

PRELIMINARY OFFICIAL STATEMENT

Dated April 7, 2015

Ratings:
Moody's: "Aa1"
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 INTEREST ON THE BONDS IS 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 OPINIONS OF BOND COUNSEL.

\$50,910,000*
FORT BEND COUNTY, TEXAS
UNLIMITED TAX ROAD AND REFUNDING BONDS
SERIES 2015A

\$93,290,000*
FORT BEND COUNTY, TEXAS
LIMITED TAX REFUNDING BONDS
SERIES 2015B

Dated Date: May 1, 2015

Due: March 1, as shown on inside cover

PAYMENT TERMS . . . Interest on the \$50,910,000* Fort Bend County, Texas, Unlimited Tax Road and Refunding Bonds, Series 2015A (the "Series 2015A Bonds") and the \$93,290,000* Fort Bend County, Texas, Limited Tax Refunding Bonds, Series 2015B (the "Series 2015B Bonds," and together with the Series 2015A Bonds, the "Bonds") will accrue from May 1, 2015 (the "Dated Date") and will be payable September 1 and March 1 of each year, commencing September 1, 2015, 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 beneficial 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., Minneapolis, Minnesota (see "THE BONDS - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE OF THE SERIES 2015A BONDS . . . The Series 2015A Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapters 1207 and 1471, Texas Government Code, as amended, an election held within Fort Bend County, Texas (the "County") on May 12, 2007, and an order of the Commissioners Court of the County authorizing the issuance of the Series 2015A Bonds (the "Series 2015A Order"). The Series 2015A Bonds are direct obligations of 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 (see "THE BONDS – AUTHORITY FOR ISSUANCE").

AUTHORITY FOR ISSUANCE OF THE SERIES 2015B BONDS . . . The Series 2015B Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and an order of the Commissioners Court of the County authorizing the issuance of the Series 2015B Bonds (the "Series 2015B Order"). The Series 2015B Bonds are direct obligations of the County, payable from a continuing ad valorem tax levied on all taxable property within the County, within the limits prescribed by law (see "THE BONDS – AUTHORITY FOR ISSUANCE").

PURPOSE . . . Proceeds from the sale of the Series 2015A Bonds will be used (i) for the construction, purchase, maintenance and operation of macadamized, graveled and paved roads and turnpikes, (ii) to advance refund and defease certain obligations of the County described in Schedule I (the "Refunded Unlimited Tax Bonds"), and (iii) to pay the costs of issuance of the Series 2015A Bonds.

Proceeds from the sale of the Series 2015B Bonds will be used (i) to advance refund and defease certain obligations of the County described in Schedule I (the "Refunded Limited Tax Bonds," and together with the Refunded Unlimited Tax Bonds, the "Refunded Bonds"), and (ii) to pay the costs of issuance of the Series 2015B Bonds.

SEE MATURITY SCHEDULE ON THE INSIDE COVER PAGE

OPTIONAL REDEMPTION . . . The County reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 20__*, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 20__*, 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 provisions, if principal amounts designated in the serial maturity schedule on the inside cover page 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 on the inside cover page. 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 opinions of the Attorney General of Texas and the legal opinions of Allen Boone Humphries Robinson LLP, Bond Counsel, Houston, Texas (see APPENDIX C, "FORM OF BOND COUNSEL'S OPINIONS"). Certain legal matters will be passed upon for the County by Andrews Kurth LLP, Houston, Texas, Issuer's Disclosure Counsel and for the Underwriters by Haynes and Boone, LLP and Bates and Coleman, P.C., Houston, Texas, Co-Underwriters' Counsel.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on May 13, 2015.

CITIGROUP LOOP CAPITAL MARKETS
BOSC INC. ESTRADA HINOJOSA & COMPANY INC. STIFEL NICOLAUS & COMPANY INCORPORATED

A subsidiary of BOK Financial Corporation

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE*

\$50,910,000* UNLIMITED TAX ROAD AND REFUNDING BONDS, SERIES 2015A

Principal*	Maturity Mar 1	Rate	Yield ⁽¹⁾	CUSIP Numbers ⁽²⁾	Principal*	Maturity Mar 1	Rate	Yield ⁽¹⁾	CUSIP Numbers ⁽²⁾
\$ 1,155,000	2016				\$ 3,375,000	2026 ⁽³⁾			
2,310,000	2017				3,550,000	2027 ⁽³⁾			
2,375,000	2018				1,930,000	2028 ⁽³⁾			
2,465,000	2019				2,025,000	2029 ⁽³⁾			
2,565,000	2020				2,130,000	2030 ⁽³⁾			
2,670,000	2021				2,240,000	2031 ⁽³⁾			
2,775,000	2022				2,355,000	2032 ⁽³⁾			
2,905,000	2023				2,475,000	2033 ⁽³⁾			
3,060,000	2024				2,605,000	2034 ⁽³⁾			
3,210,000	2025 ⁽³⁾				2,735,000	2035 ⁽³⁾			

(Accrued Interest from May 1, 2015 to be added)

- (1) The initial reoffering prices or yields of the Series 2015A 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 & Poor's CUSIP Global Services managed by Standard & Poor's Financial Services LLC on behalf of the American Banker's Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the County, the Financial Advisor, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (3) The County reserves the right, at its option, to redeem Series 2015A Bonds having stated maturities on and after March 1, 20__*, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 20__*, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - OPTIONAL REDEMPTION").

\$93,290,000* LIMITED TAX REFUNDING BONDS, SERIES 2015B

Principal*	Maturity Mar 1	Rate	Yield ⁽¹⁾	CUSIP Numbers ⁽²⁾	Principal*	Maturity Mar 1	Rate	Yield ⁽¹⁾	CUSIP Numbers ⁽²⁾
\$ 4,925,000	2018				\$ 6,645,000	2025 ⁽³⁾			
5,100,000	2019				6,985,000	2026 ⁽³⁾			
5,305,000	2020				7,345,000	2027 ⁽³⁾			
5,525,000	2021				7,725,000	2028 ⁽³⁾			
5,750,000	2022				8,125,000	2029 ⁽³⁾			
6,020,000	2023				8,540,000	2030 ⁽³⁾			
6,325,000	2024				8,975,000	2031 ⁽³⁾			

(Accrued Interest from May 1, 2015 to be added)

- (1) The initial reoffering prices or yields of the Series 2015B 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 & Poor's CUSIP Global Services managed by Standard & Poor's Financial Services LLC on behalf of the American Banker's Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the County, the Financial Advisor, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (3) The County reserves the right, at its option, to redeem Series 2015B Bonds having stated maturities on and after March 1, 20__*, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 20__*, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - OPTIONAL REDEMPTION").

This Official Statement, which includes the cover page, Schedule I and the appendices attached 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.

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document as the same may be supplemented or corrected by the County from time to time, may be treated as an OFFICIAL STATEMENT with respect to the Bonds described herein "deemed final" by the County as of the date hereof (or of any such supplement or correction) except for the omission of no more than the information provided by subsection (b)(1) of the Rule.

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The County assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds will not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

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. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the County's undertaking to provide certain information on a continuing basis.

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.

This Official Statement includes descriptions and summaries of certain events, matters and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the County or from the Financial Advisor to the County.

This Official Statement is delivered in connection with the sale of securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after such Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING SCHEDULE I AND THE APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

NONE OF THE COUNTY, THE FINANCIAL ADVISOR, THE UNDERWRITERS, BOND COUNSEL, UNDERWRITERS' COUNSEL, NOR ISSUER'S DISCLOSURE COUNSEL MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

TABLE OF CONTENTS

MATURITY SCHEDULE	2	TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL	
OFFICIAL STATEMENT SUMMARY	5	OBLIGATION BONDS	27
SELECTED FINANCIAL INFORMATION	7	FORT BEND COUNTY TOLL ROAD BONDS	27
GENERAL FUND CONSOLIDATED		TABLE 12 - HISTORICAL TOLL ROAD OPERATING	
STATEMENT SUMMARY	7	RESULTS AND COVERAGES	27
COUNTY OFFICIALS, STAFF AND		FORT BEND GRAND PARKWAY TOLL ROAD BONDS	28
CONSULTANTS	8	ANTICIPATED ISSUANCE OF GENERAL OBLIGATION	
ELECTED OFFICIALS	8	DEBT	28
OTHER ELECTED AND APPOINTED OFFICIALS	8	TABLE 13 - OTHER OBLIGATIONS	28
CONSULTANTS AND ADVISORS	8	PENSION FUND	28
INTRODUCTION	9	OTHER POST-EMPLOYMENT BENEFITS ("OPEB")	28
DESCRIPTION OF THE COUNTY	9	FINANCIAL INFORMATION	31
PLAN OF FINANCING	9	TABLE 14 - CHANGES IN NET ASSETS	31
PURPOSE	9	TABLE 14A - GENERAL FUND REVENUES AND	
REFUNDED UNLIMITED TAX BONDS	9	EXPENDITURE HISTORY	32
REFUNDED LIMITED TAX BONDS	10	FINANCIAL POLICIES	33
SOURCES AND USES OF PROCEEDS	10	INVESTMENTS	33
THE BONDS	11	LEGAL INVESTMENTS	34
DESCRIPTION OF THE BONDS	11	INVESTMENT POLICIES	35
AUTHORITY FOR ISSUANCE	11	ADDITIONAL PROVISIONS	35
SECURITY AND SOURCES OF PAYMENT	11	TABLE 15 - CURRENT INVESTMENTS	35
TAX RATE LIMITATION	11	TAX MATTERS	36
OPTIONAL REDEMPTION	11	TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE	
MANDATORY SINKING FUND REDEMPTION	11	DISCOUNT BONDS	36
NOTICE OF REDEMPTION	12	VERIFICATION OF ACCURACY OF	
DEFEASANCE	12	MATHEMATICAL COMPUTATIONS	37
BOOK-ENTRY-ONLY SYSTEM	13	OTHER INFORMATION	37
USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS		RATINGS	37
OFFICIAL STATEMENT	14	LITIGATION	38
EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY		CERTAIN CHANGES IN TAX LEGISLATION	38
SYSTEM	14	REGISTRATION AND QUALIFICATION OF BONDS FOR	
PAYING AGENT/REGISTRAR	14	SALE	38
TRANSFER, EXCHANGE AND REGISTRATION	14	LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE	
RECORD DATE FOR INTEREST PAYMENT	15	PUBLIC FUNDS IN TEXAS	38
BONDHOLDERS' REMEDIES	15	LEGAL MATTERS	38
TAX INFORMATION	16	AUTHENTICITY OF FINANCIAL DATA AND OTHER	
AD VALOREM TAX LAW	16	INFORMATION	39
EFFECTIVE TAX RATE AND ROLLBACK TAX RATE	17	FINANCIAL ADVISOR	39
PROPERTY ASSESSMENT AND TAX PAYMENT	18	UNDERWRITING	39
PENALTIES AND INTEREST	18	FORWARD-LOOKING STATEMENTS DISCLAIMER	40
COUNTY APPLICATION OF TAX CODE	18	CONTINUING DISCLOSURE OF	
TAX ABATEMENT POLICY	19	INFORMATION	40
TAX INCREMENT REINVESTMENT ZONES	19	ANNUAL REPORTS	40
TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL		NOTICES OF CERTAIN EVENTS	41
OBLIGATION DEBT	20	AVAILABILITY OF INFORMATION	41
TABLE 2 - TAXABLE ASSESSED VALUATIONS BY		AMENDMENTS	41
CATEGORY	21	MISCELLANEOUS	42
TABLE 3 - VALUATION AND GENERAL OBLIGATION		CERTIFICATION OF THE OFFICIAL STATEMENT	42
DEBT HISTORY	22		
TABLE 4 - TAX RATE, LEVY AND COLLECTION			
HISTORY	22		
TABLE 5 - TAX RATE DISTRIBUTION ANALYSIS	22		
TABLE 6 - TEN LARGEST TAXPAYERS	23		
GENERAL OBLIGATION DEBT LIMITATION	23		
TABLE 7 - TAX ADEQUACY	24		
TABLE 8 - ESTIMATED CONSOLIDATED			
OVERLAPPING DEBT	25		
DEBT INFORMATION	26		
TABLE 9 - PRO-FORMA GENERAL OBLIGATION			
DEBT SERVICE REQUIREMENTS	26		
TABLE 10 - INTEREST AND SINKING FUND BUDGET			
PROJECTION	27		

SCHEDULE I – SCHEDULE OF REFUNDED BONDS

APPENDICES

GENERAL INFORMATION REGARDING THE COUNTY ...	A
EXCERPTS FROM THE FORT BEND COUNTY	
ANNUAL FINANCIAL REPORT	B
FORM OF BOND COUNSEL'S OPINIONS	C

The cover page hereof, this page, Schedule I, 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** Fort Bend County, Texas (the "County") is a political subdivision of the State of Texas (the "State"), located in southeast Texas. The County covers approximately 886 square miles and is located in the greater Houston metropolitan area. The City of Richmond is the County seat.
- THE BONDS** The Bonds are issued as \$50,910,000* Fort Bend County, Texas Unlimited Tax Road and Refunding Bonds, Series 2015A (the "Series 2015A Bonds") and \$93,290,000* Fort Bend County, Texas, Limited Tax Refunding Bonds, Series 2015B (the "Series 2015B Bonds"). The Series 2015A Bonds are issued as serial bonds maturing March 1, 2016 through March 1, 2035, unless the Underwriters designate one or more maturities as a Term Bond. The Series 2015B Bonds are issued as serial bonds maturing March 1, 2016 through March 1, 2031, 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 May 1, 2015, and is payable September 1, 2015, 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 Series 2015A Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapters 1207 and 1471, Texas Government Code, as amended, an election held within the County on May 12, 2007, and an order of the Commissioners Court of the County authorizing the issuance of the Series 2015A Bonds (the "Series 2015A Order") (see "THE BONDS - AUTHORITY FOR ISSUANCE").
- The Series 2015B Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and an order of the Commissioners Court of the County authorizing the issuance of the Series 2015B Bonds (the "Series 2015B Order") (see "THE BONDS - AUTHORITY FOR ISSUANCE").
- SECURITY FOR THE BONDS** The Series 2015A Bonds constitute direct 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 SOURCES OF PAYMENT").
- The Series 2015B Bonds constitute direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the County (see "THE BONDS - SECURITY AND SOURCES OF PAYMENT").
- REDEMPTION** The County reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 20__*, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 20__*, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS—OPTIONAL REDEMPTION"). Additionally, in the event the Underwriters elect to aggregate one or more maturities of the Bonds as one or more Term Bonds, such Term Bonds will be subject to mandatory redemption (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 interest on the Bonds is 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 opinions of Bond Counsel.

*Preliminary, subject to change.

- USE OF PROCEEDS** Proceeds from the sale of the Series 2015A Bonds will be used (i) for the construction, purchase, maintenance and operation of macadamized, graveled and paved roads and turnpikes, (ii) to advance refund and defease certain obligations of the County described in Schedule I (the "Refunded Unlimited Tax Bonds"), and (iii) to pay the costs of issuance of the Series 2015A Bonds.
- Proceeds from the sale of the Series 2015B Bonds will be used (i) to advance refund and defease certain obligations of the County described in Schedule I (the "Refunded Limited Tax Bonds," and together with the Refunded Unlimited Tax Bonds, the "Refunded Bonds"), and (ii) to pay the costs of issuance of the Series 2015B 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 Fitch Ratings ("Fitch") without regard to credit enhancement. The Bonds have been rated "Aa1" by Moody's. Application for a contract rating on the Bonds has been made to 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.

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
2010	581,830	\$ 39,338,322,831	\$ 67,611	\$467,300,000	\$ 803	1.19%	99.82%	2009
2011	606,786	39,002,614,226	64,277	452,755,000	746	1.16%	99.81%	2010
2012	639,969	38,034,487,112	59,432	437,810,000	684	1.15%	99.77%	2011
2013	643,408	39,439,947,054	61,299	468,220,000	728	1.19%	99.71%	2012
2014	652,365	41,977,668,270	64,347	448,570,000	688	1.07%	99.40%	2013
2015	677,770	45,720,920,515	67,458	456,135,000 ⁽⁴⁾	673 ⁽⁴⁾	1.00% ⁽⁴⁾	⁽⁵⁾	2014

- (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 general obligation toll road system debt. The Subordinate Lien Toll Road Bonds (defined herein) 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 the 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 and excludes the Refunded Bonds. Preliminary, subject to change.
- (5) In the process of collection.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
Beginning Balance	\$ 37,406,622	\$ 36,026,567	\$ 44,058,981	\$ 43,380,373	\$ 34,563,707
Total Revenue	234,570,506	218,452,384	203,341,194	205,874,064	201,338,740
Total Expenditures	220,395,859	207,558,979	203,350,055	201,490,868	189,159,547
Transfer In (Out)	(14,056,769)	(9,513,350)	(8,023,553)	(3,704,588)	(3,362,527)
Ending Balance	<u>\$ 37,524,500</u>	<u>\$ 37,406,622</u>	<u>\$ 36,026,567</u>	<u>\$ 44,058,981</u>	<u>\$ 43,380,373</u>

Source: County's audited financial statements.

For additional information regarding the County, please contact:

Ed Sturdivant
Fort Bend County Auditor
301 Jackson Street, Suite 701
Richmond, TX 77469
(281) 341-3760

or

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

COUNTY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>Commissioners Court</u>	<u>Position</u>	<u>Length of Service</u>	<u>Term Expires December 31</u>
Robert Hebert	County Judge	12 Years	2018
Richard Morrison	Commissioner - Precinct 1	6 Years	2016
Grady Prestage	Commissioner - Precinct 2	24 Years	2018
Andy Meyers	Commissioner - Precinct 3	18 Years	2016
James Patterson	Commissioner - Precinct 4	16 Years	2018

OTHER ELECTED AND APPOINTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>Length of Service to County</u>
Ed Sturdivant	County Auditor	11 Years
Jeff Council	County Treasurer	8 Years
Patsy Schultz	Tax Assessor/Collector	10 Years
Roy Cordes, Jr.	County Attorney	9 Years

CONSULTANTS AND ADVISORS

Auditor.....	Sanderson, Knox & Co., LLP Houston, Texas
Bond Counsel	Allen Boone Humphries Robinson LLP Houston, Texas
Financial Advisor.....	First Southwest Company, LLC Houston, Texas
Disclosure Counsel	Andrews Kurth LLP Houston, Texas

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

\$50,910,000*
FORT BEND COUNTY, TEXAS
UNLIMITED TAX ROAD AND REFUNDING BONDS
SERIES 2015A

\$93,290,000*
FORT BEND COUNTY, TEXAS
LIMITED TAX REFUNDING BONDS
SERIES 2015B

INTRODUCTION

This Official Statement, which includes Schedule I and the appendices attached hereto, provides certain information regarding the issuance of \$50,910,000* Fort Bend County, Texas, Unlimited Tax Road and Refunding Bonds, Series 2015A (the "Series 2015A Bonds") and \$93,290,000* Limited Tax Refunding Bonds, Series 2015B (the "Series 2015B Bonds," and together with the Series 2015A Bonds, the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the separate orders to be adopted on the date of sale of the Bonds which will authorize the issuance of the Series 2015A Bonds (the "Series 2015A Order") and the Series 2015B Bonds (the "Series 2015B Order," and together with the Series 2015A Order, the "Orders"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding Fort Bend County, Texas (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, LLC, Houston, Texas.

DESCRIPTION OF THE COUNTY

The County was organized in 1838 and operates as specified under the Constitution of the State of Texas (the "State") 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 officials 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 the County. The 2010 Census population for the County was 585,375, an increase of 65% over the 2000 population of 354,452. The Fort Bend Economic Development Council estimated the County's 2015 population to be 677,770. The County covers approximately 886 square miles located in the greater Houston metropolitan area. The City of Richmond is the County Seat.

PLAN OF FINANCING

PURPOSE

The Series 2015A Bonds are being issued for (i) the construction, purchase, maintenance and operation of macadamized, graveled and paved roads and turnpikes and (ii) advance refunding and defeasance of \$16,840,000* of the County's Unlimited Tax Road Bonds, Series 2007 (the "Refunded Unlimited Tax Bonds") in order to lower the overall annual unlimited tax debt service requirements of the County, and to pay the costs of issuance of the Bonds. The Series 2015B Bonds are being issued for the advance refunding and defeasance of \$100,470,000* of the County's Limited Tax Bonds, Series 2007 (the "Refunded Limited Tax Bonds," and together with the Refunded Unlimited Tax Bonds, the "Refunded Bonds"). See Schedule I for a detailed listing of the Refunded Bonds and their respective call dates at par.

REFUNDED UNLIMITED TAX BONDS

The principal and interest due on the Refunded Unlimited Tax Bonds are to be paid on the scheduled interest payment dates and the redemption date of such Refunded Unlimited Tax Bonds, from funds to be deposited pursuant to a certain Escrow Agreement (the "Series 2015A Escrow Agreement") between the County and Wells Fargo Bank, N.A., Minneapolis, Minnesota (the "Escrow Agent"). The Series 2015A Order provides that from the proceeds of the sale of the Bonds received from the Underwriters, the County will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Unlimited Tax Bonds on the redemption date. Such funds will be held by the Escrow Agent in a special escrow account (the "Series 2015A Escrow Fund") and used to purchase direct obligations of the United States of America (the "Federal Securities"). Under the Series 2015A Escrow Agreement, the Series 2015A Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Unlimited Tax Bonds.

Grant Thornton LLP, a nationally recognized accounting firm, will verify at the time of delivery of the Bonds to the Underwriters thereof the mathematical accuracy of the schedules that demonstrate the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Series 2015A Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Unlimited Tax Bonds. **Such maturing principal of and interest on the Federal Securities will not be available to pay the Bonds** (see "VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS").

By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Series 2015A Escrow Agreement, the County will have effected the defeasance of all of the Refunded Unlimited Tax Bonds in accordance with the law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the report of Grant Thornton LLP, the Refunded Unlimited Tax Bonds will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held for such purpose by the Escrow Agent and such Refunded Unlimited Tax Bonds will not be deemed as being outstanding obligations of the County payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

The County has covenanted in the Series 2015A Escrow Agreement to make timely deposits to the Series 2015A Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Unlimited Tax Bonds, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Series 2015A Escrow Fund be insufficient to make such payment.

REFUNDED LIMITED TAX BONDS

The principal and interest due on the Refunded Limited Tax Bonds are to be paid on the scheduled interest payment dates and the redemption date of such Refunded Limited Tax Bonds, from funds to be deposited pursuant to a certain Escrow Agreement (the "Series 2015B Escrow Agreement") between the County and the Escrow Agent. The Series 2015B Order provides that from the proceeds of the sale of the Bonds received from the Underwriters, the County will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Limited Tax Bonds on the redemption date. Such funds will be held by the Escrow Agent in a special escrow account (the "Series 2015B Escrow Fund") and used to purchase Federal Securities. Under the Series 2015B Escrow Agreement, the Series 2015B Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Limited Tax Bonds.

Grant Thornton LLP, a nationally recognized accounting firm, will verify at the time of delivery of the Bonds to the Underwriters thereof the mathematical accuracy of the schedules that demonstrate the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Series 2015B Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Limited Tax Bonds. **Such maturing principal of and interest on the Federal Securities will not be available to pay the Bonds** (see "VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS").

By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Series 2015B Escrow Agreement, the County will have effected the defeasance of all of the Refunded Limited Tax Bonds in accordance with the law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the report of Grant Thornton LLP, the Refunded Limited Tax Bonds will be outstanding only for the purpose of receiving payments from the Federal Securities and any cash held for such purpose by the Escrow Agent and such Refunded Limited Tax Bonds will not be deemed as being outstanding obligations of the County payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

The County has covenanted in the Series 2015B Escrow Agreement to make timely deposits to the Series 2015B Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Limited Tax Bonds, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Series 2015B Escrow Fund be insufficient to make such payment.

SOURCES AND USES OF PROCEEDS

The proceeds from the sale of the Bonds will be applied approximately as follows:

	<u>Series 2015A</u>	<u>Series 2015B</u>
<i>Sources of Funds:</i>		
Principal Amount of Bonds	\$ -	\$ -
Net Reoffering Premium		
Accrued Interest		
Transfer from Debt Service Fund		
Total Sources of Funds	<u>\$ -</u>	<u>\$ -</u>
<i>Uses of Funds:</i>		
Deposit to Escrow Fund	\$ -	\$ -
Deposit to Construction Fund		
Accrued Interest		
Underwriters' Discount		
Costs of Issuance		
Total Uses of Funds	<u>\$ -</u>	<u>\$ -</u>

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds are dated May 1, 2015 and mature, or are subject to 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 September 1 and March 1, commencing September 1, 2015. 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 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 "BOOK-ENTRY-ONLY SYSTEM" herein.

AUTHORITY FOR ISSUANCE

The Series 2015A Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapters 1207 and 1471, Texas Government Code, as amended, an election held within the County on May 12, 2007, and the Series 2015A Order.

The Series 2015B Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and the Series 2015B Order.

SECURITY AND SOURCES OF PAYMENT

The Series 2015A Bonds constitute direct 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, as provided in the Series 2015A Order.

The Series 2015B Bonds constitute direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the County, as provided in the Series 2015B Order.

TAX RATE LIMITATION

General Operations; Limited Tax Bonds, Time Warrants, Certificates of Obligation and Contractual Obligations . . . The Texas Constitution (Article VIII, Section 9) imposes a tax rate limitation of \$0.80 per \$100 assessed valuation for all purposes of the 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. The Series 2015B Bonds are subject to this limitation.

Unlimited Tax Road Bonds . . . Article III, Section 52, Texas Constitution, authorizes the County to levy a separate tax, without legal limit as to rate, to pay debt service on County road bonds issued pursuant to such authority upon approval by a majority of participating voters in an election held to approve the issuance of such bonds. Unlimited tax road bond debt may not exceed 25% of the County's assessed valuation of real property. The Series 2015A Bonds are unlimited tax bonds.

Road Maintenance (Special Road and Bridge Tax) . . . Pursuant to Section 256.052, Texas Transportation Code, and Article VIII, Section 9 of the Texas Constitution, a county may adopt, with voter approval, an additional ad valorem tax not to exceed \$0.15 per \$100 of assessed valuation, for the further maintenance of county roads. The additional tax may not be used for debt service.

Farm-to-Market and Flood Control Purposes . . . Section 256.054, Texas Transportation Code and Article VIII, Section 1-a of the Texas Constitution authorize a county to levy a limited tax, not to exceed \$0.30 per \$100 of assessed valuation, after exemption of homesteads up to \$3,000, for construction and maintenance of farm-to-market roads or for flood control. There is no allocation prescribed by statute between debt service and maintenance purposes within the \$0.30 tax rate limit. Therefore, all or part may be used for either purpose.

OPTIONAL REDEMPTION

The County reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 20__*, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 20__*, 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 on page two are combined to create one or more 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 Paying Agent/Registrar 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 Orders provide 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 State 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, including obligations that are unconditionally guaranteed by the United States, (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.

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, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but none of the County, the Financial Advisor or the Underwriters take any responsibility for the accuracy or completeness thereof.

The County and the Underwriters cannot and do 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 United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC 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 SEC. 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 County 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 County 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 County, 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 County 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 County 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 County 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.

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 Orders will be given only to DTC.

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 Orders and summarized under "THE BONDS - TRANSFER, EXCHANGE AND REGISTRATION" below.

PAYING AGENT/REGISTRAR

The initial Paying Agent/Registrar is Wells Fargo Bank, N.A., Minneapolis, Minnesota. In the Orders, 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 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 Orders do not specify events of default with respect to the Bonds. If the County defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Orders, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Orders, the registered owners may seek a writ of mandamus to compel County officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the covenants included in the Orders and the County's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Orders do not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the County to perform in accordance with the terms of the Orders, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3rd 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the County's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the County for a default on the Bonds or breach of the covenants of the Orders. Even if a judgment against the County could be obtained, it could not be enforced by direct levy and execution against the County's property. Further, the registered owners cannot themselves foreclose on property within the County or sell property within the County to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the County is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem 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 opinions of Bond Counsel will note that all opinions relative to the enforceability of the Orders and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

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 Title I of the Texas Tax Code (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 lesser 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 Article VIII, Section 1-b, and State law, the governing body of a political subdivision, at its option, may grant 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. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 years of age or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by State law, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$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. Notwithstanding the foregoing, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100% disability compensation due to a service-connected disability and a rating of 100% disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Effective January 1, 2014, a partially disabled veteran or the surviving spouse of a partially disabled veteran is entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated at no cost by a charitable organization. Also effective January 1, 2014, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

Under Article VIII, Section 1-b(h) 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.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit," which are defined as (i) personal property acquired or imported into the State and transported to another location inside or outside the State, (ii) stored under a contract for bailment in public warehouses not in any way owned or controlled by the owner of the stored goods, and (iii) transported to another location inside or outside the State within 175 days of the date the property was acquired or imported into the State. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Property Tax Code permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax "goods-in-transit" during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

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 of age 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:

<u>Month</u>	<u>Cumulative Penalty</u>	<u>Cumulative Interest</u>	<u>Total</u>
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 that become delinquent on the homestead of a taxpayer 65 years of age 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 taxes freeport property.

The County taxes goods-in-transit.

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 ZONES

State law authorizes municipalities and counties in the State to establish one or more tax increment reinvestment zones ("TIRZs") for the purpose of the development or redevelopment of the territory within such zones. The County may elect to create a TIRZ in which it and other taxing entities within the County may elect to participate. In addition, the County and certain taxing units located within the County may elect to participate in TIRZs created by a municipality within the County.

The participating taxing units in a TIRZ contribute some or all of the tax revenues generated by the growth in taxable value of real property in the TIRZ to pay costs of public infrastructure or other public improvements in the TIRZ and to supplement or act as a catalyst for private development in the TIRZ. In a TIRZ created by a municipality, the TIRZ, or a non-profit local government corporation authorized by a municipality to administer the TIRZ, may pledge incremental tax revenue to support bonds or other obligations of the TIRZ. In a TIRZ created by a county, there are state constitutional limitations that restrict a county or local government corporation acting on its behalf from pledging incremental tax revenue to support bonds or other obligations of the TIRZ. TIRZs generally are created for a period of up to 30 years.

The County has not created any TIRZs. The County currently participates in various TIRZs created by municipalities within the County. The total amount of the County's contribution in such TIRZs for Tax Year 2014 was equal to approximately \$2,846,678.

The County cannot predict the tax consequences of a decision by the County to create or participate in TIRZs.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2014/2015 Certified Appraised Value by Fort Bend Central Appraisal District (excluding totally exempt property)		\$ 57,517,166,488
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead Exemptions	\$ 5,920,081,475	
Over 65 Exemptions	2,192,286,633	
Disabled & Deceased Veteran's Exemptions	367,196,325	
Lease Vehicle Exemption	129,723,804	
Abatements	289,720,050	
Productivity Loss	2,202,474,830	
Pollution	307,246,460	
House Bill 366	246,088	
Historical	13,075,671	
Community Housing Development	4,490,000	
Prorated Exempt Property	7,033,896	
10% Homestead Cap Adjustment	<u>362,670,741</u>	<u>11,796,245,973</u>
2014/2015 Taxable Assessed Valuation		\$ 45,720,920,515
County Funded Debt Payable from Ad Valorem Taxes (as of April 1, 2015)		
Limited Tax Bonds ⁽¹⁾	\$ 161,965,000	
Unlimited Tax Road Bonds ⁽²⁾	172,645,000	
Unlimited Tax Toll Road Bonds ⁽³⁾	115,885,000	
Fort Bend Flood Control Water Supply Corp. Revenue Bonds	5,640,000	
Fort Bend Grand Parkway Toll Road Authority Limited Contract Tax Bonds ⁽⁴⁾	<u>155,085,000</u>	
County Funded Debt Payable from Ad Valorem Taxes		\$ 611,220,000
Ratio Tax Supported Gross Debt to Taxable Assessed Valuation		1.34%
	2015 Population Estimate - 677,770 ⁽⁵⁾	
	Per Capita Taxable Assessed Valuation - \$66,675	
	Per Capita Tax Debt - \$891	

- (1) Projected, includes the Series 2015B Bonds and excludes the Refunded Limited Tax Bonds. Preliminary, subject to change.
- (2) Projected, includes the Series 2015A Bonds and excludes the Refunded Unlimited Tax Bonds. Preliminary, subject to change.
- (3) 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 the 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) The County has a joint project agreement with the Fort Bend Grand Parkway Toll Road Authority ("FBGPTRA") in which it agrees to make payments to the FBGPTRA, calculated annually and equal to the debt service on the FBGPTRA's bonds less the estimated amount of available net toll revenues. See "DEBT INFORMATION - FORT BEND GRAND PARKWAY TOLL ROAD BONDS." The County has not yet been required to levy any taxes for this purpose.
- (5) Source: the County.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Tax Year					
	2014		2013		2012	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 38,197,156,012	66.41%	\$ 34,939,222,040	66.00%	\$ 32,696,769,609	65.21%
Real, Residential, Multi-Family	1,492,817,879	2.60%	1,223,124,193	2.31%	1,038,540,000	2.07%
Real, Vacant Lots/Tracts	854,963,794	1.49%	910,690,568	1.72%	961,783,939	1.92%
Real, Acreage (Land Only)	2,455,020,886	4.27%	2,405,933,092	4.54%	2,535,052,048	5.06%
Real, Farm and Ranch Improvements	380,697,030	0.66%	368,553,330	0.70%	348,241,112	0.69%
Real, Commercial and Industrial	7,759,852,998	13.49%	7,241,630,477	13.68%	7,134,533,264	14.23%
Real, Oil, Gas & Other Mineral Reserves	256,495,180	0.45%	262,592,210	0.50%	333,441,300	0.66%
Real and Tangible Personal, Utilities	754,452,129	1.31%	627,521,930	1.19%	615,750,037	1.23%
Tangible Personal, Commercial and Industrial	4,181,424,859	7.27%	3,979,309,449	7.52%	3,599,878,815	7.18%
Tangible Personal, Other	62,049,925	0.11%	60,883,115	0.12%	55,486,280	0.11%
Real, Inventory	999,071,390	1.74%	793,911,390	1.50%	730,016,310	1.46%
Special Inventory	109,766,186	0.19%	102,899,736	0.19%	84,571,490	0.17%
Intangible Property and/or Uncertified Property	13,398,220	0.02%	25,039,550	0.05%	9,027,243	0.02%
Total Appraised Value Before Exemptions	\$ 57,517,166,488	100.00%	\$ 52,941,311,080	100.00%	\$ 50,143,091,447	100.00%
Less: Total Exemptions/Reductions	11,796,245,973		10,963,642,810		10,703,144,393	
Taxable Assessed Value	\$ 45,720,920,515		\$ 41,977,668,270		\$ 39,439,947,054	

Category	Tax Year			
	2011		2010	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 31,039,400,739	64.21%	\$ 32,405,502,925	64.81%
Real, Residential, Multi-Family	985,883,440	2.04%	974,134,090	1.95%
Real, Vacant Lots/Tracts	982,287,088	2.03%	1,017,512,443	2.04%
Real, Acreage (Land Only)	2,536,288,590	5.25%	2,640,019,515	5.28%
Real, Farm and Ranch Improvements	331,068,370	0.68%	336,375,780	0.67%
Real, Commercial and Industrial	7,050,117,340	14.58%	7,186,318,692	14.37%
Real, Oil, Gas & Other Mineral Reserves	273,529,460	0.57%	334,652,480	0.67%
Real and Tangible Personal, Utilities	661,509,515	1.37%	680,505,438	1.36%
Tangible Personal, Commercial and Industrial	3,611,035,498	7.47%	3,519,402,303	7.04%
Tangible Personal, Other	55,860,570	0.12%	56,757,845	0.11%
Real, Inventory	729,776,091	1.51%	789,447,630	1.58%
Special Inventory	74,140,120	0.15%	46,825,140	0.09%
Intangible Property and/or Uncertified Property	10,398,285	0.02%	10,051,655	0.02%
Total Appraised Value Before Exemptions	\$ 48,341,295,106	100.00%	\$ 49,997,505,936	100.00%
Less: Total Exemptions/Reductions	10,306,807,994		10,994,891,710	
Taxable Assessed Value	\$ 38,034,487,112		\$ 39,002,614,226	

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		Tax Year
					Debt to Taxable Assessed Valuation	Tax Supported Debt Per Capita	
2010	581,830	\$ 39,338,322,831	\$ 67,611	\$ 467,300,000	1.19%	\$ 803	2009
2011	606,786	39,002,614,226	64,277	452,755,000	1.16%	746	2010
2012	639,969	38,034,487,112	59,432	437,810,000	1.15%	684	2011
2013	643,408	39,439,947,054	61,299	468,360,000	1.19%	728	2012
2014	652,365	41,977,668,270	64,347	448,570,000	1.07%	688	2013
2015	677,770	45,720,920,515	67,458	456,135,000 ⁽⁴⁾	1.00% ⁽⁴⁾	673 ⁽⁴⁾	2014

- (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 general obligation toll road system debt. 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 the 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 and excludes the Refunded 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⁾
2011	0.49976	195,336,172	98.93%	99.81%
2012	0.49976	197,641,781	99.22%	99.77%
2013	0.49976	205,745,210	99.36%	99.71%
2014	0.49976	220,723,660	99.40%	99.40%
2015	0.49476	231,440,796	⁽³⁾	⁽³⁾

- (1) Collected within the Fiscal Year of the levy.
 (2) As of September 30, 2014 for each respective year's levy.
 (3) In the process of collection.

TABLE 5 - TAX RATE DISTRIBUTION ANALYSIS

	Tax Year				
	2014	2013	2012	2011	2010
General Fund	\$ 0.37826	\$ 0.38076	\$ 0.37776	\$ 0.38184	\$ 0.38100
Road & Bridge Fund	0.02850	0.03100	0.02800	0.03032	0.02770
Debt Service Fund ⁽¹⁾	0.06600	0.07300	0.07500	0.06880	0.07146
Drainage District	0.02200	0.01500	0.01900	0.01880	0.01960
Farm-to-Market & Lateral Road Fund	0.00000	0.00000	0.00000	0.00000	0.00000
County Total Tax Rate	<u>\$ 0.49476</u>	<u>\$ 0.49976</u>	<u>\$ 0.49976</u>	<u>\$ 0.49976</u>	<u>\$ 0.49976</u>

- (1) The debt service fund tax includes a levy for unlimited tax bonds which are not subject to a constitutional tax limit as to rate or amount. See "THE BONDS - TAX RATE LIMITATION."

TABLE 6 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2014/2015 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
NRG Texas Power LLC	Electric Utility	\$ 1,027,570,020	2.25%
Centerpoint Energy Electric	Electric Utility	281,831,250	0.62%
Malls at Katy Mills LP ⁽¹⁾	Shopping Mall	126,799,160	0.28%
AmerisourceBergen Drug Corporation	Drug Corp	123,943,360	0.27%
LCFRE Sugar Land Town Square LLC	Land	92,988,258	0.20%
Brazos Valley Energy LLC	Utility	91,711,140	0.20%
First Colony Mall LLC	Shopping Mall	88,847,240	0.19%
Tramontina USA Inc.	Manufacturing	81,135,390	0.18%
Lakepointe Assets LLC	Commercial	81,000,000	0.18%
Fairfield Industries	Oil & Gas	79,068,140	0.17%
		<u>\$ 2,074,893,958</u>	<u>4.54%</u>

(1) The County has agreed to participate in a City of Katy TIRZ that includes the 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 . . . Chapter 1301, Texas Government Code, 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 Chapter 292, Texas Local Government Code, 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. The Series 2015B Bonds are subject to this limitation.

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 Series 2015A Bonds are subject to this limitation.

TABLE 7 - TAX ADEQUACY

The following table represents the tax rate required for all bonded debt of the County secured by a pledge of ad valorem taxes including the County’s Subordinate Lien Toll Road Bonds. A portion of the County’s tax supported debt is expected to be paid from net revenues generated from the Fort Bend Parkway Toll Road, the Fort Bend Westpark Tollway, and the Fort Bend Grand Parkway Toll Road. See “DEBT INFORMATION – FORT BEND COUNTY TOLL ROAD BONDS” and “– FORT BEND GRAND PARKWAY TOLL ROAD BONDS” herein.

2015 Principal and Interest Requirements.....	\$	47,908,995	(1)
\$0.10920 Tax Rate at 96% Collection Produces	\$	47,930,155	
Average Principal and Interest Requirements (2015-2021).....	\$	49,936,630	(1)
\$0.11380 Tax Rate at 96% Collection Produces	\$	49,949,191	
Average Principal and Interest Requirements (2022-2026).....	\$	50,424,029	(1)
\$0.11490 Tax Rate at 96% Collection Produces	\$	50,432,004	
Average Principal and Interest Requirements (2027-2032).....	\$	41,649,661	(1)
\$0.09490 Tax Rate at 96% Collection Produces	\$	41,653,587	
Maximum Principal and Interest Requirements (2019).....	\$	51,261,669	(1)
\$0.11680 Tax Rate at 96% Collection Produces	\$	51,265,954	

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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 Various Dates
Fort Bend County	\$ 456,135,000 ⁽¹⁾	100.00% ⁽¹⁾	\$ 456,135,000 ⁽¹⁾
Cities			
Arcola	\$ 3,505,000	100.00%	3,505,000
Beasley	325,000	100.00%	325,000
Meadows Place	2,565,000	100.00%	2,565,000
Needville	1,010,000	100.00%	1,010,000
Richmond	15,100,000	100.00%	15,100,000
Rosenberg	67,714,000	100.00%	67,714,000
Sugar Land	276,725,000	100.00%	276,725,000
County-Line Cities			
Houston	3,239,735,000	0.53%	17,170,596
Katy	7,930,000	40.29%	3,194,997
Missouri City	153,340,000	95.40%	146,286,360
Pearland	310,725,000	1.65%	5,126,963
Total Cities			\$ 538,722,915
School Districts			
Fort Bend ISD	849,098,711	100.00%	\$ 849,098,711
Lamar Consolidated ISD	629,325,000	100.00%	629,325,000
Needville ISD	65,580,000	100.00%	65,580,000
County-Line School Districts			
Brazos ISD	15,504,991	68.28%	\$ 10,586,808
Katy ISD	1,171,127,484	37.96%	444,559,993
Stafford MSD	60,620,000	99.65%	60,407,830
Total School Districts			\$ 2,059,558,342
Special District Debt			
Total Special District Debt ⁽²⁾			\$ 2,528,981,332
Other			
Houston Community College District	661,385,000	4.27%	\$ 28,241,140
Total Other			\$ 28,241,140
Summary of Total Estimated Overlapping Debt			
Cities			\$ 538,722,915
School Districts			2,059,558,342
Special Districts			2,528,981,332
Other			28,241,140
Estimated Overlapping Debt			\$ 5,155,503,729
Fort Bend County - Direct Obligations			\$ 456,135,000 ⁽¹⁾
Total Direct and Estimated Overlapping Debt			\$ 5,611,638,729

Source: The Municipal Advisory Council of Texas.

(1) County debt outstanding as of April 1, 2015. Projected, includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

(2) Total Special District Debt includes numerous special districts with varying amounts of overlapping debt.

DEBT INFORMATION

TABLE 9 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Year End September 30	County Debt Paid From Ad Valorem Taxes				Fort Bend Grand Parkway Toll Road Authority		Grand Total Requirements
	Limited Tax Bonds ⁽¹⁾	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⁾	Limited Contract Tax Bonds ⁽³⁾	
2015	\$ 15,915,238	\$ 15,262,533	\$ 1,262,300	\$ 32,440,070	\$ 8,288,725	\$ 7,180,200	\$ 47,908,995
2016	15,354,013	17,447,500	1,182,100	33,983,613	8,839,625	7,180,200	50,003,438
2017	14,944,788	17,227,288	1,128,000	33,300,075	9,346,625	7,180,200	49,826,900
2018	14,832,213	17,124,894	1,074,500	33,031,606	9,921,875	7,180,200	50,133,681
2019	14,831,638	17,023,700	1,026,500	32,881,838	10,157,625	7,180,200	50,219,663
2020	14,829,563	16,920,925	949,500	32,699,988	10,321,875	7,180,200	50,202,063
2021	14,831,169	16,824,850	893,200	32,549,219	10,333,000	8,379,450	51,261,669
2022	14,829,100	14,980,975		29,810,075	10,339,125	9,517,200	49,666,400
2023	14,832,225	14,974,225		29,806,450	10,320,250	10,481,325	50,608,025
2024	14,832,600	14,984,400		29,817,000	10,354,875	10,473,200	50,645,075
2025	14,826,944	14,975,375		29,802,319	10,332,250	10,461,200	50,595,769
2026	14,828,475	14,979,450		29,807,925	10,342,125	10,454,825	50,604,875
2027	14,825,431	12,831,725		27,657,156	10,347,875	10,443,575	48,448,606
2028	14,831,025	11,073,950		25,904,975	10,339,000	10,432,075	46,676,050
2029	14,833,469	11,071,775		25,905,244	10,329,875	10,423,050	46,658,169
2030	14,831,231	7,300,750		22,131,981	10,357,188	10,410,150	42,899,319
2031	9,199,375	7,298,000		16,497,375	10,317,375	10,401,700	37,216,450
2032		7,299,250		7,299,250	10,311,500	10,388,625	27,999,375
2033		2,803,875		2,803,875		10,378,375	13,182,250
2034		2,806,875		2,806,875		10,364,875	13,171,750
2035		2,803,375		2,803,375		10,352,500	13,155,875
2036						10,340,500	10,340,500
2037						10,328,125	10,328,125
2038						10,319,500	10,319,500
2039						10,303,875	10,303,875
2040						10,290,500	10,290,500
2041						10,278,375	10,278,375
2042						10,266,500	10,266,500
2043						10,254,600	10,254,600
2044						10,235,900	10,235,900
2045						10,223,000	10,223,000
2046						10,210,200	10,210,200
	<u>\$ 248,208,494</u>	<u>\$ 258,015,689</u>	<u>\$ 7,516,100</u>	<u>\$ 513,740,283</u>	<u>\$ 180,900,788</u>	<u>\$ 309,494,400</u>	<u>\$ 1,004,135,470</u>

- (1) Includes the debt service for the Bonds and excludes the debt service for the Refunded Bonds. Interest on the Bonds has been estimated for the purpose of illustration. Preliminary, subject to change.
- (2) 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 the 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. The County's policy and practice has been to provide for payment of debt service on the Subordinate Lien Toll Road Bonds from toll road revenue and certain other funds. From its inception in 2003 through today, no ad valorem taxes have been levied to provide for such debt service. For fiscal years 2013 and 2014, the net revenues from the operation of the Toll Roads was \$17,501,336 and \$18,718,335, respectively. See "DEBT INFORMATION - FORT BEND COUNTY TOLL ROAD BONDS" herein.
- (3) The Fort Bend Grand Parkway Toll Road Authority Limited Contract Tax Bonds are secured by a subordinate lien on all net revenues from the operation of the Grand Parkway overpasses. In addition, the County has entered into an agreement to further secure such bonds by pledging the County's limited ad valorem tax to pay any shortfall in project revenues necessary to pay debt service and operating and maintenance costs of the Grand Parkway overpasses. Interest on these bonds through fiscal year 2015 was capitalized from proceeds of such bonds. The Grand Parkway overpasses were opened and began collecting tolls in the spring of 2014. Assuming that revenues continue at their existing levels, the County does not expect to levy an ad valorem tax to provide for such debt service. See "DEBT INFORMATION - FORT BEND GRAND PARKWAY TOLL ROAD BONDS" herein.

TABLE 10 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Pledged Debt Service Requirements, Fiscal Year Ending September 30, 2015		\$ 47,908,995
Interest and Sinking Fund, September 30, 2014	2,754,531	
Budgeted Interest and Sinking Fund Tax Levy @ 97% Collections	32,163,490	
Transfer from Toll Road Authority	8,288,725	
Transfer from FBGPTRA	7,180,200	
Projected Other Income	774,000	51,160,946
Estimated Balance, September 30, 2015		<u>\$ 3,251,951</u>

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Issued To Date	Series 2015A Bonds*	Unissued Balance
County Roads	5/12/2007	\$ 156,000,000	\$ 115,000,000	\$ 41,000,000	\$ -
County Roads	11/5/2013	184,900,000	-	-	184,900,000
		<u>\$ 340,900,000</u>	<u>\$ 115,000,000</u>	<u>\$ -</u>	<u>\$ 184,900,000</u>

*Preliminary, subject to change.

FORT BEND COUNTY TOLL ROAD BONDS

In 2003 and 2004, respectively, the County issued two series of Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds and in 2012, the County refunded portions of those existing obligations with the Unlimited Tax & Subordinate Lien Toll Road Revenue Refunding Bonds, Series 2012 (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 opened to traffic in August 2004 and the Fort Bend Westpark Tollway opened to traffic in August 2005. 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 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 the 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. To date, however, such tax has not been assessed or collected. 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 County issued two series of Senior Lien Toll Road Revenue Bonds in 2012 and 2014 to finance the construction and expansion of the Toll Roads and to purchase certain rights-of-way. Such bonds are not 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. In connection with improvements to the Westpark corridor, the first phase of which is estimated to be from \$90,000,000 to \$100,000,000 in construction, engineering and miscellaneous costs, it is presently anticipated that \$60,000,000 to \$70,000,000 of such first phase is attributable to toll road improvements to be financed from toll road revenues and the remainder to be financed from various sources of funds available to the County. The first phase of the project is projected to commence later this year. The County may support the non-toll portion of the project, but presently anticipates that no ad valorem tax revenues will be used toward paying for the improvements.

TABLE 12 - HISTORICAL TOLL ROAD OPERATING RESULTS AND COVERAGES

Fiscal Year 9/30	Project Revenues	Senior Lien Debt Service	Coverage Ratio on Senior Lien Debt Service	O&M Expenses ⁽¹⁾	Revenues Available for Subordinate Lien Debt Service	Subordinate Lien Debt Service	Coverage Ratio on Subordinate Lien Debt Service
2009	\$ 17,349,992	n/a	n/a	\$ 4,116,358	\$ 13,233,634	\$ 6,759,431	1.958 x
2010	17,838,990	n/a	n/a	3,902,118	13,936,872	6,759,431	2.062 x
2011	18,621,699	n/a	n/a	4,131,061	14,490,638	8,131,431	1.782 x
2012	20,611,935	\$ 287,342	71.733 x	4,186,584	16,138,009	5,134,341	3.143 x
2013	22,033,859	1,126,700	19.556 x	3,405,823	17,501,336	8,615,726	2.031 x
2014	23,901,485	1,126,700	21.214 x	4,056,450	18,718,335	8,185,431	2.287 x

(1) Excludes capital expenditures and depreciation pursuant to certain covenants under the Indenture.

FORT BEND GRAND PARKWAY TOLL ROAD BONDS

In September 2009, Fort Bend County created the Fort Bend Grand Parkway Toll Road Authority (the “FBGPTRA”), a local government corporation, pursuant to Chapter 284, 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.

In 2012, FBGPTRA issued \$155,085,000 Limited Contract Tax and Subordinate Lien Toll Road Revenue Bonds to finance the construction of the Grand Parkway within the County, which opened to traffic in the spring of 2014. These bonds are secured by the toll revenues from the use of the overpasses on the Grand Parkway. The County has entered into an agreement with FBGPTRA to further secure such bonds by pledging the County’s limited ad valorem tax to pay any shortfall in the projects’ revenues necessary to pay debt service and operating and maintenance costs of the Grand Parkway overpasses. No representation can be made as to the impact of such agreement on the County’s tax rate or its ability to pay debt service on the Bonds.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT

The County does not anticipate issuing any additional general obligation debt in the next 12 months except as discussed above under “FORT BEND COUNTY TOLL ROAD BONDS.”

TABLE 13 – OTHER OBLIGATIONS

As of September 30, 2014, 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 “TCDRS Act”), the contribution rate of the County is a fixed percent equal to twice the contribution rate payable by the employee member. Currently, the employee member is required to contribute 7% and the County contributes 14%. This rate is not actuarially determined and is one of the rates that can be adopted by the County in accordance with the TCDRS Act. The matching rate is funded by direct allocation by the County along with plan savings from the prior year, therefore the actual allocation rate is less. The following schedule shows the County allocation rate over the past five years that was necessary to achieve a contribution rate of 14%:

Year:	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Rate:	10.83%	10.65%	11.12%	11.55%	12.21%

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 on behalf of the employee to achieve the match described above. The statute specifies that the actuary’s determination is based on a maximum period for amortizing the unfunded pension benefit obligation of 30 years. The schedule below shows a 5-year analysis of the County’s pension benefit funding (data as of 12/31/2014 is not yet available):

Schedule of Funding Information

<u>Actuarial valuation date</u>	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Actuarial value of assets	\$ 238,298,754	\$257,926,802	\$277,022,916	\$293,944,235	\$317,963,410
Actuarial accrued liability (AAL)	\$ 283,956,716	\$307,767,507	\$334,116,854	\$356,860,353	\$378,799,769
Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL)	\$ 45,657,962	\$ 49,840,705	\$ 57,093,938	\$ 62,916,118	\$ 60,836,359
Funded ratio	83.92%	83.81%	82.91%	82.37%	83.94%
Annual covered payroll (actuarial)	\$ 104,983,019	\$106,041,139	\$108,712,740	\$109,715,087	\$112,043,745
UAAL or OAAL as % of covered payroll	43.49%	47.00%	52.52%	57.35%	54.30%

(For more detailed information concerning the retirement plan, see the County’s Annual Financial Report for Fiscal Year Ending September 30, 2014 - Note 8.)

OTHER POST-EMPLOYMENT BENEFITS (“OPEB”)

In addition to providing pension benefits through the TCDRS, the County sponsors and administers a single-employer defined benefit health care plan titled “Fort Bend County Employee Benefit Plan” (the “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 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. The County contributed approximately \$4.8 million for the fiscal year ended September 30, 2014. At September 30, 2014, there were 687 retirees receiving benefits and approximately 2,577 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 performs an annual actuarial valuation of its post-retirement benefit liability. The County discusses the pre-funding of this liability annually during the budget process while reviewing the actuarial valuation. The County has chosen to first modify the Plan to control and reduce cost before pre-funding the OPEB liability. The changes are not influencing the actuarial calculation yet. The major changes are:

- Increased the vesting period to be eligible to retire from 8 years to 16 years beginning 1/1/2010.
- Changed to a national provider network in 2012 to achieve greater discounts.
- Opened an employee/retiree primary care clinic January 2012 to control utilization and costs.

The financial statement disclosures for 2014 are as follows:

For fiscal year 2014, the County’s annual OPEB cost for the Plan (which includes the Fort Bend County Drainage District) was \$35,741,230. 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, 2014, were as follows:

	Fiscal Year Ending 9/30/14
Determination of Annual Required Contribution	
Normal Cost at Fiscal Year End	\$ 20,168,775
Amortization of Unfunded Actuarial Accrued Liability	18,050,360
Annual Required Contribution (ARC)	<u>38,219,135</u>
Determination of Net OPEB Obligation	
Annual Required Contribution	38,219,135
Interest on prior-year Net OPEB Obligation	6,351,213
Adjustment to ARC	<u>(8,829,118)</u>
Annual OPEB Cost	<u>35,741,230</u>
Less Assumed Contributions Made	<u>(4,762,204)</u>
Estimated Increase in Net OPEB Obligation	30,979,026
Net OPEB Obligation - Beginning of Year	<u>158,780,332</u>
Net OPEB Obligation - End of Year	<u>\$ 189,759,358</u>
Percentage of OPEB Cost Contributed	13.32%

The following table shows the annual OPEB cost and net OPEB obligation for fiscal years 2010-2014 assuming the plan is not prefunded (4% discount).

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2010	4%	\$30,699,706	\$4,420,758	14.40%	\$75,112,628
2011	4%	31,751,414	5,104,000	16.07%	101,760,042
2012	4%	32,376,384	4,106,516	12.68%	130,029,910
2013	4%	33,507,178	4,756,756	14.20%	158,780,332
2014	4%	35,741,230	4,762,204	13.32%	189,759,358

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

Actuarial valuation date	October 1, 2013
Actuarial value of plan assets (a)	\$ -
Actuarial accrued liability (AAL) (b)	\$ 283,630,840
Unfunded/(Overfunded) actuarial accrued liability (UAAL of OAAL)(b-a)	\$ 283,630,840
Funded Ratio (a/b)	0.0%
Annual Covered Payroll (c)	\$ 112,043,745
UAAL or OAAL as % of covered payroll ((b-a)/c)	253.1%

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.

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 the following:

- Healthcare cost trend rates:
 - Pre-65 trend begins at 6.2% in fiscal year 2011 and falls to 4.7% in 2089.
 - Post-65 trend begins at 6.2% in fiscal year 2011 and falls to 4.8% in 2099.
 - Dental trend begins at 5.86% in fiscal year 2011 and falls to 3.95% in 2024.
- 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.
- 2.75% inflation rate.
- No projected salary increases.

FINANCIAL INFORMATION

TABLE 14 - CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
	2014	2013	2012	2011	2010
Revenues:					
Program Revenues:					
Charges for Services	\$ 44,948,760	\$ 44,068,025	\$ 39,478,271	\$ 37,241,289	\$ 35,156,664
Operating Grants and Contributions	33,096,456	33,304,392	29,633,400	35,820,119	23,313,282
Capital Grants and Contributions	36,540,480	30,132,207	23,899,439	25,214,312	30,358,341
General Revenues:					
Property Taxes	222,838,642	207,458,672	199,213,697	196,820,339	198,888,176
Sales Taxes	4,214,553	2,956,560	1,099,103	-	-
Earnings on Investments	880,712	963,652	2,584,776	2,925,202	3,870,155
Other	4,373,699	5,537,404	6,745,855	6,065,510	4,237,069
Total Revenues	\$ 346,893,302	\$ 324,420,912	\$ 302,654,541	\$ 304,086,771	\$ 295,823,687
Expenditures:					
General Administration	\$ 47,178,578	\$ 42,034,040 ⁽¹⁾	\$ 39,614,537	\$ 40,835,503	\$ 38,638,166
Financial Administration	9,809,215	8,849,251 ⁽¹⁾	8,344,714	9,441,048	8,059,389
Administration of Justice	96,510,853	94,210,925 ⁽¹⁾	90,907,609	86,468,201	78,173,873
Construction & Maintenance	57,430,317	50,078,091 ⁽¹⁾	46,468,925	45,632,055	46,946,163
Health & Welfare	34,976,018	34,630,163 ⁽¹⁾	30,677,345	30,104,991	28,566,454
Cooperative Service	1,152,222	1,067,104	1,118,341	1,177,426	1,123,951
Public Safety	58,412,120	55,866,404 ⁽¹⁾	54,954,201	55,315,591	55,269,509
Parks & Recreation	3,379,366	2,069,935 ⁽¹⁾	2,578,555	2,917,574	2,263,280
Libraries & Education	17,170,818	16,156,200 ⁽¹⁾	15,708,114	14,800,838	13,468,700
Capital Outlay, interim activity	-	-	-	-	-
Internal Service Fund, interim activity	-	-	-	-	-
Interest on Long-Term Debt	14,836,824	15,536,759 ⁽¹⁾	15,037,346	14,887,908	15,494,994
Total Expenditures	\$ 340,856,331	\$ 320,498,872	\$ 305,409,687	\$ 301,581,135	\$ 288,004,479
Change in Net Assets	\$ 6,036,971	\$ 3,922,040	\$ (2,755,146)	\$ 2,505,636	\$ 7,819,208
Net Assets, Beginning	715,885,065	711,963,025⁽¹⁾	718,350,724	715,845,088	708,025,880
Ending Fund Balance	\$ 721,922,036	\$ 715,885,065	\$ 715,595,578	\$ 718,350,724	\$ 715,845,088

Source: County's audited financial statements.

(1) Restated.

TABLE 14A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

Revenues:	Fiscal Year Ending September 30,				
	2014	2013	2012	2011	2010
Taxes	\$ 169,990,645	\$157,461,669	\$152,964,339	\$150,611,129	\$154,092,302
Fees and Fines	34,136,127	31,895,803	28,304,371	26,538,216	24,501,004
Intergovernmental	23,252,647	24,270,370	15,999,897	23,894,468	18,114,404
Earnings on Investments	589,520	590,025	1,376,442	1,457,487	1,445,301
Miscellaneous	6,601,567	4,234,517	4,696,145	3,372,764	3,185,729
Total Revenues	\$ 234,570,506	\$218,452,384	\$203,341,194	\$205,874,064	\$201,338,740
Expenditures:					
Current Operating					
General Administration	40,451,397	34,712,120	34,721,821	41,623,232	39,663,645
Financial Administration	7,883,935	7,169,404	7,216,068	7,158,932	6,709,784
Administration of Justice	57,156,400	56,060,130	56,676,737	54,210,526	50,317,627
Construction and Maintenance	2,497,848	2,699,036	2,804,010	2,843,242	2,795,780
Health & Welfare	27,026,085	24,940,619	22,806,164	17,345,040	17,576,622
Cooperative Service	944,039	883,324	960,392	986,392	933,519
Public Safety	46,011,792	43,775,844	44,403,985	42,751,912	39,189,698
Parks & Recreation	2,411,558	1,979,888	1,957,044	2,263,590	2,231,528
Libraries & Education	13,551,652	12,974,697	12,955,022	12,113,853	11,297,919
Capital Outlay	22,461,153	22,363,917	18,848,812	20,194,149	18,443,425
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest & Fiscal Charges	-	-	-	-	-
Total Expenditures	\$ 220,395,859	\$207,558,979	\$203,350,055	\$201,490,868	\$189,159,547
Revenues Over (Under) Expenditures	\$ 14,174,647	\$ 10,893,405	\$ (8,861)	\$ 4,383,196	\$ 12,179,193
Transfer In (Out)	(14,056,769)	(9,513,350)	(8,023,553)	(3,704,588)	(3,362,527)
Beginning Fund Balance, January 1	37,406,622	36,026,567	44,058,981	43,380,373	34,563,707
Ending Fund Balance	\$ 37,524,500	\$ 37,406,622	\$ 36,026,567	\$ 44,058,981	\$ 43,380,373

Source: County's audited financial statements.

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, including letters of credit, 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 and interest of which are unconditionally guaranteed, insured, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (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) bonds issued, assumed, or guaranteed by the State of Israel, (7) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office 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 clauses (1) through (6) or in any other manner and amount provided by law for County deposits, or (ii) where (a) the funds are invested by the County through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted, at least annually, by the County as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the County; (b) the broker or the depository institution selected by the County arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the County; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the County appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the County with respect to the certificates of deposit, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the County, held in the County's name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (9) bankers' acceptances with a stated maturity of 270 days or less from the date of its issuance, 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 registered with and regulated by the SEC that have a dollar weighted average stated 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 SEC that have an average weighted maturity of less than two years, invest 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, and (13) public funds investment pools that have an advisory board which includes participants in the pool 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. Texas law also permits the County to invest bond proceeds in a guaranteed investment contract, subject to limitations as set forth in the Public Funds Investment Act, Texas Government Code, Chapter 2256.

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 may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the County retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the County must do so by order, ordinance, or resolution. 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.

A political subdivision such as the County may enter into 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 governmental body or a third party designated by the governmental body; (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, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. 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 15 - CURRENT INVESTMENTS

As of February 28, 2015 the County's investable funds were invested in the following categories:

Description	Book Value	Market Value
Money Market Accounts - Prosperity	\$ 351,038,663	\$ 351,038,663
LOGIC State Pool	6,060	6,060
Texas Term Investment Pool	3,356	3,356
MBIA Investment Pool	722,393	722,393
	<u>\$ 351,770,472</u>	<u>\$ 351,770,472</u>

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and interest on the Bonds is 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 County has covenanted in the Orders that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Orders 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 County, the County's Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the County, the County's Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. If the County should fail to comply with the covenants in the Orders 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.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on certain tax exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

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 County 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") may be 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 an 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 Underwriters have 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 County 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.

VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by First Southwest Company, LLC on behalf of the County relating to (a) computation of forecasted receipts of principal and interest on the restricted acquired obligations and the forecasted payments of principal and interest to redeem the Refunded Bonds, and (b) computation of the yields on the Bonds and the restricted obligations was examined by Grant Thornton LLP, certified public accountants. Such computations were completed using certain assumptions and information supplied by First Southwest Company, LLC on behalf of the County. Grant Thornton LLP has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

OTHER INFORMATION

RATINGS

The presently outstanding tax supported debt of the County is rated "Aa1" by Moody's Investor Services, Inc. ("Moody's") and "AA+" by Fitch Ratings ("Fitch"), without regard to credit enhancement. The Bonds have been rated "Aa1" by Moody's. Application for a contract rating on this issue has been made to Fitch. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. A securities rating is not a recommendation to buy, sell or hold securities. 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.

CERTAIN CHANGES IN TAX LEGISLATION

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the 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.

It is the obligation of the Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The County agrees to cooperate, at the Underwriters written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the County shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

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. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, 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 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 required for authorization and issuance of the Bonds, including the unqualified approving legal opinions 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 opinions 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 interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations. 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 statements and information describing the Bonds and the Orders in the Official Statement under the captions "PLAN OF FINANCING - REFUNDED UNLIMITED TAX BONDS," "PLAN OF FINANCING - REFUNDED LIMITED TAX BONDS," "THE BONDS" (except for information under the subsection captioned "BOOK-ENTRY-ONLY SYSTEM"), "TAX INFORMATION - GENERAL OBLIGATION DEBT LIMITATION," "FINANCIAL INFORMATION - FINANCIAL POLICIES," "TAX MATTERS," "OTHER INFORMATION - REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "OTHER INFORMATION - LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "OTHER INFORMATION - LEGAL MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" fairly and accurately describe the provisions thereof and are correct as to matters of law. 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 of Bond Counsel 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.

Certain legal matters will be passed upon for the County by Andrews Kurth LLP, Disclosure Counsel. The legal fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by Haynes and Boone, LLP and Bates & Coleman, P.C., Co-Underwriters' Counsel. The legal fee of such firms is contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

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, LLC 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, LLC, 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 Citigroup and Loop Capital Markets, have agreed, subject to certain conditions precedent, to purchase the Series 2015A Bonds from the County, at a price of \$_____ (representing the par amount of the Series 2015A Bonds of \$_____ plus a premium of \$_____, less an underwriters' discount of \$_____). The Underwriters will be obligated to purchase all of the Series 2015A Bonds if any Series 2015A Bonds are purchased. The Series 2015A 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 Series 2015A Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters, represented by Citigroup and Loop Capital Markets, have agreed, subject to certain conditions precedent, to purchase the Series 2015B Bonds from the County, at a price of \$_____ (representing the par amount of the Series 2015B Bonds of \$_____ plus a premium of \$_____, less an underwriters' discount of \$_____). The Underwriters will be obligated to purchase all of the Series 2015B Bonds if any Series 2015B Bonds are purchased. The Series 2015B 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 Series 2015B Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters have reviewed the information in this official statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the issuer for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the issuer.

One of the Underwriters is BOSCO, Inc., which is not a bank, and the Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

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 judgments 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 Orders, 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 obligated to advance funds to pay the Bonds. Under the agreement, the County will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

ANNUAL REPORTS

The County shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the County, 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 (2) if not provided as part such financial information and operating data, audited financial statements of the County, when and if available. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles described in Appendix B hereto or such other accounting principles as the County may be required to employ from time to time pursuant to state law or regulation, and in substantially the form included in the official statement, and (ii) audited, if the County commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the County shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

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.

NOTICES 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.

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 bond 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 Rule or a court of final jurisdiction enters judgment that such provisions of the Rule 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.

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 Orders 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

SCHEDULE I
SCHEDULE OF REFUNDED BONDS*

Refunded Unlimited Tax Bonds

Unlimited Tax Road Bonds, Series 2007

Maturity March 1	Interest Rate		Par Amount	Call Date	Call Price	
2017	4.000	%	\$ 1,235,000	3/1/2016	100.00	%
2018	4.000		1,285,000	3/1/2016	100.00	
2019	4.000		1,340,000	3/1/2016	100.00	
2020	4.000		1,395,000	3/1/2016	100.00	
2021	4.250		1,455,000	3/1/2016	100.00	
2022	4.125		1,515,000	3/1/2016	100.00	
2023	4.200		1,580,000	3/1/2016	100.00	
2024	4.250		1,650,000	3/1/2016	100.00	
2025	4.250		1,720,000	3/1/2016	100.00	
2026	4.250		1,795,000	3/1/2016	100.00	
2027	4.250		1,870,000	3/1/2016	100.00	
			<u>\$ 16,840,000</u>			

Refunded Limited Tax Bonds

Limited Tax Bonds, Series 2007

Maturity March 1	Interest Rate		Par Amount	Call Date	Call Price	
2018	5.000	%	\$ 5,095,000	3/1/2017	100.00	%
2019	5.000		5,355,000	3/1/2017	100.00	
2020	5.000		5,630,000	3/1/2017	100.00	
2021	5.000		5,920,000	3/1/2017	100.00	
2022	5.000		6,225,000	3/1/2017	100.00	
2023	5.000		6,545,000	3/1/2017	100.00	
2024	5.000		6,880,000	3/1/2017	100.00	
2025	5.000		7,230,000	3/1/2017	100.00	
2026	5.000		7,600,000	3/1/2017	100.00	
2027	4.750		7,980,000	3/1/2017	100.00	
2028	4.750		8,370,000	3/1/2017	100.00	
2029	4.750		8,780,000	3/1/2017	100.00	
2030	4.750		9,205,000	3/1/2017	100.00	
2031	4.750		9,655,000	3/1/2017	100.00	
			<u>\$ 100,470,000</u>			

*Preliminary, subject to change.

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, Meadows Place, 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 . . . Burlington Northern 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⁾

<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020⁽²⁾</u>
40,527	52,314	130,846	225,421	354,452	585,375	679,433

(1) Source: U.S. Census Bureau.

(2) Projected. Source: Fort Bend County Community Plan Fall 2012-2013.

LABOR STATISTICS

<u>Calendar Year</u>	<u>Labor Force</u>	<u>Total Employment</u>	<u>Unemployment</u>	<u>Rate</u>
2005	235,978	223,641	12,337	5.2%
2006	244,977	233,293	11,684	4.8%
2007	253,919	243,532	10,387	4.1%
2008	264,928	253,010	11,918	4.5%
2009	276,683	256,987	19,696	7.1%
2010	295,202	272,103	23,099	7.8%
2011	304,427	282,027	22,400	7.4%
2012	310,188	291,276	18,912	6.1%
2013	323,010	304,647	18,363	5.7%
2014	330,199	314,612	15,586	4.7%

Source: Texas Employment Commission

MAJOR EMPLOYERS

Employer	Line of Business	Number of Employees
Fort Bend ISD	Public Education	9,085
Lamar CISD	Public Education	2,884
Fluor Corporation	Engineering, Construction, Maintenance & Technical Services	2,400
Fort Bend County	County Government	2,269
Methodist Sugar Land Hospital	Healthcare	2,200
Schlumberger Technology Corp.	Energy Exploration Technology/Research	2,150
Richmond State School	Special Education	1,370
United Parcel Service	Package Distribution	924
Texas Dept. of Criminal Justice	State Prison	816
Oak Bend Medical Center	Healthcare	668
City of Sugar Land	Government	649
Texana Center	Healthcare	555
Texas Instruments	Electronics & Semiconductor Manufacturer	500
Nalco Company	Chemical Production	496
St. Luke's Sugar Land Hospital	Hospital	480
Frito-Lay, Inc.	Snack Food Manufacturer	469
Baker Hughes, Inc.	Chemical Manufacturer	450
Tyco Valves & Controls	Valve Manufacturer	450
Fiserv Output Solutions	Technology	430
Puffer-Sweiven	Industrial	420
Memorial Hermann - Fort Bend	Hospital	396
Tramontina	Manufacturer & Marketer of Cutlery & Cookware	386
National Oilwell Varco, Inc.	Manufacturing & Service for Drilling & Oilfield Equipment	350
Minute Maid	Maker of Premium Fruit Juices & Drinks	313
City of Missouri City	Government	302
FairfieldNodal	Seismic Company	282
Noble Drilling Services	Drilling Services	274
Yokogawa Corp. of America	Manufacturer & Supplier of Instrumentation, Process Control	266
Champion Technologies, Inc.	Specialty Chemical Company	252
CSM Baker Products	Baked Good Manufacturer	246
Hudson Products	Industrial Equipment Manufacturer	246
Sunoco Logistics Partners	Pipeline	231
City of Rosenberg	Government	229
Flextronics	Electronics, Design, Fabrication, Assembly & Test Company	223
Allied Concrete	Produces Concrete	210
Thermo Process Instruments	Industrial	185
Houston Community College	Public Education	178
City of Katy	Government	176
Suntron Corporation	Manufacturer	173
Benedittini Cabinetry	Cabinetry Manufacturer	150

Source: Greater Fort Bend County Economic Development Council, March 2012.

APPENDIX B

EXCERPTS FROM THE
FORT BEND COUNTY, TEXAS
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2014

The information contained in this Appendix consists of excerpts from the Fort Bend County, Texas Annual Financial Report for the Year Ended September 30, 2014, 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.



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 Commissioners Court
Fort Bend County, Texas

Report on the Financial Statements

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, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise Fort Bend County, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Fort Bend County, Texas, as of September 30, 2014, and

the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information on pages 3-13 and 62-75 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fort Bend County, Texas' basic financial statements. 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 basic financial statements.

The combining and individual nonmajor fund financial statements and the 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2015, on our consideration of Fort Bend County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fort Bend County, Texas' internal control over financial reporting and compliance.



Sugar Land, Texas
March 20, 2015

FORT BEND COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Fort Bend County, Texas (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, 2014. 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 and deferred outflows of resources of the County exceeded its liabilities at the close of the most recent fiscal year by \$721.9 million ("net position"). Of this amount, there is a deficit of \$119.7 million in unrestricted net position due to the continued liability increase for other post-employment benefits ("OPEB") that now totals \$189.8 million.
- The County's total net position increased by \$6.0 million.
- As of the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$79.2 million, a decrease of \$13.6 million from the prior year.
- At the end of the current fiscal year approximately \$14.3 million is available for spending at the government's discretion in the General Fund (unassigned fund balance). This unassigned fund balance amounts to 6.5% of total General Fund expenditures.
- The County's total assets and deferred outflow of resources increased by \$13.2 million and total liabilities increased by \$7.2 million during the current fiscal year.

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 consist of 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 intended to furnish additional detail to support 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 position presents financial information on all of the County's assets, liabilities, and deferred inflows/outflows, with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 services, 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 64 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 the Debt Service Fund, which are considered to be major funds. Data from the other 62 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 this 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 this 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 five 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 financial statements can be found on pages 32 through 59 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 75 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities by \$721.9 million at the close of the most recent fiscal year.

CONDENSED SCHEDULE OF NET POSITION

September 30, 2014 and 2013

	Primary Government Governmental Activities	
	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 120,055,964	\$ 142,426,224
Capital assets, net	<u>1,180,129,294</u>	<u>1,144,837,253</u>
Total Assets	<u>1,300,185,258</u>	<u>1,287,263,477</u>
Total Deferred Outflows of Resources	<u>319,879</u>	
Long-term liabilities	544,004,790	529,564,188
Other liabilities	<u>34,578,311</u>	<u>41,814,224</u>
Total Liabilities	<u>578,583,101</u>	<u>571,378,412</u>
Net Position:		
Net investment in capital assets	839,830,725	811,299,625
Restricted	1,753,831	1,414,427
Unrestricted	<u>(119,662,520)</u>	<u>(96,828,987)</u>
Total Net Position	<u>\$ 721,922,036</u>	<u>\$ 715,885,065</u>

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 \$839.8 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.

A portion of the County's net position, \$1.8 million, represents resources that are subject to external restrictions on how they may be used. The deficit balance for unrestricted net position of \$119.7 million was due primarily to the growing OPEB liability that now totals \$189.8 million.

The County's assets exceeded its liabilities by \$721.9 million, which is an increase of \$6.0 million from the prior year. This increase is primarily due to the following: decrease in cash of \$18.8 million due to the expense of bond funds for road projects; decrease in due from component units of \$3.4 million due to a reduction of accounts payable transactions at the end of September; increase in capital assets of \$35.3 million due to construction of new facilities and construction and contribution of new roads; decrease in accounts payable of \$7.4 million due to a reduction of transactions at the end of September; an increase in OPEB liability of \$31.0 million, and a decrease of \$17.1 million in bonds payable due to scheduled debt service payments.

SCHEDULE OF CHANGES IN NET POSITION

For the years ended September 30, 2014 and 2013

	Primary Government Governmental Activities	
	2014	2013
	Revenues	
Program revenues:		
Charges for services	\$ 44,948,760	\$ 44,068,025
Operating grants and contributions	33,096,456	33,304,392
Capital grants and contributions	36,540,480	30,132,207
General revenues:		
Property taxes	222,838,642	207,458,672
Sales taxes	4,214,553	2,956,560
Earnings on investments	880,712	963,652
Other	4,373,699	5,537,404
Total Revenues	346,893,302	324,420,912
Expenses		
General administration	47,178,578	42,034,040
Financial administration	9,809,215	8,849,251
Administration of justice	96,510,853	94,210,925
Construction and maintenance	57,430,317	50,078,091
Health and welfare	34,976,018	34,630,163
Cooperative services	1,152,222	1,067,104
Public safety	58,412,120	55,866,404
Parks and recreation	3,379,366	2,069,935
Libraries and education	17,170,818	16,156,200
Interest on long-term debt	14,836,824	15,536,759
Total Expenses	340,856,331	320,498,872
Change in Net Position	6,036,971	3,922,040
Net Position, Beginning	715,885,065	711,963,025
Net Position, Ending	\$ 721,922,036	\$ 715,885,065

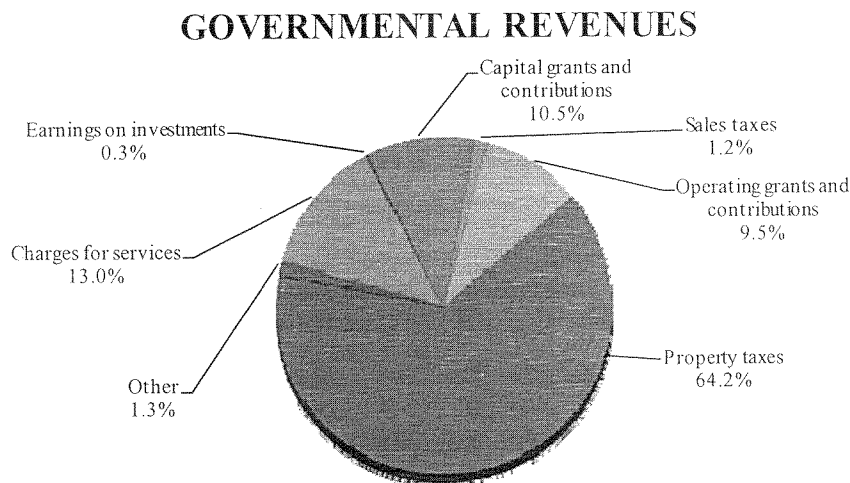
At the end of the current fiscal year, the County was able to report a positive balance in net position for the government as a whole. The same situation held true for the prior fiscal year.

Governmental activities increased the County's net position by \$6.0 million. This increase is up from last year's increase of \$3.9 million. The key elements of this change in net position are as follows:

- Increase in property taxes of \$15.4 million due to an increase in property valuations.
- Increase in sales taxes of \$1.3 million due to an increase in sales from current and new businesses located in the County Assistance Districts.
- Increase in capital grants and contributions of \$6.4 million resulting from an increase in capital contributions of infrastructure of \$8.0 million, a decrease in Texas Department of Transportation and local participation in mobility projects of \$3.5 million, a donation in the current year of \$3.5 million for the purchase of Gordon Ranch, and the absence of a \$2.0 million donation for the Courthouse renovation that was received in the prior year.
- Decrease in other revenue of \$1.2 million primarily due to a reduction in miscellaneous reimbursements for capital projects, refunds from accounts payable transactions, and forfeited asset revenue.

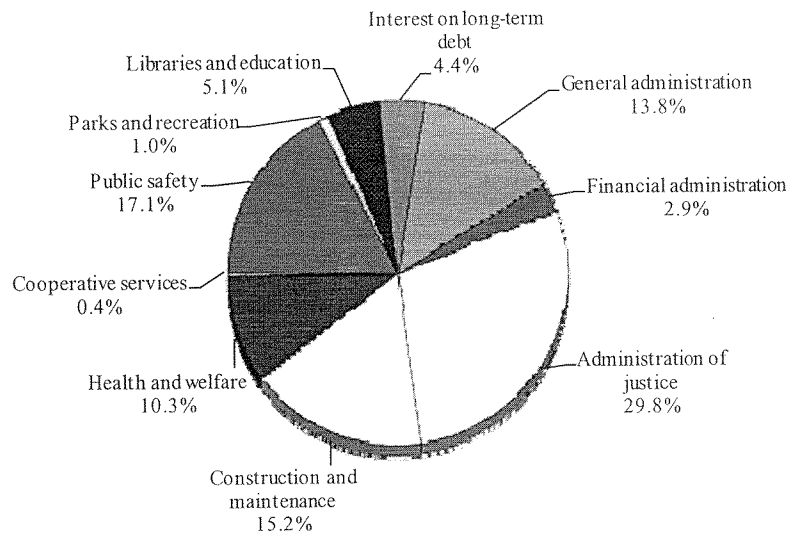
- General administration expenses increased by \$5.1 million primarily due to the following:
 - Increase of \$4.8 million in payroll and related costs due to personnel increases and movement of the jail maintenance responsibility to the facilities department.
 - Increase of \$2.8 million due to TIRZ payments made in the current year.
 - Decrease of \$2.2 million due to the movement of property/casualty/liability insurance activity from the General Fund to the Other Self-Funded Insurance internal service fund.
- Financial administration expenses increased by \$1.0 million primarily due to the following:
 - Increase of \$0.7 million in payroll and related costs.
- Administration of justice expenses increased by \$2.3 million primarily due to the following:
 - Increase of \$4.7 million in payroll and related costs.
 - Decrease of \$0.8 million in fees due to elimination of the jail maintenance contract.
 - Decrease of \$1.7 million in depreciation expense for facilities in prior years.
- Construction and maintenance expenses increased by \$7.4 million primarily due to the following:
 - Increase of \$8.1 million in fees due to an increase in payments made to other jurisdictions for contributions for infrastructure.
 - Increase of \$1.2 million in depreciation due to the increase in completed projects.
 - Decrease of \$2.0 million in depreciation expense for donated bridges in prior years.
- Public safety expenses increased by \$2.5 million primarily due to the following:
 - Increase of \$2.4 million in payroll and related costs.
- Parks and recreation expenses increased by \$1.3 million primarily due to the following:
 - Increase of \$0.4 million in payroll and related costs.
 - Increase of \$0.6 million in depreciation expense for improvements to Freedom Park in prior years.
- Libraries and education expenses increased by \$1.0 million primarily due to the following:
 - Increase of \$0.6 million in payroll and related costs.
 - Increase of \$0.1 million in depreciation expense.
 - Increase of \$0.1 million in other operating expenses.
- Interest on long-term debt decreased by \$0.7 million due to the scheduled reduction of outstanding debt.
- Transfers out increased by \$3.8 million, primarily due to a transfer of \$2.7 million to the Other Self-Funded Insurance internal service fund.

Governmental revenues for fiscal year 2014 are graphically displayed as follows:



Governmental functional expenses for fiscal year 2014 are graphically displayed as follows:

GOVERNMENTAL FUNCTIONAL EXPENSES



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 \$79.2 million. Of this, \$14.2 million is unassigned fund balance and available for day-to-day operations within the General Fund. \$22.7 million is committed fund balance for capital projects within the General Fund. \$41.8 million is restricted fund balance for General, Debt Service, and the non-major governmental funds in the amounts of \$0.2 million, \$2.8 million, and \$38.8 million respectively. \$0.4 million is nonspendable fund balance for the General Fund and the non-major governmental funds in the amount of \$0.4 million and \$45.4 thousand, respectively, for prepaid items.

There was a decrease in the combined fund balance of \$13.6 million from the prior year for the governmental funds. This overall decrease was primarily due to a decrease in the non-major capital project funds of \$20.9 million. Non-major special revenue funds increased by \$6.9 million and the Debt Service Fund increased by \$0.3 million. General Fund balance increased by \$0.1 million which is down from the previous year's increase of \$1.4 million. This net decrease in change in fund balance for General Fund of \$1.3 million is primarily due to the following factors:

- Increase in General Fund property tax allocation of \$12.5 million due to increased property valuations.
- Increase in fees of office collections of \$2.2 million due to increase in services from all the governmental functions.
- Decrease in federal funds of \$0.8 million primarily due to an increase in uncompensated care reimbursement from CMS for EMS of \$1.4 million and a decrease in grant funding of \$2.0 million.

- Increase in prisoner housing of \$2.3 million due to increased housing of state and federal inmates.
- Decrease in state funds of \$0.8 million primarily due to a reduction of right of way funding from Texas Department of Transportation.
- Decrease in local funds of \$1.9 million primarily due to the absence of a \$2.0 million donation for the Courthouse restoration.
- Increase in miscellaneous reimbursements of \$2.4 million primarily due to an increase in capital project participation from other entities.
- General administration expenditures increased by \$3.8 million primarily due to:
 - Increase of \$2.8 million in TIRZ payments.
 - Increase of \$2.1 million due to the movement of Jail Maintenance and Interdepartmental Construction cost centers to general administration from other governmental functions.
 - Decrease of \$2.2 million due to the movement of property/casualty/liability activity from General Fund to Other Self-Funded Insurance internal service fund.
 - Increase of \$1.1 million in retiree insurance and cost of living increase.
- Financial administration expenditures increased by \$0.7 million primarily due to an increase in payroll and related costs of the Tax Assessor/Collector.
- Administration of justice expenditures increase by \$3.0 million primarily due to additional employees and cost-of-living adjustments.
- Health and welfare expenditures increased by \$2.1 million primarily due to:
 - Increase in payroll for EMS and 1115 Waiver projects of \$1.2 million.
 - Increase in overtime for EMS of \$0.4 million.
 - Increase in 1115 Waiver project expenses of \$0.6 million.
- Public safety expenditures increased by \$2.2 million primarily due to:
 - Increase of \$2.0 million in payroll and related costs of patrol staff for the Sheriff's and Constables' Offices.
- Parks and recreation expenditures increased by \$0.4 million primarily due to the costs of operating Gordon Ranch, which was purchased in the current year.
- Libraries and education increased by \$0.6 million primarily due to an increase in payroll and related costs.

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 position balance at fiscal year-end of \$0.9 million, which is a \$1.5 million decrease from the prior year. This decrease was primarily caused by a budgeted reduction in net position from 2013. The Other Self-Funded Insurance Fund has a deficit net position balance of \$2.8 million at fiscal year-end, which is a slight improvement over the previous year's deficit net position balance of \$2.9 million. The allocation for the Other Self-Funded Insurance Fund will continue to be increased in future fiscal years to eliminate this deficit net position balance.

General Fund Budgetary Highlights

During the year there was a net decrease of \$10.5 million in expenditure appropriations between the original and final amended budget. The main components of this decrease were based on the following: \$2.7 million decrease for general administration; \$0.4 million increase for administration of justice; \$5.4 million decrease for health and welfare; \$3.2 million decrease for public safety; \$0.3 million decrease for libraries and education; and a \$0.7 million increase for capital outlay.

General Fund revenues exceeded the amended budget by \$8.6 million for the year. The reasons for this surplus are detailed as follows:

- Property taxes resulted in revenues of \$3.8 million excess over budget due to an increased collection rate above what was projected.

- Fees and fines resulted in \$3.2 million in excess revenues due to continued increased collections of fines, fees and court costs.
- Intergovernmental revenue resulted in \$2.0 million in excess primarily due to increased housing of federal prisoners of \$1.4 million and increased allotment from the Texas Indigent Defense Commission of \$0.4 million.
- Miscellaneous revenue resulted in a shortfall of \$0.4 million primarily due to reduced library fees assessed.

General Fund expenditures fell short of the amended budget by \$1.3 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 for significant negative variances is detailed as follows:

- General administration had one budget shortfall within individual budget categories for Non-Departmental of \$144,965. This shortfall did not cause an overall budget deficit within general administration, however, procedures have been put in place to prevent this in the future.
- Health and welfare had two minor budget shortfalls within individual budget categories for Ambulance-EMS and Public Transportation, of \$87 and \$815, respectively. These shortfalls did not cause an overall budget deficit within health and welfare, however, procedures have been put in place to prevent this in the future.
- Public safety had one minor budget shortfall within individual budget categories for Sheriff Enforcement Operating of \$2,551. This shortfall did not cause an overall budget deficit within public safety, however, procedures have been put in place to prevent this in the future.
- Other financing (uses) had a budget shortfall of \$3,032,697 in transfers (out). \$2,722,000 of this was caused by the movement of the cost center for Property/Casualty/Liability insurance from the General Fund to an internal service fund.

Capital Assets and Debt Administration

Capital Assets - At the end of fiscal year 2014, the County's governmental activities had invested \$1.2 billion in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents an increase of approximately \$35.3 million over the previous fiscal year.

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Non-Depreciable Capital Assets		
Land	\$ 383,045,250	\$ 366,817,209
Construction in progress	34,795,920	38,166,402
Depreciable Capital Assets, Net		
Vehicles	13,382,605	12,309,823
Office furniture and equipment	7,197,175	8,290,442
Machinery and equipment	10,185,953	10,969,480
Buildings, facilities and improvements	264,701,569	249,108,374
Infrastructure	466,820,822	459,175,523
Totals	<u>\$ 1,180,129,294</u>	<u>\$ 1,144,837,253</u>

Construction in progress at year-end represents numerous ongoing projects, the largest of which are: Mobility Bond projects for \$26.7 million; Westpark B frontage road project for \$2.4 million; and Utility Relocation-Greenbusch project for \$1.5 million.

Long-Term Debt - At the end of the current fiscal year, the County had total bonds outstanding of \$330.1 million. This is a decrease of \$17.4 million from the prior year due to the scheduled debt service payments made during fiscal year 2014. OPEB liability increased by \$31.0 million based on the actuarial valuation dated September 30, 2014, to a total balance of \$189.8 million.

	Governmental Activities	
	2014	2013
General obligation bonds	\$ 330,110,000	\$ 347,555,000
Premiums on bonds	17,598,537	17,257,865
Accrued compensated absences	6,536,895	5,970,991
Other post-employment benefits ("OPEB") obligation	189,759,358	158,780,332
Totals	\$ 544,004,790	\$ 529,564,188

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

Moody's – Aa1
Fitch – 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 of 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, 2014, approximately \$9.5 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, 2014, approximately \$136.4 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 as the economy improves.

The population of the County is estimated at 652,365 in 2014 and is expected to grow to 776,950 by 2020.

The number of households has increased to 220,070 in 2015 and is expected to grow to 255,510 by 2020. Mean household income for 2015 is \$172,088 and is estimated to rise to \$204,744 by 2020. Income per capita is currently at \$56,291 and is expected to grow to \$67,786 by 2020.

The Commissioners Court approved a \$290.2 million total budget for the 2015 fiscal year. This is a 6.97% increase over the adopted 2014 fiscal year budget. The increase in the budget is primarily due to a County-wide cost of living increase along with capital outlay totaling \$10.1 million. The overall tax rate decreased from \$0.49976 per \$100 of assessed valuation for 2014 to \$0.49476 per \$100 valuation for 2015.

Requests for Information

This financial report is designed to provide a general overview of Fort Bend County, Texas 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 701, Richmond, TX 77469, telephone (281) 341-3760.



BASIC FINANCIAL STATEMENTS



FORT BEND COUNTY, TEXAS
STATEMENT OF NET POSITION
September 30, 2014

	Primary Government	
	Governmental Activities	Component Units
Assets		
Cash and cash equivalents	\$ 91,177,639	\$ 94,300,493
Investments		450,783
Receivables:		
Property taxes, net	5,867,673	
Sales taxes	890,741	
Grants	9,041,303	
Fines and fees	4,319,143	
Other	5,033,192	3,682,110
Prepaid items	433,773	5,500
Due from Fort Bend Grand Parkway Toll Road Authority		167,765
Due from component units	3,292,500	
Capital assets, not being depreciated	417,841,170	18,519,599
Capital assets, net of accumulated depreciation	762,288,124	278,727,167
Total Assets	<u>1,300,185,258</u>	<u>395,853,417</u>
 Deferred Outflows of Resources		
Deferred charges-debt refunding	319,879	10,850,203
Total Deferred Outflows of Resources	<u>319,879</u>	<u>10,850,203</u>
 Liabilities		
Accounts payable and accrued expenses	28,662,152	3,900
Retainage payable	926,690	3,952,552
Accrued interest payable	1,288,111	1,172,852
Unearned revenues	2,955,972	
Due to primary government		3,292,500
Due to Fort Bend County Toll Road Authority		167,765
Due to other governments	745,386	
Long-term liabilities due within one-year	18,384,224	2,575,000
Long-term liabilities due in more than one-year	525,620,566	338,029,404
Total Liabilities	<u>578,583,101</u>	<u>349,193,973</u>
 Net Position (Deficit)		
Net investment in capital assets	839,830,725	(15,540,863)
Restricted for:		
Debt service	1,753,831	9,451,906
Unrestricted	(119,662,520)	63,598,604
Total Net Position	<u>\$ 721,922,036</u>	<u>\$ 57,509,647</u>

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

FORT BEND COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
General administration	\$ 47,178,578	\$ 8,323,648	\$ 3,626,019	\$ 3,500,000
Financial administration	9,809,215	6,497,643		
Administration of justice	96,510,853	8,400,556	10,213,349	
Construction and maintenance	57,430,317	6,759,102	372,129	32,683,107
Health and welfare	34,976,018	7,371,859	14,782,021	
Cooperative services	1,152,222		200	
Public safety	58,412,120	7,125,686	3,932,646	357,373
Parks and recreation	3,379,366	193,631	100,286	
Libraries and education	17,170,818	276,635	69,806	
Interest on long-term debt	14,836,824			
Total Primary Government	<u>\$ 340,856,331</u>	<u>\$ 44,948,760</u>	<u>\$ 33,096,456</u>	<u>\$ 36,540,480</u>
Component Units:				
FBC Surface Water Supply Corporation	\$	\$	\$	\$
FBC Toll Road Authority	14,683,931	23,724,115		
FB Grand Parkway Toll Road Authority	11,317,366	6,770,539		
FBC Housing Finance Corporation	18,072	53,919		
FBC Industrial Development Corporation	15,798			
Total Component Units	<u>\$ 26,035,167</u>	<u>\$ 30,548,573</u>	<u>\$</u>	<u>\$</u>

General Revenues:

Property taxes, penalties, and interest
Sales taxes
Earnings on investments
Miscellaneous

Total General Revenues

Changes in Net Position
Net Position, Beginning of Year
Net Position, End of Year

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

**Net (Expense) Revenue and
Changes in Net Position**

Primary Government	Component Units
-----------------------	--------------------

**Governmental
Activities**

\$ (31,728,911) (3,311,572) (77,896,948) (17,615,979) (12,822,138) (1,152,022) (46,996,415) (3,085,449) (16,824,377) (14,836,824) <u>(226,270,635)</u>	\$
--	----

9,040,184
(4,546,827)
35,847
<u>(15,798)</u>
<u>4,513,406</u>

222,838,642 4,214,553 880,712 4,373,699 <u>232,307,606</u> 6,036,971 715,885,065 <u>\$ 721,922,036</u>	258,070 2,065 <u>260,135</u> 4,773,541 52,736,106 <u>\$ 57,509,647</u>
---	---

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

FORT BEND COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2014

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Non-major Governmental Funds</u>	<u>Totals Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 39,695,212	\$ 2,726,546	\$ 44,803,106	\$ 87,224,864
Taxes receivable, net	3,047,631	272,848	1,498,903	4,819,382
Penalties and interest receivable on delinquent taxes, net	1,650,574	14,562	273,896	1,939,032
Grants receivable	8,458,942		582,361	9,041,303
Fines and fees receivable	4,319,143			4,319,143
Other receivables	3,047,213	27,985	1,809,873	4,885,071
Due from other funds	5,700,282		18,781	5,719,063
Due from component units	3,292,500			3,292,500
Prepaid items	386,965		45,408	432,373
Total Assets	<u>\$ 69,598,462</u>	<u>\$ 3,041,941</u>	<u>\$ 49,032,328</u>	<u>\$ 121,672,731</u>
Liabilities				
Accounts payable	\$ 15,509,675	\$	\$	\$ 15,509,675
Accrued payroll	6,048,555			6,048,555
Retainage payable	191,129		735,561	926,690
Due to other funds	247,741		5,901,490	6,149,231
Due to other governments	745,386			745,386
Total Liabilities	<u>22,742,486</u>		<u>6,637,051</u>	<u>29,379,537</u>
Deferred Inflows of Resources				
Unavailable revenue-property taxes	3,047,631	272,848	608,162	3,928,641
Unavailable/unearned revenue-other	6,283,845	14,562	2,915,740	9,214,147
Total Deferred Inflows of Resources	<u>9,331,476</u>	<u>287,410</u>	<u>3,523,902</u>	<u>13,142,788</u>
Fund Balances				
Nonspendable	386,965		45,408	432,373
Restricted	209,080	2,754,531	38,829,136	41,792,747
Committed	22,676,941			22,676,941
Unassigned	14,251,514		(3,169)	14,248,345
Total Fund Balances	<u>37,524,500</u>	<u>2,754,531</u>	<u>38,871,375</u>	<u>79,150,406</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 69,598,462</u>	<u>\$ 3,041,941</u>	<u>\$ 49,032,328</u>	<u>\$ 121,672,731</u>

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 POSITION
September 30, 2014

Total fund balances, governmental funds	\$ 79,150,406
Amounts reported for governmental activities in the Statement of Net Position 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 Position.	1,179,490,463
Other long-term assets are not available to pay for current period expenditures and are therefore deferred in the funds.	10,186,816
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 Position.	(1,932,627)
Some liabilities 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 Position.	
Bonds payable	(330,110,000)
Deferred charges on debt refunding	319,879
Compensated absences	(6,536,895)
Other post-employment benefits ("OPEB") obligation	(189,759,358)
Premiums on issuance of debt	(17,598,537)
Accrued interest is not due and payable in the current period and therefore not reported in the funds.	(1,288,111)
Net Position of Governmental Activities	<u>\$ 721,922,036</u>

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, 2014

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Non-major Governmental Funds</u>	<u>Totals Governmental Funds</u>
Revenues				
Property taxes	\$ 169,990,645	\$ 32,594,407	\$ 20,407,255	\$ 222,992,307
Sales taxes			4,214,553	4,214,553
Fines and fees	34,136,127		10,970,406	45,106,533
Intergovernmental	23,252,647		13,646,448	36,899,095
Earnings on investments	589,520	26,112	232,902	848,534
Miscellaneous	6,601,567		1,641,703	8,243,270
Total Revenues	<u>234,570,506</u>	<u>32,620,519</u>	<u>51,113,267</u>	<u>318,304,292</u>
Expenditures				
Current:				
General administration	40,451,397		1,027,513	41,478,910
Financial administration	7,883,935		7,099	7,891,034
Administration of justice	57,156,400		20,085,753	77,242,153
Construction and maintenance	2,497,848		32,877,095	35,374,943
Health and welfare	27,026,085		3,241,146	30,267,231
Cooperative services	944,039			944,039
Public safety	46,011,792		677,103	46,688,895
Parks and recreation	2,411,558			2,411,558
Libraries and education	13,551,652		62,223	13,613,875
Capital Outlay	22,461,153		18,503,433	40,964,586
Debt Service:				
Principal		16,250,000		16,250,000
Interest and fiscal charges		15,893,399		15,893,399
Bond issuance costs		234,472		234,472
Total Expenditures	<u>220,395,859</u>	<u>32,377,871</u>	<u>76,481,365</u>	<u>329,255,095</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>14,174,647</u>	<u>242,648</u>	<u>(25,368,098)</u>	<u>(10,950,803)</u>
Other Financing Sources (Uses)				
Transfers in	9,784		11,761,360	11,771,144
Transfers (out)	(14,066,553)		(426,591)	(14,493,144)
Refunding bonds issued		18,900,000		18,900,000
Payment to refunded bond escrow agent		(21,065,913)		(21,065,913)
Premium on refunding bonds issued		2,202,026		2,202,026
Total Other Financing Sources (Uses)	<u>(14,056,769)</u>	<u>36,113</u>	<u>11,334,769</u>	<u>(2,685,887)</u>
Net Change in Fund Balances	117,878	278,761	(14,033,329)	(13,636,690)
Fund Balances, Beginning of Year	37,406,622	2,475,770	52,904,704	92,787,096
Fund Balances, End of Year	<u>\$ 37,524,500</u>	<u>\$ 2,754,531</u>	<u>\$ 38,871,375</u>	<u>\$ 79,150,406</u>

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, 2014

Net change in fund balances - total governmental funds	\$ (13,636,690)
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 (\$40,964,586) exceeded depreciation expense (\$34,349,797) in the current period.	6,614,789
Capital contributions of infrastructure are reported in the government-wide financial statements but not in the fund financial statements.	28,972,177
Governmental funds report the entire net sales prices (proceeds) from the sales of capital assets as revenue because they provide current financial resources. The change in net position differs from the change in fund balance by the cost of capital assets sold.	(260,349)
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 position. Also, governmental funds report the effect of 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.	
Debt issued:	
General obligation bonds	(18,900,000)
Premium on bonds issued	(2,202,026)
Repayments:	
Principal repayments	16,250,000
Payment to escrow agent for refunding	21,065,913
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.	
Compensated absences	(565,904)
Accrued interest	80,726
Other post-employment benefit ("OPEB") obligation	(30,979,026)
Amortization of bond premiums	1,224,228
Amortization of deferred charge on refunding	(13,907)
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.	(153,665)
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.	(1,459,295)
Change in net position of governmental activities	<u>\$ 6,036,971</u>

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

FORT BEND COUNTY, TEXAS
STATEMENT OF NET POSITION (DEFICIT)
PROPRIETARY FUNDS
September 30, 2014

	Governmental Activities
	Internal Service Funds
Assets	
Current Assets:	
Cash and cash equivalents	\$ 3,952,775
Prepaid expenses	1,400
Due from other funds	646,748
Other receivables	148,121
Total Current Assets	<u>4,749,044</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	638,831
Total Noncurrent Assets	<u>638,831</u>
Total Assets	<u>5,387,875</u>
Liabilities	
Current Liabilities:	
Benefits payable	7,103,922
Due to other funds	216,580
Total Current Liabilities	<u>7,320,502</u>
Total Liabilities	<u>7,320,502</u>
Net Position (Deficit)	
Net investment in capital assets	638,831
Unrestricted	<u>(2,571,458)</u>
Total Net (Deficit)	<u>\$ (1,932,627)</u>

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

FORT BEND COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION (DEFICIT)
PROPRIETARY FUNDS
For the Year Ended September 30, 2014

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
Operating Revenues	
Charges for services	\$ 36,647,900
Total Operating Revenues	<u>36,647,900</u>
Operating Expenses	
Current operations - general administration	1,664,035
Benefits provided	<u>39,197,341</u>
Total Operating Expenses	<u>40,861,376</u>
Operating (Loss)	(4,213,476)
Non-Operating Revenues	
Earnings on investments	<u>32,181</u>
Total Non-Operating Revenues	<u>32,181</u>
(Loss) before transfers	(4,181,295)
Transfers in	<u>2,722,000</u>
Change in Net (Deficit)	(1,459,295)
Total Net (Deficit), Beginning of Year	<u>(473,332)</u>
Total Net (Deficit), End of Year	<u>\$ (1,932,627)</u>

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, 2014

	<u>Governmental Activities Internal Service Funds</u>
Cash Flows from Operating Activities	
Charges for services	\$ 35,274,043
Payment of benefits	(38,655,219)
Payment of general administration expenses	<u>(1,630,859)</u>
Net Cash (Used) by Operating Activities	<u>(5,012,035)</u>
 Cash Flows from Investing Activities	
Interest earned on investments	<u>32,181</u>
Net Cash Provided by Investing Activities	<u>32,181</u>
 Cash Flows from Non-Capital Financing Activities:	
Transfers from other funds	<u>2,722,000</u>
Net Cash Provided by Non-Capital Financing Activities	<u>2,722,000</u>
 Net (Decrease) in Cash and Cash Equivalents	(2,257,854)
 Cash and Cash Equivalents, Beginning of Year	<u>6,210,629</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 3,952,775</u>
 Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities	
Operating (Loss)	\$ (4,213,476)
Adjustments to operations:	
Depreciation	34,576
Change in assets and liabilities:	
(Increase) in prepaid expenses	(1,400)
(Increase) in other receivables	(148,121)
Decrease in due from other funds	848,363
(Decrease) in due to other funds	(2,074,099)
Increase in benefits payable	<u>542,122</u>
Total Adjustments	<u>(798,559)</u>
 Net Cash (Used) by Operating Activities	<u>\$ (5,012,035)</u>

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

FORT BEND COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2014

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 29,999,468
Miscellaneous receivables	<u>922,904</u>
Total Assets	<u>\$ 30,922,372</u>
Liabilities	
Due to other governments	<u>\$ 30,922,372</u>
Total Liabilities	<u>\$ 30,922,372</u>

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



FORT BEND COUNTY, TEXAS
STATEMENT OF NET POSITION (DEFICIT)
COMPONENT UNITS
September 30, 2014

	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	\$ 7,729	\$ 66,677,966	\$ 27,306,476	\$ 67,230	\$ 241,092	\$ 94,300,493
Investments				450,783		450,783
Due from Fort Bend Grand Parkway Toll Road Authority		167,765				167,765
Miscellaneous receivables		1,891,562	1,500,548	290,000		3,682,110
Prepaid items			5,500			5,500
Capital assets, not being depreciated		18,492,878	26,721			18,519,599
Capital assets, net of accumulated depreciation		145,293,941	133,433,226			278,727,167
Total Assets	<u>7,729</u>	<u>232,524,112</u>	<u>162,272,471</u>	<u>808,013</u>	<u>241,092</u>	<u>395,853,417</u>
Deferred Outflows of Resources						
Deferred charges-debt refunding		10,850,203				10,850,203
Total Deferred Outflows of Resources		<u>10,850,203</u>				<u>10,850,203</u>
Liabilities						
Accounts payable				3,900		3,900
Retainage payable			3,952,552			3,952,552
Due to Fort Bend County Toll Road Authority			167,765			167,765
Due to primary government		2,627,293	665,207			3,292,500
Accrued interest payable		574,502	598,350			1,172,852
Long-term liabilities:						
Due within one year		2,575,000				2,575,000
Due in more than one year		165,295,110	172,734,294			338,029,404
Total Liabilities		<u>171,071,905</u>	<u>178,118,168</u>	<u>3,900</u>		<u>349,193,973</u>
Net Position (Deficit)						
Net investment in capital assets		11,026,993	(26,567,856)			(15,540,863)
Restricted for:						
Debt service		2,915,323	6,536,583			9,451,906
Unrestricted	7,729	58,360,094	4,185,576	804,113	241,092	63,598,604
Total Net Position (Deficit)	<u>\$ 7,729</u>	<u>\$ 72,302,410</u>	<u>\$(15,845,697)</u>	<u>\$ 804,113</u>	<u>\$ 241,092</u>	<u>\$ 57,509,647</u>

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

FORT BEND COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT)
COMPONENT UNITS
For the Year Ended September 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>
Fort Bend County Surface Water Supply Corporation		
Health and welfare	\$ _____	\$ _____
Total Fort Bend County Surface Water Supply Corporation	<u>_____</u>	<u>_____</u>
Fort Bend County Toll Road Authority		
Toll road operations	8,222,919	23,724,115
Interest on long-term debt	<u>6,461,012</u>	<u>_____</u>
Total Fort Bend County Toll Road Authority	<u>14,683,931</u>	<u>23,724,115</u>
Fort Bend Grand Parkway Toll Road Authority		
Toll road operations	4,684,647	6,770,539
Interest on long-term debt	<u>6,632,719</u>	<u>_____</u>
Total Fort Bend Grand Parkway Toll Road Authority	<u>11,317,366</u>	<u>6,770,539</u>
Fort Bend County Housing Finance Corporation		
General administration	<u>18,072</u>	<u>53,919</u>
Total Fort Bend County Housing Finance Corporation	<u>18,072</u>	<u>53,919</u>
Fort Bend County Industrial Development Corporation		
General administration	<u>15,798</u>	<u>_____</u>
Total Fort Bend County Industrial Development Corporation	<u>15,798</u>	<u>_____</u>
Totals Component Units	<u>\$ 26,035,167</u>	<u>\$ 30,548,573</u>

General Revenues:

Earnings on investments

Miscellaneous

Total General Revenues

Changes in Net Position (Deficit)

Net Position (Deficit), Beginning of Year

Net Position (Deficit), End of Year

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

Net (Expense) Revenue and Changes in Net Position

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
\$	\$	\$	\$	\$	\$
	15,501,196				15,501,196
	(6,461,012)				(6,461,012)
	9,040,184				9,040,184
		2,085,892			2,085,892
		(6,632,719)			(6,632,719)
		(4,546,827)			(4,546,827)
			35,847		35,847
			35,847		35,847
				(15,798)	(15,798)
				(15,798)	(15,798)
	9,040,184	(4,546,827)	35,847	(15,798)	4,513,406
19	175,305	81,124	781	841	258,070
	2,065				2,065
19	177,370	81,124	781	841	260,135
19	9,217,554	(4,465,703)	36,628	(14,957)	4,773,541
7,710	63,084,856	(11,379,994)	767,485	256,049	52,736,106
\$ 7,729	\$ 72,302,410	\$ (15,845,697)	\$ 804,113	\$ 241,092	\$ 57,509,647

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

FORT BEND COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS

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. The District's governing body is the same as the County's and there is a financial benefit relationship between the County and the District. Financial information for the District is available at the Fort Bend County Auditor's Office located at 301 Jackson, Suite 701, Richmond, Texas 77469.

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 Fort Bend County Drainage District. Commissioners Court appoints the Board of Directors and approves all budgets and expenditures. The Corporation provides services entirely to the County and the debt service of the Corporation is repaid entirely by the County. Financial information for the FBFCWSC is available at the Fort Bend County Auditor's Office located at 301 Jackson, Suite 701, Richmond, Texas 77469.

Fort Bend County Assistance Districts (“CADs”)

The CADs are special districts authorized for creation by counties under chapter 387 of the Texas Local Government Code. CADs have the power to impose a sales and use tax for the following purposes: (1) the construction or maintenance of roads and highways; (2) provision of law enforcement and detention services; (3) maintenance or improvement of libraries, museums, parks or other recreational facilities; (4) provision of services that benefit the public health and welfare, including fire-fighting services; and (5) promotion of economic development and tourism. Currently there are five CADs (#1, #2, #4, #5, and #6) within Fort Bend County. CADs are political subdivisions of the state and each CAD has its own governing body, which is a five member Board of Directors. Each CADs’ governing body is the same as the County’s and there is a financial benefit relationship between the County and the CAD. Financial information is available at the Fort Bend County Auditor’s Office located at 301 Jackson, Suite 701, Richmond, Texas 77469.

Discretely Presented Component Units

Discretely presented component units are presented in a separate column in the government-wide financial 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 government-wide financial statements:

Fort Bend County Toll Road Authority (“FBCTRA”)

The FBCTRA is organized under the Texas Transportation Corporation Act and the Texas Non-Profit Corporation Act. It was created to assist in the planning, designing, financing and building of county roads and highways. In particular, the FBCTRA 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 Fort Bend County Auditor’s Office located at 301 Jackson, Suite 701, Richmond, Texas 77469.

Fort Bend Grand Parkway Toll Road Authority (“FBGPTRA”)

The FBGPTRA is organized under the Texas Transportation Corporation Act and the Texas Non-Profit Corporation Act. It was created to assist in the planning, designing, financing and building of county roads and highways. In particular, the FBGPTRA 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 Fort Bend County Auditor’s Office located at 301 Jackson, Suite 701, Richmond, Texas 77469.

Fort Bend County Surface Water Supply Corporation (“FBCSWSC”)

The FBCSWSC was established for the purpose of conducting a feasibility study of a surface water facility in the area. Currently, its 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 Fort Bend County Auditor’s Office located at 301 Jackson, Suite 701, Richmond, Texas 77469.

Fort Bend County Housing Finance Corporation (“FBCHFC”)

The FBCHFC was established under the Texas Housing Finance Corporation Act. It 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 FBCHFC do not constitute a debt or a pledge of faith by the FBCHFC, 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. Financial information is available by contacting the Fort Bend County Housing Finance Corporation, Thomas Shirley – President, 2214 Avenue H, Rosenberg, Texas 77471.

Fort Bend County Industrial Development Corporation (“FBCIDC”)

The FBCIDC was established under the Development Corporation Act of 1979 (“Act”). It 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 FBCIDC do not constitute a debt or a pledge of faith by the FBCIDC, 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. Financial information is available at the Fort Bend County Auditor’s Office located at 301 Jackson, Suite 701, Richmond, Texas 77469.

B. Implementation of New Standards

In the current fiscal year, the County implemented the following new standard:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (“GASB 65”), establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of GASB 65 is reflected in the financial statements and notes to financial statements.

Also, with this implementation, deferred charges, which consist of bond issuance costs and were amortized over the term of the bonds, are no longer recognized, but are accounted for as an expense in the period incurred. Therefore, the beginning net position on the Statement of Activities has been adjusted to reflect the portion of deferred charges that were incurred in prior years. The impact of the implementation of GASB 65 is a decrease of \$3,397,939 in beginning net position.

C. 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 activities; therefore no business-type activities are presented within the basic financial statements. In the government-wide Statement of Net Position, 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 position is not presented. All assets reported in agency funds should be offset by a corresponding liability, resulting in zero net position.

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, deferred inflows of resources, 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: Unlimited Tax Road Bonds Series 2006, Unlimited Tax Road Bonds Series 2007, Fort Bend Flood Control Water Supply Corporation Refunding Bonds Series 2010, Facilities Limited Tax Bonds Series 2007, Unlimited Tax Road Bonds Series 2009, Justice Center Limited Tax Bonds Series 2009, Unlimited Tax Road Refunding Series 2009, Unlimited Tax Road Bonds Series 2012, and Unlimited Tax Road Refunding Series 2014. Revenues in this fund are comprised of property taxes levied against property located in the County. These funds are restricted for the payment of debt service obligations.

The County also reports the following fund 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.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 fund balance.

The government-wide statements of net position 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 position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

The accounts of the Governmental Fund Types (the General Fund, Special Revenue Funds, Debt Service Fund, 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 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 financial statements of the proprietary fund types and certain component units 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.

E. 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. Significant encumbrances outstanding at year-end are represented in aggregate within the respective fund balance category (restricted or committed) on the face of the balance sheet. Additional information regarding significant encumbrances is included in Note 12 on page 57 in the section entitled "Committed to". Unencumbered appropriations lapse at the end of the fiscal year.

F. 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.

G. 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.

H. Receivables

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

I. 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.

J. Capital Assets

Capital assets used in governmental and proprietary fund types of the government are recorded as expenditures of the General, Special Revenue, Capital Projects, and Internal Service Funds and as capital 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 an 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 any resulting gain or loss is included in the results of operations.

The County applies a half-year convention for depreciation on all capital 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:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	5 to 7 years
Office furniture and equipment	5 to 7 years
Machinery and equipment	7 to 15 years
Buildings, facilities and improvements	5 to 39 years
Infrastructure	20 to 45 years

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide

statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County does not have any items that qualify for reporting in this category.

L. 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. 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 a component unit).

M. 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.

N. 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.

O. Net Position and Fund Balance

Net Position Classifications

Net position in government-wide financial statements are classified in three categories: 1) Net investment in capital assets, 2) Restricted net position, and 3) Unrestricted net position. Net position is shown as restricted if constraints placed on use are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. It is the County's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Classifications

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. Fund balances are required to be reported according to the following classifications:

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. When restricted and unrestricted fund balance exists for the same purpose, restricted fund balance will be used first.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by the County’s Board. The commitment of fund balance requires the highest level action of the Board to constitute a binding constraint on fund balance as defined by Texas Local Government Code 111.010 (d). This statute provides that the Commissioners Court (County’s Board) by order may amend the budget to transfer an amount budgeted for one item to another budgeted item without authorizing an emergency expenditure. This can only be achieved by majority vote of approval of the County’s Board. Commitments may only be changed or lifted by majority vote of approval of the County’s Board. The proposed action of the Board with regard to creation or modification of a commitment must also be clearly posted on the Board’s agenda in advance of taking any action.

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 (a) 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. As of the date of this report, the County’s Board has not authorized any other official to have the authority to assign fund balance; therefore the assignment of fund balance must be made by approval of the Board.

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.

When various unrestricted fund balance is available for the same purpose, the County will use committed fund balance first, assigned fund balance next, and unassigned fund balance last.

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.

P. 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.

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 expenditures/expenses during the reporting period. Actual amounts could differ from those estimates.

R. Date of Managements' Review

In preparing the financial statements, the County has evaluated events and transactions for potential recognition or disclosure through March 20, 2015, the date that the financial statements were available to be issued.

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.

Commissioners Court has adopted a written investment policy regarding the investment of its funds as defined by the PFIA. 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 PFIA, 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, 2014.

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 privately-managed public funds investment pool accounts.

As of September 30, 2014, 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 as of year-end, excluding agency funds:

	Governmental Funds	Internal Service Funds	Totals Governmental Activities	Component Units	Totals
Cash deposits	\$ 86,571,161	\$3,917,476	\$ 90,488,637	\$ 83,388,760	\$173,877,397
Investment pools:					
Texas CLASS	645,291	34,290	679,581	290,453	970,034
TexasTERM	3,354	-	3,354	1,007	4,361
LOGIC	5,058	1,009	6,067	1,015	7,082
Wells Fargo 100% Treasury Money Market Fund				895,130	895,130
Wells Fargo Government Money Market Fund				9,724,128	9,724,128
Totals cash and cash equivalents	87,224,864	3,952,775	91,177,639	94,300,493	185,478,132
Certificates of deposit				450,783	450,783
Totals Cash and Investments	\$ 87,224,864	\$3,952,775	\$ 91,177,639	\$ 94,751,276	\$185,928,915

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 PFIA. 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.

The TexasTERM Local Government Investment Pool ("TexasTERM") is organized in conformity with the PFIA. 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, 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 PFIA. The Pool was created in April, 1994 through a contract among its participating governmental units, and is governed by a board of directors, 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.

Wells Fargo 100% Treasury Money Market Fund seeks current income exempt from most state and local individual income taxes, while preserving capital and liquidity. It invests in high-quality, short-term money market instruments that consist of U.S. Treasury obligations.

Wells Fargo Government Money Market Fund seeks current income, while preserving capital and liquidity. It invests in high-quality, short-term money market instruments that consist of U.S. Government obligations and repurchase agreements collateralized by U.S. Government obligations.

C. Interest Rate Risk

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

	<u>Fair Value</u>	<u>Weighted Average Maturity (days)</u>	<u>Percentage of Total Portfolio</u>
Certificates of deposit	\$ 450,783	74	3.7%
Investment pools:			
Texas CLASS	970,034	43	8.1%
TexasTERM	4,361	47	0.0%
LOGIC	7,082	59	0.1%
Wells Fargo 100% Treasury Money Market Fund	895,130	50	7.4%
Wells Fargo Government Money Market Fund	<u>9,724,128</u>	33	80.7%
Total Fair Value	<u>\$ 12,051,518</u>		
Portfolio weighted average maturity		<u>37</u>	

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.

D. Credit Risk

The County's investment policy does not require investments to hold certain credit ratings issued by nationally recognized statistical rating organizations. As of September 30, 2014, the County's investments in Texas CLASS, TexasTERM, and LOGIC were rated "AAAm" by Standard and Poor's. The County's investments in both Wells Fargo Money Market Funds were rated "AAAm" and "Aaa-mf" by Standard and Poor's and Moody's Investments, respectively.

E. 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:

<u>Investment Type</u>	<u>Maximum Investment %</u>
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, 2014, were as follows:

	Governmental Activities			Totals
	General Fund	Debt Service Fund	Non-major Governmental Funds	
Receivables:				
Property taxes	\$ 3,386,257	\$ 303,164	\$ 675,736	\$ 4,365,157
Sales taxes			890,741	890,741
Penalties and interest on delinquent taxes	1,833,971	16,180	304,328	2,154,479
Grants	8,458,942		582,361	9,041,303
Fines and fees	4,319,143			4,319,143
Other	3,047,213	27,985	1,809,873	4,885,071
Gross receivables	21,045,526	347,329	4,263,039	25,655,894
Less: allowance for uncollectibles	(522,023)	(31,934)	(98,006)	(651,963)
Totals	\$ 20,523,503	\$ 315,395	\$ 4,165,033	\$ 25,003,931

Governmental funds report unavailable 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, 2014, the various components of unavailable revenue reported in the governmental funds are as follows:

	Unavailable	Unearned
Delinquent property taxes (General Fund)	\$ 3,047,631	\$
Delinquent property taxes (Road and Bridge Fund)	461,471	
Delinquent property taxes (Drainage District Fund)	146,691	
Delinquent property taxes (Debt Service Fund)	272,848	
Penalties and interest on delinquent taxes	1,939,032	
Fines and fees (General Fund)	4,319,143	
Grant funds received prior to meeting all eligibility requirements		2,955,972
Total unavailable/unearned revenue for governmental funds	\$ 10,186,816	\$ 2,955,972

NOTE 4 – PROPERTY TAXES

The County's tax year covers the period October 1st through September 30th. 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 1st of that calendar year. Such taxes become delinquent on February 1st 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. 2013 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 2014 fiscal year (2013 tax year), the County levied

property taxes of \$0.49976 per \$100 of assessed valuation. The 2013 rates resulted in total adjusted tax levies of approximately \$220.7 million based on a total adjusted valuation of approximately \$42.0 billion. The total tax rate in the 2013 tax year was prorated as follows:

	<u>2013 Rate</u>	<u>2013 Limit</u>
General, certain Special Revenue and Debt Service Funds	\$ 0.48476	\$ 0.80000
Fort Bend County Drainage District	<u>\$ 0.01500</u>	<u>\$ 0.25000</u>
Total Tax Rate	<u><u>\$ 0.49976</u></u>	<u><u>\$ 1.05000</u></u>

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. As of September 30, 2014, the interfund receivables and payables were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 5,700,282	\$ 247,741
Non-major Governmental Funds	18,781	5,901,490
	<u>5,719,063</u>	<u>6,149,231</u>
Internal Service Funds	646,748	216,580
Total Governmental Activities	<u><u>\$ 6,365,811</u></u>	<u><u>\$ 6,365,811</u></u>

Transfers totaling approximately \$14.5 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.

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund	\$ 9,784	\$ 14,066,553
Non-major Governmental Funds	11,761,360	426,591
	<u>11,771,144</u>	<u>14,493,144</u>
Internal Service Funds	2,722,000	
Total Governmental Activities	<u><u>\$ 14,493,144</u></u>	<u><u>\$ 14,493,144</u></u>

NOTE 6 – CAPITAL ASSETS

A summary of changes in the primary government’s capital assets for the year ended September 30, 2014, is as follows:

	Primary Government			Balances 9/30/14
	Balances 10/1/13	Increases	Decreases	
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 366,817,209	\$ 16,228,041	\$	\$ 383,045,250
Construction in progress	38,166,402	34,666,373	(38,036,855)	34,795,920
Total capital assets not being depreciated	<u>404,983,611</u>	<u>50,894,414</u>	<u>(38,036,855)</u>	<u>417,841,170</u>
Depreciable capital assets:				
Vehicles	30,988,379	5,210,039	(1,987,258)	34,211,160
Office furniture and equipment	29,967,508	2,609,676	(553,745)	32,023,439
Machinery and equipment	26,008,756	1,120,880	(921,321)	26,208,315
Buildings, facilities and improvements	324,255,367	24,182,273	(342,493)	348,095,147
Infrastructure	610,319,068	24,014,143	(2,883,150)	631,450,061
Total other capital assets	<u>1,021,539,078</u>	<u>57,137,011</u>	<u>(6,687,967)</u>	<u>1,071,988,122</u>
Accumulated depreciation for:				
Vehicles	(18,678,556)	(4,057,832)	1,907,833	(20,828,555)
Office furniture and equipment	(21,677,066)	(3,700,075)	550,877	(24,826,264)
Machinery and equipment	(15,039,276)	(1,713,621)	730,535	(16,022,362)
Buildings, facilities and improvements	(75,146,993)	(8,544,000)	297,415	(83,393,578)
Infrastructure	(151,143,545)	(16,368,845)	2,883,151	(164,629,239)
Total accumulated depreciation	<u>(281,685,436)</u>	<u>(34,384,373)</u>	<u>6,369,811</u>	<u>(309,699,998)</u>
Depreciable capital assets, net	<u>739,853,642</u>	<u>22,752,638</u>	<u>(318,156)</u>	<u>762,288,124</u>
Total governmental activities capital assets, net	<u>\$1,144,837,253</u>	<u>\$ 73,647,052</u>	<u>\$ (38,355,011)</u>	<u>\$1,180,129,294</u>

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

Fiscal Year 2014 Depreciation Expense	
General administration	\$ 1,680,320
Financial administration	362,771
Administration of justice	5,817,376
Construction and maintenance	18,664,998
Health and welfare	1,892,472
Cooperative services	70,458
Public safety	3,590,777
Parks and recreation	661,313
Library	1,609,312
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	34,576
Total Depreciation Expense	<u>\$ 34,384,373</u>

Construction in progress and remaining commitments under related construction contracts for general government construction projects as of September 30, 2014, is as follows:

2014 CONSTRUCTION COSTS

Project	Balances 10/1/13	Increases- Retainage Included	Decreases- Capitalizations	Balances 9/30/14	Remaining Commitments
2011 5307 Capital	\$	\$ 183,175	\$	\$ 183,175	\$
Barker Cypress Park Lighting	139,731		(139,731)		8,382
Beechnut Improvements		56,673	(56,673)		38,105
Big Creek		216,555	(216,555)		286,360
Big Creek FBFCWSC - Bonds		31,950	(31,950)		688,384
Bridge Construction		55,980	(7,633)	48,347	8,155
Bud O'Sheiles Bldg. Fdn. Repair		122,800		122,800	
CAD Expansion	709,690	2,557,838	(3,267,528)		67,893
Courthouse Renovation Project	3,936,110	1,550,957	(5,487,067)		180,664
Crabb River Road Expansion	652,760	20,987		673,747	263,343
Facilities Tracking Software					21,950
Fairgrounds Renovations	203,876	367,396		571,272	1,089
FM762 Landscaping	17,239	204,515		221,754	
Freedom Park Storage Bldg.		11,201		11,201	
Ft Bend Senior Meals on Wheels		77,420		77,420	
Fuel Site Upgrades	28,031			28,031	
Gapps Slough	72,114	9,374		81,488	2,511
Gordon Ranch		82,636		82,636	
IT Hardware Infrastructure	63,978			63,978	183,983
Jail Expansion Prop 1 - Bonds		178,763		178,763	
Jail Repairs Project		83,300		83,300	
Kitty Hollow Park Infrastructure	22,279	427,156	(449,435)		59,560
Library Admin Building - George Fnd. Grant	9,383		(9,383)		99,889
Library Administration Building	1,551,294	2,411,393	(3,962,687)		1,891,860
Mobility Projects - Bonds	16,785,803	21,494,675	(11,531,806)	26,748,672	17,050,272
Pedestrian Mall	11,983	588,859	(600,842)		2,077
Phone System Upgrade	970,377	24,750	(995,127)		31,333
Senior Citizens' Community Center	1,980,497	565,169	(2,545,666)		376,767
Sienna Parkway Project		198,843		198,843	
Stafford Run Project	603,569	111,468		715,037	109,172
Traffic Signals		495,102		495,102	118,138
Travis Building Renovation	120,737	204,319		325,056	3,673
Utility Relocation - Greenbusch	1,496,929			1,496,929	
Utility Relocation - West Belfort	20,560			20,560	
Wespark B Frontage Roads	1,977,855	389,954		2,367,809	2,035,698
Projects Completed in FY2014	6,791,607	1,943,165	(8,734,772)		
Totals	\$ 38,166,402	\$ 34,666,373	\$ (38,036,855)	\$ 34,795,920	\$ 23,529,258

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, 2014, is as follows:

	Discretely Presented Component Units			Balances 9/30/14
	Balances 10/1/13	Increases	Decreases	
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 12,440,939	\$ 56,489	\$	\$ 12,497,428
Construction in progress	125,020,551	39,787,302	(158,785,682)	6,022,171
Total capital assets not being depreciated	<u>137,461,490</u>	<u>39,843,791</u>	<u>(158,785,682)</u>	<u>18,519,599</u>
Depreciable capital assets:				
Infrastructure	158,727,154	158,785,682		317,512,836
Total other capital assets	<u>158,727,154</u>	<u>158,785,682</u>		<u>317,512,836</u>
Accumulated depreciation for:				
Infrastructure	(32,930,172)	(5,855,497)		(38,785,669)
Total accumulated depreciation	<u>(32,930,172)</u>	<u>(5,855,497)</u>		<u>(38,785,669)</u>
Depreciable capital assets, net	125,796,982	152,930,185		278,727,167
Total Governmental Activities capital assets, net	<u>\$ 263,258,472</u>	<u>\$ 192,773,976</u>	<u>\$ (158,785,682)</u>	<u>\$ 297,246,766</u>

Depreciation expense for the Fort Bend County Toll Road Authority and the Fort Bend Grand Parkway Toll Road Authority totaled \$5,855,497 for fiscal year 2014.

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 as of September 30, 2014, are as follows:

2014 CONSTRUCTION COSTS					
Project	Balances 10/1/13	Increases- Retainage Included	Decreases- Capitalizations	Balances 9/30/14	Remaining Commitments
Fort Bend County Toll Road Authority	\$ 22,719,851	\$ 6,943,327	\$ (23,663,428)	\$ 5,999,750	\$ 4,223,791
Fort Bend Grand Parkway Toll Road Authority	102,300,700	32,843,975	(135,122,254)	22,421	7,342,145
Totals	<u>\$ 125,020,551</u>	<u>\$ 39,787,302</u>	<u>\$ (158,785,682)</u>	<u>\$ 6,022,171</u>	<u>\$ 11,565,936</u>

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 as of September 30, 2014, 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	2015	\$ 1,345,000
26,000,000	Unlimited Tax Road Bonds, Series 2007	4.00 - 4.25	2027	19,170,000
126,675,000	Facilities Limited Tax Bonds, Series 2007	4.00 - 5.00	2031	114,310,000
48,940,000	Unlimited Tax Road Bonds, Series 2009	3.00 - 5.00	2029	40,245,000
73,430,000	Justice Center Limited Tax Bonds, Series 2009	3.00 - 5.25	2030	62,215,000
20,780,000	Unlimited Tax Road Refunding Bonds, Series 2009	3.00 - 5.00	2021	12,900,000
9,675,000	Fort Bend Flood Control Water Supply Refunding Bonds, Series 2010	2.50 - 4.00	2021	6,665,000
58,220,000	Unlimited Tax Road Bonds, Series 2012	2.00 - 5.00	2032	54,360,000
18,900,000	Unlimited Tax Road Refunding Bonds, Series 2014	1.00 - 5.00	2026	18,900,000
	Total General Obligation Bonds			\$ 330,110,000

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 Refunding Bonds were issued to refund and defease the FBFCWSC’s outstanding Revenue Bonds, Series 2001, which were originally issued to fund the improvement of Big Creek as a component of the Drainage District infrastructure.

On April 3, 2014, Fort Bend County issued \$18,900,000 of Unlimited Tax Road Refunding Bonds to refund and defease a material portion of the Unlimited Tax Road Bonds, Series 2006 of \$20,095,000. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$2,820,553, and resulted in an economic gain of \$2,620,016.

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.

A summary of long-term liability transactions of the County for the year ended September 30, 2014, follows:

	<u>Balances 10/1/13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances 9/30/14</u>	<u>Amounts Due Within One Year</u>
Bonds payable:					
General obligation bonds	\$ 347,555,000	\$ 18,900,000	\$(36,345,000)	\$ 330,110,000	\$ 16,750,000
Premiums on bonds	17,257,865	2,202,026	(1,861,354)	17,598,537	
Total bonds payable	364,812,865	21,102,026	(38,206,354)	347,708,537	16,750,000
Accrued compensated absences	5,970,991	7,271,775	(6,705,871)	6,536,895	1,634,224
Other post-employment benefits ("OPEB") obligation	158,780,332	35,741,230	(4,762,204)	189,759,358	
Total Long-Term Liabilities	<u>\$ 529,564,188</u>	<u>\$ 64,115,031</u>	<u>\$(49,674,429)</u>	<u>\$ 544,004,790</u>	<u>\$ 18,384,224</u>

Bonded debt is funded primarily by property taxes from the Debt Service Fund. Accrued compensated absences are payable by the fund in which the individual positions are budgeted. General Fund and the Drainage District Fund have been used to fund current OPEB costs. As of the date of this report, the long-term portion of the OPEB liability is not funded.

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

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 16,750,000	\$ 15,135,154	\$ 31,885,154
2016	17,310,000	14,476,191	31,786,191
2017	17,445,000	13,764,929	31,209,929
2018	18,055,000	13,007,835	31,062,835
2019	18,730,000	12,180,116	30,910,116
2020-2024	97,890,000	46,950,532	144,840,532
2025-2029	107,060,000	21,870,775	128,930,775
2030-2032	36,870,000	2,010,644	38,880,644
Totals	<u>\$ 330,110,000</u>	<u>\$ 139,396,176</u>	<u>\$ 469,506,176</u>

Discretely presented component units long-term bonded debt as of September 30, 2014, is listed below:

Discretely Presented Component Units				
<u>Original Issue</u>	<u>Description</u>	<u>Interest Rate</u>	<u>Matures</u>	<u>Debt</u> <u>Outstanding</u>
		%		
<u>Fort Bend County Toll Road Authority:</u>				
Revenue Bonds				
\$ 72,195,000	Unlimited Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2004	4.00 - 5.00	2015	\$ 1,520,000
30,775,000	Senior Lien Toll Road Revenue Bonds, Series 2012	2.00 - 4.125	2040	30,775,000
116,940,000	Unlimited Tax and Subordinate Lien Toll Road Revenue Refunding Bonds Series 2012	3.125 - 5.00	2032	116,940,000
Total Revenue Bonds				<u>\$ 149,235,000</u>
<u>Fort Bend Grand Parkway Toll Road Authority:</u>				
Revenue Bonds				
\$ 155,085,000	Limited Contract Tax and Subordinate Lien Toll Road Revenue Bonds, Series 2012	3.00 - 5.00	2046	\$ 155,085,000
Total Revenue Bonds				<u>\$ 155,085,000</u>

A summary of long-term liability transactions of the discretely presented component units for the year ended September 30, 2014, follows:

<u>Fort Bend County Toll Road Authority:</u>					
	<u>Balances</u> <u>10/1/13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u> <u>9/30/14</u>	<u>Amounts Due</u> <u>Within One</u> <u>Year</u>
Revenue bonds	\$ 151,580,000	\$	\$ (2,345,000)	\$ 149,235,000	\$ 2,575,000
Premiums on bonds	20,052,142		(1,117,852)	18,934,290	
Discounts on bonds	(310,836)		11,656	(299,180)	
Total Long-Term Liabilities	<u>\$ 171,321,306</u>	<u>\$</u>	<u>\$ (3,451,196)</u>	<u>\$ 167,870,110</u>	<u>\$ 2,575,000</u>
<u>Fort Bend Grand Parkway Toll Road Authority:</u>					
	<u>Balances</u> <u>10/1/13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances</u> <u>9/30/14</u>	<u>Amounts Due</u> <u>Within One</u> <u>Year</u>
Revenue bonds	\$ 155,085,000	\$	\$	\$ 155,085,000	\$
Premiums on bonds	18,202,275		(552,981)	17,649,294	
Total Long-Term Liabilities	<u>\$ 173,287,275</u>	<u>\$</u>	<u>\$ (552,981)</u>	<u>\$ 172,734,294</u>	<u>\$</u>

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

Fort Bend County Toll Road Authority:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 2,575,000	\$ 6,834,925	\$ 9,409,925
2016	3,745,000	6,705,875	10,450,875
2017	4,470,000	6,552,225	11,022,225
2018	5,315,000	6,343,712	11,658,712
2019	5,850,000	6,107,337	11,957,337
2020-2024	35,560,000	25,953,197	61,513,197
2025-2029	45,390,000	16,340,913	61,730,913
2030-2034	35,880,000	5,050,594	40,930,594
2035-2039	8,535,000	1,292,563	9,827,563
2040	1,915,000	39,497	1,954,497
Totals	\$ 149,235,000	\$ 81,220,838	\$ 230,455,838

Fort Bend Grand Parkway Toll Road Authority:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$	\$ 7,180,200	\$ 7,180,200
2016		7,180,200	7,180,200
2017		7,180,200	7,180,200
2018		7,180,200	7,180,200
2019		7,180,200	7,180,200
2020-2024	11,015,000	35,016,375	46,031,375
2025-2029	21,625,000	30,589,725	52,214,725
2030-2034	26,585,000	25,358,725	51,943,725
2035-2039	33,610,000	18,034,500	51,644,500
2040-2044	42,610,000	8,715,875	51,325,875
2045-2046	19,640,000	793,200	20,433,200
Totals	\$ 155,085,000	\$ 154,409,400	\$ 309,494,400

B. Conduit Debt – Component Units

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, 2014, \$9,527,745 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. As of September 30, 2014, \$136,372,737 of total bonds are outstanding.

B. Defeasance of Debt

In fiscal year 2014, the County defeased a large portion of the Unlimited Tax Road Bonds, Series 2006 by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service on the refunded bonds. The trust account assets and the liability for the defeased bonds are not included in the County's basic financial statements. As of September 30, 2014, the outstanding balance of these bonds was \$20,095,000.

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 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.

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 12.21% for calendar year 2014. The contribution rate payable by the employee members is 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 2014 was \$119.9 million and the County's contributions were based on a payroll of \$117.5 million. Contributions made by employees totaled \$8.2 million, and the County made contributions of \$14.1 million during the fiscal year ended September 30, 2014.

Three-year trend information for the pension plan is presented below:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual Pension Cost ("APC")	\$ 14,139,360	\$ 12,681,672	\$ 12,127,523
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation at the End of Period	0	0	0

For the year ended September 30, 2014, the pension cost for the TCDRS plan and the actual contributions made were \$14,139,360. Because all contributions are made as required, no pension obligation existed at September 30, 2014.

<u>Actuarial Information</u>	<u>12/31/2013</u>
Actuarial cost method	Entry age
Amortization method	level percentage of payroll, closed
Amortization period	20 years
Asset valuation method	SAF: 5-year smoothed value ESF: Fund value
Assumptions:	
Investment return	8.0%
Projected salary increases	4.9%
Inflation	3.0%
Cost-of-living adjustments	0.0%

C. Funded Status and Funding Progress

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

<u>Schedule of Funding Information</u>	<u>12/31/2013</u>
Actuarial valuation date	12/31/2013
Actuarial value of assets	\$ 317,963,410
Actuarial accrued liability ("AAL")	\$ 378,799,769
liability ("UAAL" or "OAAL")	\$ 60,836,359
Funded ratio	83.94%
Annual covered payroll (actuarial)	\$ 112,043,745
UAAL or OAAL as % of covered payroll	54.30%

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 (“OPEB”)

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.

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. As of September 30, 2014, there were 687 retirees receiving benefits and approximately 2,577 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 2014 are as follows:

C. Annual OPEB Costs and Net OPEB Obligation

For fiscal year 2014, the County's annual OPEB cost for the Plan was \$35,741,230. 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, 2014, were as follows:

	<u>Fiscal Year Ending 9/30/14</u>
Determination of Annual Required Contribution	
Normal Cost at Fiscal Year End	\$ 20,168,775
Amortization of Unfunded Actuarial Accrued Liability	18,050,360
Annual Required Contribution ("ARC")	<u>38,219,135</u>
Determination of Net OPEB Obligation	
Annual Required Contribution	38,219,135
Interest on prior-year Net OPEB Obligation	6,351,213
Adjustment to ARC	<u>(8,829,118)</u>
Annual OPEB Cost	35,741,230
Less Assumed Contributions Made	<u>(4,762,204)</u>
Estimated Increase in Net OPEB Obligation	30,979,026
Net OPEB Obligation - Beginning of Year	<u>158,780,332</u>
Net OPEB Obligation - End of Year	<u><u>\$ 189,759,358</u></u>
Percentage of OPEB Cost Contributed	13.3%

D. Trend Information

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

<u>Fiscal Year Ended</u>	<u>Discount Rate</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	4%	\$ 32,376,384	12.7%	\$ 130,029,910
2013	4%	\$ 33,507,178	14.2%	\$ 158,780,332
2014	4%	\$ 35,741,230	13.3%	\$ 189,759,358

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, 2013
Actuarial value of plan assets (a)	\$	0
Actuarial accrued liability ("AAL") (b)	\$	283,630,840
Unfunded/(Overfunded) actuarial accrued liability ("UAAL" or "OAAL") (b-a)	\$	283,630,840
Funded Ratio (a/b)		0.0%
Annual Covered Payroll (c)	\$	112,043,745
UAAL or OAAL as % of covered payroll ((b-a)/c)		253.1%

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 the following:

- Healthcare cost trend rates:
 - Pre-65 trend begins at 6.2% in fiscal year 2011 and falls to 4.7% in 2089.
 - Post-65 trend begins at 6.2% in fiscal year 2011 and falls to 4.8% in 2099.
 - Dental trend begins at 5.86% in fiscal year 2011 and falls to 3.95% in 2024.
- 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.
- 2.75% inflation rate.
- No projected salary increases.

NOTE 11 – NET PENSION OBLIGATION AND OTHER POST-EMPLOYEMENT 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 the General Fund and the Drainage District Fund. The Drainage District Fund 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 the General Fund.

NOTE 12 – FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned, as described in Note 1. Fund balances for all the major and non-major governmental funds as of September 30, 2014, were distributed as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Non-major Governmental Funds</u>	<u>Totals</u>
Nonspendable:				
Prepaid items	\$ 386,965	\$	\$ 45,408	\$ 432,373
Subtotal	<u>386,965</u>		<u>45,408</u>	<u>432,373</u>
Restricted for:				
General administration	1,889		3,579,078	3,580,967
Financial administration			108	108
Administration of justice	153,610		2,735,650	2,889,260
Construction and maintenance			29,920,445	29,920,445
Health and welfare	40,445		202,614	243,059
Public safety			2,261,615	2,261,615
Cooperative services	13,136			13,136
Library			129,626	129,626
Debt service		<u>2,754,531</u>		<u>2,754,531</u>
Subtotal	<u>209,080</u>	<u>2,754,531</u>	<u>38,829,136</u>	<u>41,792,747</u>
Committed to:				
Facility construction/renovation	4,585,960			4,585,960
Mobility road projects	1,813,551			1,813,551
Community development	30,000			30,000
Parks and Fairgrounds renovations	1,704,192			1,704,192
Pedestrian Mall	125,343			125,343
IT Infrastructure	1,107,822			1,107,822
Radio replacement	3,000,000			3,000,000
Software projects	2,569,881			2,569,881
Right-of-way acquisitions	7,740,192			7,740,192
Subtotal	<u>22,676,941</u>			<u>22,676,941</u>
Unassigned	<u>14,251,514</u>		<u>(3,169)</u>	<u>14,248,345</u>
Total Fund Balances	<u>\$ 37,524,500</u>	<u>\$ 2,754,531</u>	<u>\$ 38,871,375</u>	<u>\$ 79,150,406</u>

NOTE 13 – CONTINGENCIES AND COMMITMENTS

A. Construction Contract Commitments

The County had several capital improvement commitments as of September 30, 2014. 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, 2014.

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.

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 ("IBNR"). 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. A summary of the changes in the balances of claims liabilities for the years ended September 30, 2014 and 2013 is as follows:

Employee Benefits:

	Year ended 9/30/2014	Year ended 9/30/2013
Unpaid claims, beginning of year	\$ 3,083,926	\$ 1,694,834
Incurred claims (including IBNRs)	30,024,806	27,718,103
Claim payments	(29,454,801)	(26,329,011)
Unpaid claims, end of year	<u>\$ 3,653,931</u>	<u>\$ 3,083,926</u>

Other Insurance:

	Year ended 9/30/2014	Year ended 9/30/2013
Unpaid claims, beginning of year	\$ 3,477,874	\$ 3,685,926
Incurred claims (including IBNRs)	527,651	342,318
Claim payments	(555,534)	(550,370)
Unpaid claims, end of year	<u>\$ 3,449,991</u>	<u>\$ 3,477,874</u>

NOTE 15 – DEFICIT NET POSITION

As of September 30, 2014, Other Self-Funded Insurance Fund has a deficit net position of \$2,846,843. The growth in the deficit was eliminated in 2014 with the increased allocation by management. Management increased the allocation in 2015 to eliminate the deficit net position by the end of fiscal year 2017.

As of September 30, 2014, the Fort Bend Grand Parkway Toll Road Authority has a deficit net position of \$15,845,697. This is caused by the issuance of bonds for the construction of the tolled overpasses along State Highway 99. Operating revenues from toll collections began in February 2014. Therefore, sufficient assets have not yet been generated to offset the liabilities, resulting in a deficit net position.

NOTE 16 – RESTATEMENT OF BEGINNING NET POSITION

During the 2014 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, machinery and equipment, building, facilities and improvements, and infrastructure by (\$2,641,981), (\$147,316), (\$159,901), \$111,261, \$845,097, and \$704,586 respectively. Accumulated depreciation has been restated for vehicles, office furniture and equipment, machinery and equipment, building, facilities and improvements, and infrastructure by \$37,087, \$29,480, (\$37,087), (\$2,557,470) and \$147,011 respectively. Therefore, governmental activities total beginning net position was decreased by \$3,669,233.

NOTE 17 – SUBSEQUENT EVENTS

Fort Bend County is in the process of issuing the Series 2015A bonds of \$50,910,000 for the construction, purchase, maintenance and operation of macadamized, graveled and paved roads and turnpikes, and advance refunding and defeasing \$16,840,000 of the County's Unlimited Tax Road Bonds, Series 2007, in order to lower the overall annual debt service requirements of the County, and to pay the costs of issuance of the Bonds. The County is also in the process of issuing the Series 2015B Bonds for the purpose of advance refunding and defeasing \$100,470,000 of the County's Limited Tax Bonds, Series 2007, in order to lower the overall annual debt service requirements of the County, and to pay the costs of issuance of the Bonds. Both of these issuances are scheduled to close May 13, 2015.

The Fort Bend County Toll Road Authority issued \$45 million in first lien revenue bonds in December, 2014 to finance the construction of the Highway 6 overpass (\$33 million), purchase of right-of-way for Westpark-B extensions (\$11 million) and toll conversion project for Parkway-A and Westpark-A (\$4 million). This series was sold at a premium to allow funding for all components. The Authority plans to issue between \$60.1 million and \$68.5 million in first lien revenue bonds in the summer of 2015 for phase one of the Westpark Toll Way extension.



APPENDIX C

FORM OF BOND COUNSEL'S OPINIONS

ALLEN BOONE HUMPHRIES ROBINSON LLP

ATTORNEYS AT LAW

PHOENIX TOWER
3200 SOUTHWEST FREEWAY
SUITE 2500
HOUSTON, TEXAS 77027
TEL (713) 860-6400
FAX (713) 860-6401
abhr.com

May 13, 2015*

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

FORT BEND COUNTY, TEXAS LIMITED TAX REFUNDING BONDS, SERIES 2015, dated May 1, 2015, in initial denominations equal to the entire principal amount of each scheduled maturity of the Bonds, aggregating \$93,290,000*.

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 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 and the bonds being refunded, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the County and of Wells Fargo Bank, N.A., a national banking association (the "Escrow Agent"); the report of Grant Thornton L.L.P., certified public accountants (the "Report"), verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the bonds being refunded and the mathematical accuracy of certain computations of the yield on the Bonds and obligations acquired with the proceeds of the Bonds; customary certificates of officers, agents, and representatives of the Escrow Agent, the County, and

other public officials; and other certified showings relating to the authorization and issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the bonds being refunded. We also have examined executed Bond No. IB-1 of this issue.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that:

- (1) 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 County, and taxable property in the County is subject to the levy of ad valorem taxes to pay the same, within the limits prescribed by law.
- (2) The transcript of certified proceedings evidences that firm banking and financial arrangements have been made for the discharge and final payment of the bonds being refunded pursuant to an escrow agreement entered into between the County and the Escrow Agent on or effective as of the date of delivery of the Bonds, and that therefore such bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in such escrow agreement.

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.

Owners 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).

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.

ALLEN BOONE HUMPHRIES ROBINSON LLP

ATTORNEYS AT LAW

PHOENIX TOWER
3200 SOUTHWEST FREEWAY
SUITE 2600
HOUSTON, TEXAS 77027
TEL (713) 860-6400
FAX (713) 860-6401
abhr.com

May 13, 2015*

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 AND REFUNDING BONDS, SERIES 2015, dated May 1, 2015, in the total authorized amount of \$50,910,000*.

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 and the bonds being refunded, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the County and of Wells Fargo Bank, N.A., a national banking association (the "Escrow Agent"); the report of Grant Thornton L.L.P., certified public accountants (the "Report"), verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the bonds being refunded and the mathematical accuracy of certain computations of the yield on the Bonds and obligations acquired with the proceeds of the Bonds; customary certificates of officers, agents, and representatives of the Escrow Agent, the County, and other public officials; and other certified showings relating to the authorization and

issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the bonds being refunded. We also have examined executed Bond No. IB-1 of this issue.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that:

- (1) 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 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.
- (2) The transcript of certified proceedings evidences that firm banking and financial arrangements have been made for the discharge and final payment of the bonds being refunded on or effective as of the date of delivery of the Bonds, and that therefore such bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor.

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.