets, net of related debt		11,039,132	8,778,577			19,817,709
Unrestricted	7,614	38,074,814	(12,523,597)	698,572	23,144	26,280,547
Total Net Assets	$ 7,614	$ 49,113,946	$ (3,745,020)	$ 698,572	$ 23,144	$46,098,256

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY, TEXAS
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended September 30, 2011

		Program Revenues	
Functions/Programs	**Expenses**	**Charges for Services**	**Capital Grants and Contributions**
Fort Bend County Surface Water Supply Corporation			
Health and welfare	$	$	$
Total Fort Bend County Surface Water Supply Corporation			
Fort Bend County Toll Road Authority			
Toll road operations	8,356,153	17,694,231	518,338
Interest on long-term debt	6,618,997		
Total Fort Bend County Toll Road Authority	14,975,150	17,694,231	518,338
Fort Bend Grand Parkway Toll Road Authority			
Toll road operations	3,712,411		
Operating interest	32,681		
Total Fort Bend Grand Parkway Toll Road Authority	3,745,092		
Fort Bend County Housing Finance Corporation			
Programs	345		
General administration	10,715	141,870	
Total Fort Bend County Housing Finance Corporation	11,060	141,870	
Fort Bend County Industrial Development Corporation			
General administration	2,856	23,000	
Total Fort Bend County Industrial Development Corporation	2,856	23,000	
Total Component Units	$ 18,734,158	$ 17,859,101	$ 518,338

General Revenues:
Earnings on investments
Miscellaneous
Total General Revenues
Changes in Net Assets
Net Assets, Beginning of Year
Net Assets, End of Year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets					
Fort Bend County Surface Water Supply Corporation	Fort Bend County Toll Road Authority	Fort Bend Grand Parkway Toll Road Authority	Fort Bend County Housing Finance Corporation	Fort Bend County Industrial Development Corporation	Totals
$	$	$	$	$	$
	9,856,416				9,856,416
	(6,618,997)				(6,618,997)
	3,237,419				3,237,419
		(3,712,411)			(3,712,411)
		(32,681)			(32,681)
		(3,745,092)			(3,745,092)
			(345)		(345)
			131,155		131,155
			130,810		130,810
				20,144	20,144
				20,144	20,144
	3,237,419	(3,745,092)	130,810	20,144	(356,719)
75	354,629		4,094		358,798
	54,501	72			54,573
75	409,130	72	4,094		413,371
75	3,646,549	(3,745,020)	134,904	20,144	56,652
7,539	45,467,397		563,668	3,000	46,041,604
$ 7,614	$ 49,113,946	$ (3,745,020)	$ 698,572	$ 23,144	$ 46,098,256

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

Fort Bend County, Texas (the "County") is a public corporation and a political subdivision of the State of Texas. The Commissioners Court, composed of four County Commissioners and the County Judge, all of whom are elected officials, govern the County.

The County is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the County's financial reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the County's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the County is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the County's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended Component Units

Blended component units, although legally separate entities, are, in substance, part of the County's operations and so data of these units are combined with data of the County. Each of the County's blended component units has a September 30 year-end. The following component units have been identified and are presented in a blended format in the government-wide financial statements:

Fort Bend County Drainage District ("District")
Established under Section 59 of Article XVI of the Constitution of Texas, the District includes all of the property within Fort Bend County. The District was created for the purpose of reclamation and drainage of its lands. Commissioners Court acts as the governing body of the District. Complete financial statements for the District can be obtained at the Fort Bend County Auditor's Office located at 301 Jackson, Suite 533, Richmond, Texas.

Fort Bend Flood Control Water Supply Corporation ("FBFCWSC")
The FBFCWSC is a non-profit corporation organized for the benefit of the County to provide for the acquisition, construction and financing of flood control and drainage projects for the County. Upon completion, these projects are maintained by the County. Commissioners Court appoints the Board of Directors and approves all budgets and expenditures. Complete financial statements for the Corporation can be obtained at the Fort Bend County Auditor's Office located at 301 Jackson, Suite 533, Richmond, Texas.

Note 1 - Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Discretely Presented Component Units

Discretely presented component units are presented in a separate column in the government-wide statements to emphasize that they are legally separate from the County. Each of the County's discretely presented component units has a September 30 year-end. The following component units have been identified and are presented in a discrete format in the County's financial statements:

Fort Bend County Toll Road Authority
The Fort Bend County Toll Road Authority is organized under the Texas Transportation Corporation Act and the Texas Non-Profit Corporation Act. The Authority was created to assist in the planning, designing, financing and building of county roads and highways. In particular, the Authority is to assist in the building and operation of the Fort Bend Toll Road system that will extend from Sam Houston Parkway in Harris County to the Brazos River and the City of Fulshear in Fort Bend County. The County has financial accountability because it appoints a voting majority of the Board and the County can impose its will. Financial information is available at the County Auditor's Office located at 301 Jackson, Suite 533, Richmond, Texas.

Fort Bend Grand Parkway Toll Road Authority
The Fort Bend Grand Parkway Toll Road Authority is organized under the Texas Transportation Corporation Act and the Texas Non-Profit Corporation Act. The Authority was created to assist in the planning, designing, financing and building of county roads and highways. In particular, the Authority is to assist in the building and operation of the Fort Bend Grand Parkway Toll Road that will extend from the Westpark Tollway along State Highway 99 to US 59. The County has financial accountability because it appoints a voting majority of the Board and the County can impose its will. Financial information is available at the County Auditor's Office located at 301 Jackson, Suite 533, Richmond, Texas.

Fort Bend County Surface Water Supply Corporation
The Fort Bend County Surface Water Supply Corporation was established for the purpose of conducting a feasibility study of a surface water facility in the area. Currently, revenue sources are primarily from special districts, private corporations, and other entities interested in the study. The County has financial accountability because it appoints a voting majority of the Board and the County can impose its will. Financial information is available at the County Auditor's Office located at 301 Jackson, Suite 533, Richmond, Texas.

Fort Bend County Housing Finance Corporation
The Fort Bend County Housing Finance Corporation was established under the Texas Housing Finance Corporation Act. The Corporation provides down payment assistance programs for individuals meeting certain income guidelines and serves as a conduit for activity related to bond issues for affordable housing in Fort Bend County. The tax-exempt bonds issued by the Corporation do not constitute a debt or a pledge of faith by the Corporation, but are payable by the user pursuant to terms defined in the loan agreements underlying each issue. The County has financial accountability because it appoints a voting majority of the Board and the County can impose its will. Complete financial statements for The Fort Bend Housing Finance Corporation are prepared and can be obtained at the East Fort Bend County Annex Building located at 3030 Texas Parkway, Suite 213, Missouri City, Texas.

Note 1 - Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Discretely Presented Component Units (continued)

Fort Bend County Industrial Development Corporation
The Fort Bend County Industrial Development Corporation was established under the Development Corporation Act of 1979 (Act). The Corporation facilitates the issuance of obligations in the form of bonds to finance all or part of the cost of one or more projects as defined by the Act. The bonds issued by the Corporation do not constitute a debt or a pledge of faith by the Corporation, but are payable by the user pursuant to terms defined in the loan agreements underlying each issue. The County has accountability because it appoints a voting majority of the Board and the County can impose its will. Financial information is available at the County Auditor's Office.

B. Government-wide and Fund Accounting

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), the GASB 34 reporting model focuses on either the County as a whole or on major individual funds (within the fund financial statements). Typically, both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. All primary activities of the County are considered to be governmental type activities; therefore no business type activities are presented within the basic financial statements. In the government-wide Statement of Net Assets, governmental activities are presented on a full accrual, economic resource basis, which incorporates long-term assets and receivables, as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general administration, financial administration, public safety, etc.), which are otherwise being supported by general government revenues (property taxes, earnings on investments, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues. The program revenues must be directly associated with the function (general administration, financial administration, public safety, etc.).

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental column of the government-wide presentation.

The County's fiduciary funds are presented in the fund financial statements by type. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. Since the County only reports agency funds, a statement of changes in fiduciary net assets is not presented. All assets reported in agency funds should be offset by a corresponding liability, resulting in zero net assets.

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Accounting (continued)

In the fund financial statements, the accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

The County reports the following major governmental funds:

General Fund
The General Fund is the County's primary operating fund. It is used to account for all financial transactions not properly includable in other funds. The principal source of revenue is local property taxes. Expenditures include all costs associated with the daily operations of the County.

Debt Service Fund
This fund is used to account for the debt service transactions relating to the following bond issues: Permanent Improvements Refunding Bonds Series 2003, Unlimited Tax Road Bonds Series 2006, Unlimited Tax Road Bonds Series 2007, Fort Bend Flood Control Water Supply Corporation (FBFCWSC) Refunding Bonds Series 2010, Limited Tax Facilities Bonds Series 2007, Unlimited Tax Road Bonds Series 2009, Justice Center Limited Tax Bonds Series 2009, and Unlimited Tax Road Refunding Series 2009. Revenues in this fund are comprised of property taxes levied against property located in the County.

The County also reports the following funds types:

Internal Service Funds
These funds are used to account for the County's employee benefits for employees, retirees, and their dependents, including medical and dental; and self-insurance programs, including workers' compensation, personal injury and property damage. The principal source of revenue is contributions paid by individual funds.

Agency Funds
These funds are custodial in nature and do not report operating results. They are used to account for assets held by the County as an agent for various local governments and individuals.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund-types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statements of net assets and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net assets. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Note 1 - Summary of Significant Accounting Policies (continued)

C. Basis of Accounting (continued)

The accounts of the Governmental Fund Types (the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds) and certain Component Units are maintained, and the financial statements have been prepared, on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when they become susceptible to accrual (i.e., both measurable and available). Available means collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Substantially all revenues, except property taxes, are considered to be susceptible to accrual. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as expenditures when due.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is that interfund services provided and used within the County are not eliminated in the process of consolidation. Elimination of these services would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: (1) charges to customers for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Revenues that are generated internally are reported as general revenues, including property taxes.

Proprietary funds present both operating revenues and expenses as well as non-operating revenues and expenses. Operating revenues and expenses are generally derived from providing services and producing goods as part of ongoing operations. The principal operating revenues of the County's internal service funds are charges to users for services. The operating expenses for the County's internal service funds include administrative expenses and all costs associated with providing services. All other revenue and expenses are reported as non-operating revenue.

The accrual basis of accounting is used for the proprietary fund types and certain component units. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

The statements of net assets, statements of activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used as an extension of formal budgetary control. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities of the current year and are re-appropriated in the budget of the subsequent year. Unencumbered appropriations lapse at the end of the year.

Note 1 - Summary of Significant Accounting Policies (continued)

E. Cash and Cash Equivalents

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the Proprietary Fund Types consider temporary investments with maturities of three months or less when purchased to be cash equivalents.

F. Investments

The County's investments, when held, are comprised primarily of U.S. Government Securities. Obligations with maturities of one year or less when purchased are reported on the balance sheet at their amortized cost, which approximates fair value. All other investments are reported at fair value. The investments in U.S. Government Securities are generally held to maturity.

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

H. Due To and Due From Other Funds

During the course of operations, transactions occur between individual funds for specified purposes, such as lending/borrowing arrangements or amounts. In addition, the County maintains numerous bank accounts among all the funds and occasionally monies are deposited into the incorrect account. Therefore, a receivable and payable are recorded in the proper funds. These receivables and payables are classified as "due from other funds" or "due to other funds" (or "due from component unit/primary government" or "due to component unit/primary government" if the transactions are between the primary government and its component unit).

I. Interfund Transfers

The County maintains numerous special revenue and capital project funds to account separately for monies that have been set aside for particular purposes. Often, these monies are initially budgeted in the General Fund during the annual budget process and are then transferred to various funds during the course of the fiscal year. In addition, when these projects are complete, these same funds often transfer residual monies back to the General Fund or some other fund, as determined by where the monies should be returned. These interfund transfers are classified as "transfers in" and "transfers out" within the primary government.

J. Interest Receivable

Interest on investments is recorded as revenue in the year the interest is earned and available to pay liabilities of the current period.

Note 1 - Summary of Significant Accounting Policies (continued)

K. Capital Assets

Capital assets used in governmental fund types of the government are recorded as expenditures of the General, Special Revenue and Capital Projects Funds and as assets in the government-wide financial statements to the extent the County's capitalization threshold (currently $5,000 on new assets) is met. All betterments to existing assets are capitalized, without any threshold. Depreciation is recorded on capital assets on a government-wide basis. Major outlays for capital assets and improvements are capitalized as projects are constructed and subsequently depreciated over their estimated useful lives on a straight-line basis at the government-wide levels. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and resulting gain or loss is included in the results of operations.

The County applies a half-year convention for depreciation on all assets. Therefore, one half of a year of depreciation is charged to operations the first and last year that an asset is in service. Depreciation has been provided for plant and equipment using the straight-line method over the estimated useful life for the type of assets as follows:

Asset Description	Estimated Useful Life
Vehicles	5 to 7 years
Office furniture and equipment	5 to 7 years
Machinery and equipment	7 to 15 years
Buildings, facilities and improvements	10 to 39 years
Infrastructure	20 to 40 years

L. Accrued Compensated Absences

All full-time employees accumulate vacation benefits in varying annual number of days up to a maximum of twenty days a year. Accumulated vacation exceeding twenty days lapses on December 31 of each year.

Compensatory time exceeding 80 hours is paid to nonexempt employees. In the event of termination, an employee is paid for all maximum allowable accumulation of vacation and compensatory time.

Sick leave benefits are earned by all full-time employees at a rate of eight days per year and may be accumulated without limit. Upon retirement, an employee may be eligible to receive a payment for up to one-half of their unused sick leave balance, not to exceed a maximum of $5,000. In the event of any termination other than retirement, an employee is not paid for any unused sick leave.

A liability for accrued compensated absences is recorded in the government-wide financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

M. Restricted/Unrestricted Net Assets

It is the County's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

O. Reclassifications

Certain reclassifications to prior year balances have been made to conform to current year presentation. Such reclassifications have had no effect on the excess of revenues over expenditures.

P. Date of Managements' Review

In preparing the financial statements, the County has evaluated events and transactions for potential recognition or disclosure through March 16, 2012, the date that the financial statements were available to be issued.

Q. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Note 2 - Deposits (Cash) and Investments

A. Authorization for Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the County.

In accordance with applicable statutes, the County has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the County incurs for banking services received. The County may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. County policy requires the collateralization level to be at least 110% of market value of principal and accrued interest.

Note 2 - Deposits (Cash) and Investments (continued)

A. Authorization for Deposits and Investments (continued)

Commissioners Court has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The investments of the County are in compliance with this policy. State statutes authorize the County to invest in fully collateralized or insured time deposits, direct debt obligations of the United States, and certain repurchase agreements. Investments in security repurchase agreements are authorized when the investment has a defined termination date, is secured by obligations described in the Public Funds Investment Act, is pledged to the County, is deposited with a third party selected and approved by the entity, and is placed through a primary government securities dealer or national bank domiciled in the State of Texas. The County did not invest in repurchase agreements for the year ended September 30, 2011.

B. Deposit and Investment Amounts

The County's cash and investments are classified as: cash and cash equivalents, and investments. Cash and cash equivalents include cash on hand, deposits with financial institutions, and short-term investments in a privately-managed public funds investment pool account.

At September 30, 2011, the County's cash deposits are either insured by FDIC or covered by collateral held by the County's agent in the County's name.

The following schedule shows the County's recorded cash and cash equivalents and investment pools at year-end, excluding Agency Funds:

	Total Fair Value
Cash deposits	$ 133,404,234
Certificates of deposit	495,579
Investment pools:	
Texas CLASS	2,193,082
TexasTERM	5,358
LOGIC	8,066
Total cash and investment pools	$ 136,106,319

Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, Texas Government Code, and the Public Funds Investment Act, chapter 2256, Texas Government Code. Texas CLASS was established in 1996. Pursuant to the Trust Agreement, Texas CLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. Cutwater Investor Services Corp. serves as Program Administrator. Cutwater Investor Services Corp. is a subsidiary of Cutwater Asset Management. Texas CLASS is considered a '2a-7 like pool' under Governmental Accounting Standards Statement No. 31; it will operate the pool consistent with the SEC's Rule 2a7. It maintains a Net Asset Value of approximately $1 per share.

Note 2 - Deposits (Cash) and Investments (continued)

B. Deposit and Investment Amounts (continued)

The TexasTERM Local Government Investment Pool (TexasTERM) is organized in conformity with the Texas Public Funds Investment Act of the Texas Government Code. It provides for a fixed-rate, fixed-term investment for a period of 60 days to one year and includes TexasDAILY, a portfolio of the Local Government Pool, providing daily access to funds. An Advisory Board composed of participants in TexasTERM and other parties who do not participate in the Pool, has responsibility for the overall management of the Pool, including formulation and implementation of its Investment and Operating Policies. PFM Asset Management LLC ("PFM"), a leading national financial and investment advisory firm, is the investment advisor to the pool. TexasTERM's TexasDAILY portfolio is considered a '2a-7 like pool' under Governmental Accounting Standards Statement No. 31; it will operate the pool consistent with the SEC's Rule 2a7. It maintains a Net Asset Value of approximately $1 per share.

Local Government Investment Cooperative (LOGIC) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, Texas Government Code, and the Public Funds Investment Act, chapter 2256, Texas Government Code. The Pool was created in April, 1994 through a contract among its participating governmental units, and is governed by a board of directors ('the board'), to provide for the joint investment of participant's public funds and funds under their control. LOGIC is considered a '2a-7 like pool' under Governmental Accounting Standards Statement No. 31; it will operate the pool consistent with the SEC's Rule 2a7. It maintains a Net Asset Value of approximately $1 per share.

Interest Rate Risk

At year-end, the County had the following investments subject to interest rate risk disclosure, under U.S. generally accepted accounting principles:

	Fair Value	Weighted Average Maturity (days)	Percentage of Total Portfolio
Certificates of deposit	$ 495,579	271	18.3%
Investment pools:			
Texas CLASS	2,193,082	30	81.2%
TexasTERM	5,358	50	0.2%
LOGIC	8,066	42	0.3%
Total Fair Value	$ 2,702,085		
Portfolio weighted average maturity		74	

It is the County's policy to select any individual investment with a maximum stated maturity of thirty-six (36) months. Portfolio maturities will be structured to meet the obligations of the County first and then to achieve the highest rate of return of interest. When the County has funds not required to meet current-year obligations, maturity restraints will be imposed based upon the investment strategy for the group of funds.

The County's investments in the state investment pools via Texas CLASS, TexasTERM, and LOGIC were rated Aaa by Moody Investments and AAAm by Standard and Poor's.

Note 2 - Deposits (Cash) and Investments (continued)

B. Deposit and Investment Amounts (continued)

Concentration of Credit Risk

It is the County's policy to diversify its portfolio to eliminate the risk of loss resulting from a concentration of assets in a specific maturity (save and except zero duration funds), a specific issuer or a specific class of investments. To achieve this diversification, the County will limit investments in specific types of securities to the following percentages of the total portfolio:

Investment Type	Maximum Investment %
Repurchase Agreements	up to 35%
Certificates of Deposit	up to 50%
U.S. Treasury Bills/Notes	up to 100%
Other U.S. Government Securities	up to 80%
Authorized Local Government Investment Pools	up to 80%
No Load Money Market Mutual Funds	up to 50%
Bankers Acceptances	up to 15%

It is the County's policy to select investments in order to provide stability of income and reasonable liquidity.

Note 3 - Receivables

Receivables, including applicable allowances for uncollectible accounts, as of September 30, 2011, were as follows:

	Governmental Activities			
	General	Debt Service	Other Governmental Funds	Total
Receivables:				
Taxes	$ 6,575,619	$ 578,939	$ 1,231,902	$ 8,386,460
Grants	6,474,269		1,018,936	7,493,205
Fees and fines	4,319,143			4,319,143
Accrued interest	7,557			7,557
Other	2,251,733	15,841	1,401,111	3,668,685
Gross receivables	19,628,321	594,780	3,651,949	23,875,050
Less: allowance for uncollectibles	(657,562)	(57,894)	(123,190)	(838,646)
Total	$ 18,970,759	$ 536,886	$ 3,528,759	$ 23,036,404

Note 3 – Receivables (continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of September 30, 2011, the various components of deferred revenue reported in the governmental funds are as follows:

	Unavailable	Unearned
Delinquent property taxes (general fund)	$ 5,918,057	$
Delinquent property taxes (road and bridge fund)	753,585	
Delinquent property taxes (drainage district fund)	355,127	
Delinquent property taxes (debt service fund)	521,045	
Fees and fines (general fund)	4,319,143	
Grant funds received prior to meeting all eligibility requirements		3,556,645
Total deferred revenue for governmental funds	$ 11,866,957	$ 3,556,645

Note 4 - Property Taxes

The County's tax year covers the period October 1 through September 30. The County's property taxes are levied annually in October on the basis of the Fort Bend Central Appraisal District's (CAD) assessed values as of January 1 of that calendar year. Such taxes become delinquent on February 1 of the subsequent calendar year. The CAD establishes appraised values at 100% of market value less exemptions. The County's property taxes are billed and collected by the County's Tax Assessor/Collector.

A. 2010 Tax Year

Property taxes are prorated between the General, certain Special Revenue, and Debt Service Funds based on rates adopted for the year of the levy. For the 2011 fiscal year (2010 tax year), the County levied property taxes of $0.49976 per $100 of assessed valuation. The 2010 rates resulted in total adjusted tax levies of approximately $194.6 million based on a total adjusted valuation of approximately $37.4 billion. The total tax rate in the 2010 tax year was prorated as follows:

	2010 Rate	2010 Limit
General, certain special revenue and debt service funds	$ 0.45246	$ 0.80000
Special road & bridge funds	$ 0.02770	$ 0.15000
Fort Bend County Drainage District	$ 0.01960	$ 0.25000
Total Tax Rate	$ 0.49976	$ 1.20000

Note 4 - Property Taxes (continued)

B. Fort Bend Central Appraisal District

The Fort Bend Central Appraisal District (CAD), a separate governmental entity, is responsible for the recording and appraisal of property for all taxing units in the County.

The CAD is required by state law to assess property at 100% of its appraised value. Further, real property must be appraised at least every four years. Under certain circumstances, the taxpayers and taxing units, including the County, may challenge orders of the CAD's Appraisal Review Board through various appeals and, if necessary, legal action may be taken.

The Commissioners Court will continue to set the tax rates on the property. State law also provides that, if approved by the qualified voters in the County, collection functions may be assigned to the CAD.

Note 5 - Interfund Activity

During the year, cash advances are occasionally made between funds for various projects and situations, which create receivables and payables between these funds. All of these interfund balances are expected to be paid within one year. At September 30, 2011, the interfund receivables and payables were as follows:

	Interfund Receivable	Interfund Payable
General Fund	$ 15,317,511	$ 2,198,840
Non-major Governmental Funds	9,512,732	22,914,538
	24,830,243	25,113,378
Internal Service Funds	283,237	102
Total Governmental Activity	$ 25,113,480	$ 25,113,480

Interfund transfers

Transfers totaling approximately $14.4 million were made during the year primarily for the purpose of moving unrestricted fund revenues to finance various programs that the government must account for in other funds in accordance with the budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

	Transfers In	Transfers Out
General Fund	$ 5,260,901	$ 8,965,489
Non-major Governmental Funds	9,141,885	5,437,297
	$ 14,402,786	$ 14,402,786

Note 6 - Capital Assets

A summary of changes in the primary government's capital assets for the year ended September 30, 2011, is as follows:

	Primary Government			
	Balance 10/01/10	Increases	Decreases	Balance 09/30/11
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 318,334,776	$ 15,099,975	$	$ 333,434,751
Construction-in-progress	152,903,502	66,560,089	(99,212,977)	120,250,614
Total capital assets not being depreciated	471,238,278	81,660,064	(99,212,977)	453,685,365
Other capital assets:				
Vehicles	22,628,966	6,060,587	(2,615,345)	26,074,209
Office furniture and equipment	24,137,597	3,810,303	(899,313)	27,048,587
Machinery and equipment	24,517,102	2,533,314	(1,397,649)	25,652,766
Buildings, facilities and improvements	225,992,477	86,282,555		312,275,031
Infrastructure	415,884,110	31,587,290		447,471,401
Total other capital assets	713,160,252	130,274,049	(4,912,307)	838,521,994
Accumulated depreciation for:				
Vehicles	(13,837,784)	(2,897,397)	2,441,061	(14,294,120)
Office furniture and equipment	(13,369,485)	(3,288,600)	868,976	(15,789,109)
Machinery and equipment	(13,224,104)	(1,570,927)	1,223,124	(13,571,907)
Buildings, facilities and improvements	(54,334,313)	(6,682,237)		(61,016,550)
Infrastructure	(111,748,493)	(11,751,370)		(123,499,863)
Total accumulated depreciation	(206,514,179)	(26,190,531)	4,533,161	(228,171,549)
Other capital assets, net	506,646,073	104,083,518	(379,146)	610,350,445
Total Governmental Activities capital assets, net	$ 977,884,351	$ 185,743,582	$ (99,592,123)	$1,064,035,810

Depreciation expenses were charged to the following functions in the statement of activities:

Fiscal Year 2011 Depreciation Expense	
General administration	$ 1,179,617
Financial administration	211,010
Administration of justice	5,265,772
Construction and maintenance	13,990,660
Health and welfare	1,106,550
Cooperative services	58,409
Public safety	2,796,140
Parks and recreation	430,233
Library	1,152,140
Total Depreciation Expense	$ 26,190,531

Note 6 - Capital Assets (continued)

Construction-in-progress and remaining commitments under related construction contracts for general government construction projects at September 30, 2011, is as follows:

2011 CONSTRUCTION COSTS

Project	Balance 10/01/10	Increases- Retainage Included	Decreases- Capitalizations	Decreases- Adjustments	Balance 09/30/11	Remaining Commitments
2000 Mobility Projects - Bonds	$ 37,300,220	$ 9,111,704	$ (7,898,972)	$	$ 38,512,952	$ 1,252
2007 Mobility Projects - Bonds	30,864,194	25,058,579	(8,154,184)		47,768,589	7,411,884
Animal Control Expansion		58,746			58,746	474,458
Animal Control Satellite Office	250	66,888			67,138	
Big Creek	2,137,832	241,123		(272,700)	2,106,255	300,338
Big Creek FBFCWSC - Bonds	11,676,161	64,522		272,700	12,013,383	300
Bridge Construction	24,067				24,067	8,155
CAD Expansion		5,140			5,140	26,568
Commissioners' Courtroom AV Upgrade		226			226	
Courthouse Renovation Grant	48,311	338,711			387,022	
Crabb River Rd Expansion	600,608	27,842			628,450	64,794
Employee Clinic		88,810			88,810	282,109
EMS Facility Prop 3 - Bonds		108,099			108,099	
Facilities - Eugene Heimann Circle - Bonds		36,357	(877)		35,480	
Facilities Tracking Software	26,500				26,500	26,900
Fairgrounds Renovations	178,237				178,237	
FM762 Landscaping		10,268			10,268	
GML Library Prop 2 - Bonds	717,827	10,318			728,145	
Integrated Library System - Polaris		98,998			98,998	22,571
JP2 Expansion	113,941	440,201			554,142	
Kitty Hollow Park Expansion		28,140			28,140	72,751
Lawson Upgrade		149,751			149,751	199,195
Parkway Road District - Bonds	3,704				3,704	
Phone System Upgrade	26,954	422,482			449,436	79,250
Senior Citizens' Community Center	167,511	18,179			185,690	138,920
Sugar Land Library Prop 2 - Bonds	708,162	6,557,110			7,265,272	
Sugarland Annex Parking Lot		52,154			52,154	
Tax Office Missouri City	802,523				802,523	
Taylor House	43,986	9,312			53,298	
Time Management System-GHG		1,040			1,040	
Travis Building Renovation		262,884			262,884	37,521
U of H Library	25,855				25,855	
Upper Oyster Creek	5,321,540	2,248,680			7,570,220	
Projects Completed in FY2011	62,115,119	21,043,825	(83,158,944)			344,813
Totals	$ 152,903,502	$ 66,560,089	$ (99,212,977)	$	$ 120,250,614	$ 9,491,779

Note 6 - Capital Assets (continued)

A summary of changes in the discretely presented component units (Fort Bend County Toll Road Authority and Fort Bend Grand Parkway Toll Road Authority) capital assets for the year ended September 30, 2011, is as follows:

	Discretely Presented Component Units			
	Balance 10/01/10	Increases	Decreases	Balance 09/30/11
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 2,694	$ 1,686,072	$	$ 1,688,766
Construction-in-progress		10,687,100	(814,638)	9,872,461
Total capital assets not being depreciated	2,694	12,373,172	(814,638)	11,561,227
Other capital assets:				
Infrastructure	167,192,767	817,332		168,010,099
Total other capital assets	167,192,767	817,332		168,010,099
Accumulated depreciation for:				
Infrastructure	(18,036,467)	(4,225,092)		(22,261,558)
Total accumulated depreciation	(18,036,467)	(4,225,092)		(22,261,558)
Other capital assets, net	149,156,300	(3,407,759)		145,748,541
Total Governmental Activities capital assets, net	$ 149,158,994	$ 8,965,413	$ (814,638)	$ 157,309,768

Depreciation expense for the Fort Bend County Toll Road Authority and the Fort Bend Grand Parkway Toll Road Authority totaled $4,225,092 for fiscal year 2011.

Construction-in-progress and remaining commitments under related construction contracts for the Fort Bend County Toll Road Authority and the Fort Bend Grand Parkway Toll Road Authority construction projects at September 30, 2011, is as follows:

2011 CONSTRUCTION COSTS

Project	Balance 10/01/10	Increases-Retainage Included	Decreases-Capitalizations	Balance 09/30/11	Remaining Commitments
Fort Bend County Toll System	$	$ 1,908,522	$ (814,638)	$ 1,093,884	$ 53,825
Grand Parkway Toll Road		8,778,578		8,778,578	5,180,620
Totals	$	$ 10,687,100	$ (814,638)	$ 9,872,461	$ 5,234,445

Note 7 - Long-Term Debt

A. General Obligation Bonds and Long-term Liabilities

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Long-term bonded debt at September 30, 2011, is as follows:

Primary Government				
Original Issue	Description	Interest Rate %	Matures	Debt Outstanding
General Obligation Bonds				
$ 30,245,000	Unlimited Tax Road Bonds, Series 2006	4.00 - 5.00	2026	$ 25,110,000
9,675,000	Fort Bend Flood Control Water Supply Refunding Bonds, Series 2010	2.50 - 4.00	2021	9,605,000
26,000,000	Unlimited Tax Road Bonds, Series 2007	4.00 - 4.25	2027	22,330,000
126,675,000	Facilities Limited Tax Bonds, Series 2007	4.00 - 5.00	2031	126,245,000
48,940,000	Unlimited Tax Road Bonds, Series 2009	3.00 - 5.00	2029	45,665,000
73,430,000	Justice Center Limited Tax Bonds, Series 2009	3.00 - 5.25	2030	70,550,000
20,780,000	Unlimited Tax Road Refunding Bonds, Series 2009	3.00 - 5.00	2021	18,760,000
	Total General Obligation Bonds			$ 318,265,000

The County issues general obligation bonds primarily for the purpose of funding construction projects. The Facilities and Justice Center Limited Tax Bonds were issued to provide funds for the construction of major County facilities. The Unlimited Tax Road Bonds have been issued to fund the acquisition of right-of-way and the construction of roads and bridges that are within the County's major thoroughfare plan. The Fort Bend Flood Control Water Supply Bonds were issued to fund the improvement of the Drainage District infrastructure.

All of the County's outstanding bond issues are subject to federal arbitrage regulations. The County complies with the five year reporting requirements to the Internal Revenue Service for rebate calculation. As of the date of this report, the County has no contingent rebatable arbitrage.

Note 7 - Long-Term Debt (continued)

A. General Obligation Bonds and Long-term Liabilities (continued)

A summary of long-term liability transactions of the County for the year ended September 30, 2011, follows:

	Balance 10/01/10	Additions	Retirements	Balance 09/30/11	Amounts Due Within One Year
General obligation bonds	$ 331,410,000	$ 9,675,000	$ 22,820,000	$ 318,265,000	$ 13,300,000
Premiums on bonds	12,038,573	784,853	780,175	12,043,251	
Totals	343,448,573	10,459,853	23,600,175	330,308,251	13,300,000
Accrued compensated absences	5,392,775	5,864,991	5,697,332	5,560,434	1,390,109
Other post-employment benefits (OPEB) obligation	75,112,628	26,647,414		101,760,042	
Totals	80,505,403	32,512,405	5,697,332	107,320,476	1,390,109
Total Long-Term Liabilities	$ 423,953,976	$ 42,972,258	$ 29,297,507	$ 437,628,727	$ 14,690,109

In prior years, the General Fund's resources have been used to liquidate other long-term liabilities, including accrued compensated absences.

Annual debt service requirements to maturity for the general obligation bonds are summarized as follows:

	Principal	Interest	Totals
2012	$ 13,300,000	$ 14,698,760	$ 27,998,760
2013	13,725,000	14,154,579	27,879,579
2014	14,295,000	13,541,073	27,836,073
2015	14,740,000	12,935,873	27,675,873
2016	15,185,000	12,317,610	27,502,610
2017-2021	82,525,000	50,561,027	133,086,027
2022-2026	87,810,000	29,979,841	117,789,841
2027-2031	76,685,000	8,219,120	84,904,120
Totals	$ 318,265,000	$ 156,407,883	$ 474,672,883

Note 7 - Long-Term Debt (continued)

A. General Obligation Bonds and Long-term Liabilities (continued)

Discretely presented component unit (Fort Bend County Toll Road Authority) long-term bonded debt as of September 30, 2011, is listed below:

Discretely Presented Component Unit

Original Issue	Description	Interest Rate %	Matures	Debt Outstanding
General Obligation Bonds				
$ 63,695,000	Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2003	4.00 - 5.00	2032	$ 62,695,000
72,195,000	Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2004	3.63 - 5.00	2032	71,795,000
	Total General Obligation Bonds			$ 134,490,000

A summary of long-term liability transactions of the discretely presented component unit for the year ended September 30, 2011, follows:

	Balance 10/01/10	Additions	Retirements	Balance 09/30/11	Amounts Due Within One Year
General obligation bonds	$ 135,890,000	$	$ 1,400,000	$ 134,490,000	$ 1,645,000
Premiums on bonds	3,145,014		142,955	3,002,059	
Totals	$ 139,035,014	$	$ 1,542,955	$ 137,492,059	$ 1,645,000

Annual debt service requirements to maturity the general obligation bonds are summarized as follows:

	Principal	Interest	Totals
2012	$ 1,645,000	$ 6,665,741	$ 8,310,741
2013	1,900,000	6,596,050	8,496,050
2014	2,345,000	6,499,425	8,844,425
2015	2,820,000	6,370,300	9,190,300
2016	3,530,000	6,209,138	9,739,138
2017-2021	27,160,000	27,425,988	54,585,988
2022-2026	36,840,000	19,352,750	56,192,750
2027-2031	47,310,000	8,882,750	56,192,750
2032-2036	10,940,000	273,500	11,213,500
Totals	$ 134,490,000	$ 88,275,642	$ 222,765,642

Note 7 - Long-Term Debt (continued)

A. General Obligation Bonds and Long-term Liabilities (continued)

On October 12, 2010, the Fort Bend Flood Control Water Supply Corporation ("FBFCWSC") issued \$9,675,000 of Revenue Refunding Bonds to refund and defease the FBFCWSC's outstanding Revenue Bonds, Series 2001 of \$10,070,000. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$1,380,843 and resulted in an economic gain of \$1,269,369.

B. Conduit Debt

The Fort Bend County Housing Finance Corporation is authorized to finance residential housing by issuing tax-exempt revenue bonds to acquire mortgage loans as security for the payment of the principal and interest of such revenue bonds. The tax-exempt bonds issued by the Corporation do not constitute a debt or pledge of faith of the Corporation, but are payable by the user pursuant to terms defined in the loan agreement underlying each issue. As of September 30, 2011, \$11,019,851 of total bonds are outstanding.

The Fort Bend County Industrial Development Corporation is authorized to finance industrial development projects as defined by the Development Act of 1979 by issuing bonds. The bonds issued by the Corporation do not constitute a debt or pledge of faith of the Corporation, but are payable by the user pursuant to terms defined in the loan agreement underlying each issue. During 2011, the corporation issued Recovery Zone Facility Bonds (Accredo Packaging, Inc. Project), Series 2010 bonds in the amount of \$11,500,000. As of September 30, 2011, \$13,838,919 of total bonds are outstanding.

Note 8 - Employee Retirement System

A. Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 493 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire with eight or more years of service at age 60 and above, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Note 8 - Employee Retirement System (continued)

A. Plan Description (continued)

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

B. Contributions

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. It was 10.65% for calendar year 2011. The contribution rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

The County's total payroll in fiscal year 2011 was $108.1 million and the County's contributions were based on a payroll of $106.7 million. Contributions made by employees totaled $7.5 million, and the County made contributions of $11.4 million during the fiscal year ended September 30, 2011.

Three-year trend information for the Pension Plan is presented below:

	2011	2010	2009
Annual Pension Cost (APC)	$ 11,418,711	$ 11,235,138	$ 10,187,718
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation at the End of Period	0	0	0

For the year ended September 30, 2011, the pension cost for the TCDRS plan and the actual contributions made were $11,418,711. Because all contributions are made as required, no pension obligation existed at September 30, 2011.

Actuarial Information	**12/31/2010**
Actuarial cost method	Entry age
Amortization method	level percentage of payroll, closed
Amortization period	20 years
Asset valuation method	SAF: 10-year smoothed value ESF: Fund value
Assumptions:	
Investment return	8.0%
Projected salary increases	5.4%
Inflation	3.5%
Costs-of-living adjustments	0.0%

Note 8 - Employee Retirement System (continued)

C. Funded Status and Funding Progress

A schedule of funded status as of the most recent actuarial valuation is as follows:

Schedule of Funding Information		
Actuarial valuation date		12/31/2010
Actuarial value of assets	$	257,926,802
Actuarial accrued liability (AAL)	$	307,767,507
liability (UAAL or OAAL)	$	49,840,705
Funded ratio		83.81%
Annual covered payroll (actuarial)	$	106,041,139
UAAL or OAAL as % of covered payroll		47.00%

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

Note 9 - Deferred Compensation Plan

The County offers all of its full-time employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. Nationwide Retirement Solutions, Security Benefit Life, and Edward Jones have been appointed as plan administrators. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or emergency. Amounts of compensation deferred by employees under the plan provisions are disbursed to the plan administrators after each pay period. The plan administrators hold all funds invested in the plan and disburse funds to employees in accordance with plan provisions. The County does not maintain significant oversight of the plan administrators' activities.

Note 10 - Other Post-Employment Benefits

A. Plan Description

In addition to providing pension benefits through the Texas County and District Retirement System, the County sponsors and administers a single-employer defined benefit health care plan titled "Fort Bend County Employee Benefit Plan" ("Plan"). The Plan was established and approved by Fort Bend County Commissioners Court and Chapter 175 of the Local Government Code which provides eligible employees, retirees, and their eligible dependents with the following post-employment benefits:

- Eligible retirees have a portion of their medical and dental insurance premiums paid by the County for participation with the County's healthcare provider; and at the County's cost to cover current employees

- Eligible dependents of retirees have a portion of their medical and dental insurance premiums paid by the County for participation with the County's healthcare provider; and at the County's cost to cover current employees

The Plan does not issue a separate, publicly available report.

Note 10 - Other Post-Employment Benefits (continued)

B. Funding Policy and Contribution Rates

The contribution requirements of the County and plan members are established and may be amended by Commissioners Court. These contributions are neither guaranteed nor mandatory. The County has retained the right to unilaterally modify its payments toward retiree healthcare benefits. The Plan provides for the payment of a portion of the health and dental insurance premiums for eligible retired employees and their dependents. Plan members receiving benefits contribute a percentage of the monthly insurance premium. Currently, the Plan pays a portion of the retiree's premiums, as well as his or her dependent coverage. The retiree contributes the premium cost each month, less the Plan subsidy.

The County is statutorily required to permit retiree participation in the health insurance program on a pooled non-differentiated basis. The County, therefore, charges both groups an equal, blended rate premium. Although both groups are charged the same rate, GAAP requires the actuarial figures to be calculated using age adjusted premiums approximating claim costs for retirees separately from active employees. The use of age adjusted premiums results in the addition of an implicit rate subsidy into the actuarial accrued liability. However, the County has elected to contribute to the Plan at a rate that is based on an actuarial valuation prepared using the blended rate premium that is actually charged to the Plan.

The County recognizes its share of the costs of providing these benefits when paid, on a "pay-as-you-go" basis. These payments are budgeted annually. At September 30, 2011, there were 365 retirees receiving benefits and approximately 2,275 active members not yet eligible to receive such benefits. Commencing in fiscal 2008, the County implemented GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions." The County has performed an actuarial valuation of its post-retirement benefit liability. The financial statement disclosures for 2011 are as follows:

Note 10 - Other Post-Employment Benefits (continued)

C. Annual OPEB Costs and Net OPEB Obligation

For fiscal year 2011, the County's annual OPEB cost for the Plan was $31,751,414. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended September 30, 2011, were as follows:

		Fiscal Year Ending 9/30/11
Determination of Annual Required Contribution		
Normal Cost at Fiscal Year End	$	17,130,282
Amortization of Unfunded Actuarial Accrued Liability		15,793,330
Annual Required Contribution (ARC)		32,923,612
Determination of Net OPEB Obligation		
Annual Required Contribution		32,923,612
Interest on prior-year Net OPEB Obligation		3,004,505
Adjustment to ARC		(4,176,703)
Annual OPEB Cost		31,751,414
Less Assumed Contributions Made		(5,104,000)
Estimated Increase in Net OPEB Obligation		26,647,414
Net OPEB Obligation - Beginning of Year		75,112,628
Net OPEB Obligation - End of Year	$	101,760,042
Percentage of OPEB Cost Contributed		16.1%

D. Trend Information

The following table shows the annual OPEB cost and net OPEB obligation for the prior three years assuming the plan is not prefunded (4% discount):

Fiscal Year Ended	Discount Rate		Annual OPEB Cost	Percentage of OPEB Cost Contributed		Net OPEB Obligation
2009	4%	$	26,608,211	7.3%	$	48,819,922
2010	4%	$	30,699,706	14.4%	$	75,112,628
2011	4%	$	31,751,414	16.1%	$	101,760,042

Note 10 - Other Post-Employment Benefits (continued)

E. Funded Status and Funding Progress

A schedule of funded status as of the most recent actuarial valuation is as follows:

Actuarial valuation date		October 1, 2009
Actuarial value of plan assets (a)		$0
Actuarial accrued liability (AAL) (b)	$	240,282,297
Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL) (b-a)	$	240,282,297
Funded Ratio (a/b)		0.0%
Annual Covered Payroll (c)	$	104,983,019
UAAL or OAAL as % of covered payroll ((b-a)/c)		228.9%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

F. Actuarial Methods and Assumptions

The actuarial cost method used for determining the benefit obligations is a Projected Unit Credit Cost Method. Under this method, the actuarial present value of projected benefits is the value of benefits expected to be paid for current actives and retirees and is calculated based on certain assumptions and census data. The Actuarial Accrued Liability (AAL) is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The AAL equals the present value of benefits multiplied by a fraction equal to service to date over service at expected retirement. The Normal Cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. Since retirees are not accruing any more service, their normal cost is zero. In determining the Annual Required Contribution, The Unfunded AAL is amortized as a level dollar over 30 years. The actuarial assumptions included a 4% per annum discount rate for valuing liabilities. Employees eligible for retiree medical benefits assumed to elect continued medical coverage in retirement for themselves and their spouses is 100% and 40% respectively. The valuation assumes a 4.9% to 8.5% healthcare cost trend increase beginning in fiscal year 2010 based on the premiums of the respective plan types, reduced by decrements to rates of 4.9% to 6.1% after 7 years.

Note 11 – Net Pension Obligation and Other Post-Employment Benefits Funding in Prior Years

The governmental funds that have been used to fund the net pension obligation and other post-employment benefit obligations in prior years have been General Fund and Drainage. Drainage has only funded these obligations for retirees that worked for that department through the date of their retirement. All other obligations for retirees have been funded within General Fund.

Note 12 – Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of September 30, 2011, fund balance for the government fund is made up of the following:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the County's highest level of decision-making authority, the County's Board. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally.

Assigned Fund Balance – comprises amounts intended to be used by the County for specific purposes that are neither restricted nor committed. *Intent* is expressed by (1) the County's Board or (b) a body (for example: a budget or finance committee) or official to which the County's Board has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The County's policy is to budget to maintain a minimum fund balance of 15% of the County's General Fund annual operating expenditures. If the actual fund balance drops below 15%, it shall be budgeted for recovery the following year. This policy is reviewed annually.

Fund balances for all the major and non-major governmental funds as of September 30, 2011, were distributed as shown on the following page:

Note 12 – Fund Balances (continued)

	General	Debt Service	Other Governmental Funds	Total
Nonspendable:				
Prepaid expenses	$ 136,007	$	$ 69,379	$ 205,386
Subtotal	136,007		69,379	205,386
Restricted for:				
General administration			2,650,738	2,650,738
Financial administration			25,108	25,108
Administration of justice			3,222,487	3,222,487
Construction and maintenance			24,035,147	24,035,147
Health and welfare			141,149	141,149
Public safety			4,288,171	4,288,171
Library			138,865	138,865
Debt service		5,181,758		5,181,758
Subtotal		5,181,758	34,501,665	39,683,423
Committed to:				
Capital projects	33,106,759			33,106,759
Subtotal	33,106,759			33,106,759
Unassigned	10,816,215		(4,419,144)	6,397,071
Total Fund Balances	$ 44,058,981	$ 5,181,758	$ 30,151,900	$ 79,392,639

Note 13 - Contingencies and Commitments

A. Construction Contract Commitments

The County had several capital improvement commitments at September 30, 2011. A contract between two parties does not result immediately in the recognition of a liability. Instead, a liability is incurred when performance has occurred under the contract. Until such time as performance takes place, these contracts represent a commitment rather than a liability. These commitments and their related construction-in-progress are summarized in Note 6.

B. Litigation and Other Contingencies

The County is contingently liable with respect to lawsuits and other claims in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would not materially affect the financial position of the County as of September 30, 2011.

Note 14 - Risk Management

The County is exposed to various risks related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County's risk management program encompasses various means of protecting the County against loss through self-insurance and obtaining property, casualty, and liability coverage through commercial insurance carriers. Settled claims have not exceeded insurance coverage in any of the previous three fiscal years. There has not been any significant reduction in insurance coverage from that of the previous year.

Note 14 - Risk Management (continued)

Liabilities have been recorded for workers' compensation, auto liability, general liability, and employee benefits. These liabilities are recorded when it is probable that a loss has occurred and the amount can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends, and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses regardless of whether allocated to specific claims. Non-incremental claim adjustment expenses have not been included as part of the liability for claims and judgments. However, estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Changes in the balances of claims liabilities during the past two years are as follows:

	Year ended 9/30/2011	Year ended 9/30/2010
Unpaid claims, beginning of year	$ 7,150,314	$ 5,706,627
Incurred claims (including IBNRs)	26,968,699	26,418,069
Claim payments	(26,378,579)	(24,974,382)
Unpaid claims, end of year	$ 7,740,434	$ 7,150,314

Note 15 – Deficit Net Assets

As of September 30, 2011, Other Self-Funded Insurance Fund has deficit net assets of $2,507,201. This was caused by increased workers' compensation claims during fiscal year 2010. Management plans to increase the allocation for Other Self-Funded Insurance by 33% annually over the next three years to eliminate this deficit net assets balance.

As of September 30, 2011, the Fort Bend Grand Parkway Toll Road Authority has deficit net assets of $3,745,020. This was caused by loans from the Fort Bend County Toll Road Authority and the County General Fund to begin construction of the Fort Bend Grand Parkway Toll Road. The issuance of bonds in fiscal year 2012 will allow for these loans to be repaid and eliminate this deficit net assets balance.

Note 16 – Deficit Fund Balance

As of September 30, 2011, Mobility 2009 Projects fund has a deficit fund balance of $4,418,611. This was caused by a loan from General Fund to continue the road construction projects after the bond proceeds were exhausted. The issuance of the next mobility bonds will allow for this loan to be repaid and the elimination of the fund balance deficit.

Note 17 – Restatement of Beginning Net Assets

During the 2011 fiscal year, the County made adjustments to its capital asset records. As a result of these adjustments, the County has restated its beginning capital asset amounts for construction in progress, vehicles, office furniture and equipment, road equipment, and buildings-facilities-and improvements by ($511,313), ($696,472), $33,855, $915,335, and $314,959 respectively. Accumulated depreciation for vehicles, office furniture and equipment, road equipment, and buildings facilities and improvements by $864,752, ($17,539), $892,029, and $2,144 respectively. Therefore, governmental activities beginning net assets total was increased by $9,403.

Note 18 - Subsequent Event

Fort Bend County has plans for three bond sales in fiscal year 2012. The next issue of mobility bonds approved by voters in May 2007 is planned for April 2012 in the amount of $65 million in unlimited tax road bonds. The Fort Bend County Toll Road Authority plans to issue $20 million in revenue bonds during the summer of 2012 for the State Highway 6 underpass as an extension of the Fort Bend Parkway Toll Road. The Fort Bend Grand Parkway Toll Road Authority plans to issue $175 million in revenue bonds for the construction of tolled overpasses along State Highway 99 from US 59 to the Westpark Tollway.

Note 19 – Fort Bend County Toll Road Authority Capital Asset Adjustment

A portion of the depreciable capital asset for the Fort Bend County Toll Road Authority (Authority) will be reclassified as non-depreciable in fiscal year 2012 on the Statement of Net Assets. This reclassification relates to the acquisition of right of way for the Toll Road System during fiscal years 2003 and 2004. This adjustment will require a correction of depreciation expense that was previously taken on these non-depreciable capital acquisitions in fiscal years 2005 through 2011 on the Statement of Changes in Net Assets. The analysis and identification of these non-depreciable capital acquisitions for the Toll Road System are being performed by the Authority and will be completed and presented to the County Auditor in fiscal year 2012 for correction.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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May 1, 2012*

WE HAVE ACTED AS BOND COUNSEL for Fort Bend County, Texas (the "County"), in connection with an issue of bonds (the "Bonds") described as follows:

> FORT BEND COUNTY, TEXAS UNLIMITED TAX ROAD BONDS, SERIES 2012, dated April 1, 2012, in the total authorized amount of $65,000,000*.
>
> The Bonds mature, bear interest and may be transferred and exchanged as set out in the Bonds and in the Order adopted by the Commissioners Court of the County authorizing their issuance (the "Order").

WE HAVE ACTED AS BOND COUNSEL for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon certificates executed by officers, agents and representatives of the County. We have assumed no responsibility with respect to the financial condition of the County or the reporting or disclosure thereof in connection with the sale of the Bonds. Our role in connection with the County's Official Statement prepared for use in connection with the sale of the Bonds (the "Official Statement") has been limited as described therein.

IN OUR CAPACITY AS BOND COUNSEL, we have participated in the preparation of and have examined a transcript of certified materials pertaining to the Bonds which contains certified copies of certain proceedings of the County, customary certificates of officers, agents and representatives of the County, and other certified showings relating to the authorization and issuance of the Bonds. We also have examined executed Bond No. IB-1 of this issue.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and that therefore the Bonds are valid and legally binding obligations of the

*Preliminary, subject to change

County, and taxable property in the County is subject to the levy of ad valorem taxes to pay the same, without legal limitation as to rate or amount.

The rights of the owners of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION that:

(1) Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law.

(2) Interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in the "adjusted current earnings" of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT) for purposes of computing its alternative minimum tax liability.

In providing such opinions, we have relied on representations of the County, the County's Financial Advisor and the Underwriter (as defined in the Order) with respect to matters solely within the knowledge of the County, the County's Financial Advisor and the Underwriter, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Order pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the County fails to comply with the foregoing covenants of the Order, interest on the Bonds could become includable in gross income from the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the County as the taxpayer. We observe that the County has covenanted in the Order not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.