

OFFICIAL STATEMENT

Dated May 10, 2016

Ratings:
Moody's: Aa1
Fitch: AA+
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.

\$75,340,000
FORT BEND COUNTY, TEXAS
UNLIMITED TAX ROAD AND REFUNDING BONDS
SERIES 2016A

\$94,420,000
FORT BEND COUNTY, TEXAS
LIMITED TAX AND REFUNDING BONDS
SERIES 2016B

Dated Date: June 1, 2016

Due: March 1, as shown on inside cover

PAYMENT TERMS Interest on the \$75,340,000 Fort Bend County, Texas, Unlimited Tax Road and Refunding Bonds, Series 2016A (the "Series 2016A Bonds") and the \$94,420,000 Fort Bend County, Texas, Limited Tax and Refunding Bonds, Series 2016B (the "Series 2016B Bonds," and together with the Series 2016A Bonds, the "Bonds") will accrue from June 1, 2016 (the "Dated Date") and will be payable September 1 and March 1 of each year, commencing September 1, 2016, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the 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" 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 2016A BONDS The Series 2016A Bonds are authorized pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapters 1207 and 1471, Texas Government Code, an election held within Fort Bend County, Texas (the "County") on November 5, 2013, and an order of the Commissioners Court of the County authorizing the issuance of the Series 2016A Bonds (the "Series 2016A Order"). The Series 2016A 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 2016B BONDS The Series 2016B Bonds are authorized pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapters 1207 and 1473, Texas Government Code, an election held within Fort Bend County, Texas (the "County") on November 3, 2015, and an order of the Commissioners Court of the County authorizing the issuance of the Series 2016B Bonds (the "Series 2016B Order"). The Series 2016B Bonds are direct obligations of the County, payable from a continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the County (see "THE BONDS - AUTHORITY FOR ISSUANCE").

PURPOSE Proceeds from the sale of the Series 2016A 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 2016A Bonds.

Proceeds from the sale of the Series 2016B Bonds will be used (i) for the construction, acquisition and improvements to (a) county parks and community center facilities, (b) buildings, parking and other improvements at the County fairgrounds, (c) county library facilities, and (d) county facilities, including administration of justice and public safety facilities, (ii) 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 (iii) to pay the costs of issuance of the Series 2016B 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, 2027, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - OPTIONAL REDEMPTION").

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 Bracewell LLP and Bratton & Associates, Houston, Texas, Co-Underwriters' Counsel.

DELIVERY It is expected that the Bonds will be available for delivery through DTC on June 7, 2016.

LOOP CAPITAL MARKETS

J. P. MORGAN WELLS FARGO SECURITIES JEFFERIES

MATURITY SCHEDULE

\$75,340,000 UNLIMITED TAX ROAD AND REFUNDING BONDS, SERIES 2016A

Maturity March 1	Principal	Rate	Yield ⁽¹⁾	CUSIP Numbers ⁽²⁾	Maturity March 1	Principal	Rate	Yield ⁽¹⁾	CUSIP Numbers ⁽²⁾
2017	\$ 1,425,000	2.000%	0.640%	346766 SP4	2027 ⁽³⁾	\$ 5,255,000	5.000%	1.980%	346766 SZ2
2018	1,480,000	5.000%	0.780%	346766 SQ2	2028 ⁽³⁾	5,520,000	5.000%	2.050%	346766 TA6
2019	3,515,000	5.000%	0.880%	346766 SR0	2029 ⁽³⁾	5,805,000	5.000%	2.120%	346766 TB4
2020	3,705,000	5.000%	1.020%	346766 SS8	2030 ⁽³⁾	2,700,000	5.000%	2.180%	346766 TC2
2021	3,890,000	5.000%	1.140%	346766 ST6	2031 ⁽³⁾	2,840,000	5.000%	2.260%	346766 TD0
2022	4,095,000	5.000%	1.270%	346766 SU3	2032 ⁽³⁾	2,985,000	5.000%	2.320%	346766 TE8
2023	4,300,000	5.000%	1.430%	346766 SV1	2033 ⁽³⁾	3,135,000	5.000%	2.380%	346766 TF5
2024	4,520,000	5.000%	1.560%	346766 SW9	2034 ⁽³⁾	3,300,000	5.000%	2.440%	346766 TG3
2025	4,755,000	5.000%	1.710%	346766 SX7	2035 ⁽³⁾	3,470,000	5.000%	2.500%	346766 TH1
2026	5,000,000	5.000%	1.850%	346766 SYS	2036 ⁽³⁾	3,645,000	5.000%	2.560%	346766 TJ7

(Accrued Interest from June 1, 2016 to be added)

- (1) The initial offering prices or yields of the Series 2016A 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 Bankers 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 2016A Bonds having stated maturities on and after March 1, 2027, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - OPTIONAL REDEMPTION").

\$94,420,000 LIMITED TAX AND REFUNDING BONDS, SERIES 2016B

Maturity March 1	Principal	Rate	Yield ⁽¹⁾	CUSIP Numbers ⁽²⁾	Maturity March 1	Principal	Rate	Yield ⁽¹⁾	CUSIP Numbers ⁽²⁾
2017	\$ 1,525,000	2.000%	0.640%	346766 TK4	2027 ⁽³⁾	\$ 6,680,000	5.000%	2.000%	346766 TV0
2018	1,580,000	5.000%	0.780%	346766 TL2	2028 ⁽³⁾	7,020,000	5.000%	2.080%	346766 TW8
2019	4,475,000	5.000%	0.900%	346766 TM0	2029 ⁽³⁾	7,340,000	4.000%	2.340%	346766 TX6
2020	4,710,000	5.000%	1.040%	346766 TN8	2030 ⁽³⁾	7,640,000	4.000%	2.450%	346766 TY4
2021	4,950,000	5.000%	1.160%	346766 TP3	2031 ⁽³⁾	2,950,000	4.000%	2.510%	346766 TZ1
2022	5,200,000	5.000%	1.290%	346766 TQ1	2032 ⁽³⁾	3,070,000	4.000%	2.570%	346766 UA4
2023	5,465,000	5.000%	1.430%	346766 TR9	2033 ⁽³⁾	3,215,000	5.000%	2.380%	346766 UB2
2024	5,750,000	5.000%	1.560%	346766 TS7	2034 ⁽³⁾	3,345,000	3.000%	2.900%	346766 UC0
2025	6,040,000	5.000%	1.710%	346766 TT5	2035 ⁽³⁾	3,475,000	4.500%	2.680%	346766 UD8
2026	6,355,000	5.000%	1.850%	346766 TU2	2036 ⁽³⁾	3,635,000	4.500%	2.740%	346766 UE6

(Accrued Interest from June 1, 2016 to be added)

- (1) The initial offering prices or yields of the Series 2016B 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 Bankers 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 2016B Bonds having stated maturities on and after March 1, 2027, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2026, 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, as amended, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No 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 by the County or Underwriters 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	ANTICIPATED ISSUANCE OF GENERAL OBLIGATION	
OFFICIAL STATEMENT SUMMARY	5	DEBT.....	26
SELECTED FINANCIAL INFORMATION	7	TABLE 13 – OTHER OBLIGATIONS	26
GENERAL FUND CONSOLIDATED		PENSION FUND	26
STATEMENT SUMMARY	7	OTHER POST-EMPLOYMENT BENEFITS (“OPEB”)	27
COUNTY OFFICIALS, STAFF AND		FINANCIAL INFORMATION.....	30
CONSULTANTS	8	TABLE 14 - CHANGES IN NET POSITION	30
ELECTED OFFICIALS.....	8	FINANCIAL POLICIES.....	31
OTHER ELECTED AND APPOINTED OFFICIALS	8	INVESTMENTS.....	32
CONSULTANTS AND ADVISORS	8	LEGAL INVESTMENTS	32
INTRODUCTION	9	INVESTMENT POLICIES.....	33
DESCRIPTION OF THE COUNTY.....	9	ADDITIONAL PROVISIONS	33
PLAN OF FINANCING	9	TABLE 15 - CURRENT INVESTMENTS.....	33
PURPOSE.....	9	TAX MATTERS.....	34
REFUNDED UNLIMITED TAX BONDS	9	VERIFICATION OF ACCURACY OF	
REFUNDED LIMITED TAX BONDS.....	10	MATHEMATICAL COMPUTATIONS.....	34
SOURCES AND USES OF PROCEEDS.....	10	OTHER INFORMATION.....	35
THE BONDS	11	RATINGS	35
DESCRIPTION OF THE BONDS	11	LITIGATION	35
AUTHORITY FOR ISSUANCE.....	11	CHANGES IN TAX LEGISLATION	35
SECURITY AND SOURCES OF PAYMENT	11	REGISTRATION AND QUALIFICATION OF BONDS FOR	
TAX RATE LIMITATION	11	SALE.....	35
OPTIONAL REDEMPTION.....	11	LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE	
NOTICE OF REDEMPTION	12	PUBLIC FUNDS IN TEXAS	35
DEFEASANCE	12	LEGAL MATTERS.....	35
BOOK-ENTRY-ONLY SYSTEM.....	12	AUTHENTICITY OF FINANCIAL DATA AND OTHER	
USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS		INFORMATION	36
OFFICIAL STATEMENT	13	FINANCIAL ADVISOR	36
EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY		UNDERWRITING.....	36
SYSTEM	14	FORWARD-LOOKING STATEMENTS DISCLAIMER	37
PAYING AGENT/REGISTRAR	14	CONTINUING DISCLOSURE OF	
TRANSFER, EXCHANGE AND REGISTRATION	14	INFORMATION.....	38
RECORD DATE FOR INTEREST PAYMENT	14	ANNUAL REPORTS	38
BONDHOLDERS’ REMEDIES	14	NOTICES OF CERTAIN EVENTS	38
TAX INFORMATION	15	AVAILABILITY OF INFORMATION.....	38
AD VALOREM TAX LAW	15	AMENDMENTS	38
EFFECTIVE TAX RATE AND ROLLBACK TAX RATE.....	16	COMPLIANCE WITH PRIOR UNDERTAKINGS	39
PROPERTY ASSESSMENT AND TAX PAYMENT.....	17	MISCELLANEOUS.....	39
PENALTIES AND INTEREST	17	CERTIFICATION OF THE OFFICIAL STATEMENT	39
COUNTY APPLICATION OF TAX CODE.....	17		
TAX ABATEMENT POLICY	18		
TAX INCREMENT REINVESTMENT ZONES	18		
TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL			
OBLIGATION DEBT.....	19		
TABLE 2 - TAXABLE ASSESSED VALUATIONS BY			
CATEGORY	20		
TABLE 3 - VALUATION AND GENERAL OBLIGATION			
DEBT HISTORY	21		
TABLE 4 - TAX RATE, LEVY AND COLLECTION			
HISTORY.....	21		
TABLE 5 - TAX RATE DISTRIBUTION ANALYSIS.....	21		
TABLE 6 - TEN LARGEST TAXPAYERS	22		
GENERAL OBLIGATION DEBT LIMITATION.....	22		
TABLE 7 - TAX ADEQUACY.....	22		
TABLE 8 - ESTIMATED CONSOLIDATED			
OVERLAPPING DEBT	23		
DEBT INFORMATION.....	24		
TABLE 9 - GENERAL OBLIGATION DEBT SERVICE			
REQUIREMENTS	24		
TABLE 10 - INTEREST AND SINKING FUND BUDGET			
PROJECTION.....	25		
TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL			
OBLIGATION BONDS	25		
FORT BEND COUNTY TOLL ROAD BONDS.....	25		
TABLE 12 - HISTORICAL TOLL ROAD OPERATING			
RESULTS AND COVERAGES.....	26		
FORT BEND GRAND PARKWAY TOLL ROAD BONDS	26		

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 \$75,340,000 Fort Bend County, Texas Unlimited Tax Road and Refunding Bonds, Series 2016A (the “Series 2016A Bonds”) and \$94,420,000 Fort Bend County, Texas, Limited Tax and Refunding Bonds, Series 2016B (the “Series 2016B Bonds”). The Series 2016A Bonds are issued as serial bonds maturing March 1, 2017 through March 1, 2036. The Series 2016B Bonds are issued as serial bonds maturing March 1, 2017 through March 1, 2036 (see “THE BONDS - DESCRIPTION OF THE BONDS”).

PAYMENT OF INTEREST Interest on the Bonds accrues from June 1, 2016, and is payable September 1, 2016, 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 2016A Bonds are authorized pursuant to the Constitution and general laws of the State, including particularly Chapters 1207 and 1471, Texas Government Code, an election held within the County on November 5, 2013, and an order of the Commissioners Court of the County authorizing the issuance of the Series 2016A Bonds (the “Series 2016A Order”) (see “THE BONDS – AUTHORITY FOR ISSUANCE”).

The Series 2016B Bonds are authorized pursuant to the Constitution and general laws of the State, including particularly Chapters 1207 and 1473, Texas Government Code, an election held within the County on November 3, 2015, and an order of the Commissioners Court of the County authorizing the issuance of the Series 2016B Bonds (the “Series 2016B Order”) (see “THE BONDS – AUTHORITY FOR ISSUANCE”).

SECURITY FOR THE BONDS The Series 2016A 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 2016B 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, 2027, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS—OPTIONAL 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.

USE OF PROCEEDS Proceeds from the sale of the Series 2016A 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 2016A Bonds.

Proceeds from the sale of the Series 2016B Bonds will be used (i) for the construction, acquisition and improvements to (a) county parks and community center facilities, (b) buildings, parking and other improvements at the County fairgrounds, (c) county library facilities, and (d) county facilities, including administration of justice and public safety facilities, (ii) 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 (iii) to pay the costs of issuance of the Series 2016B 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 and "AA+" by Fitch, respectively (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	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
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	457,525,000	675	1.00%	99.40%	2014
2016	685,345	53,536,178,737	78,116	678,280,000 ⁽⁴⁾	990 ⁽⁴⁾	1.27% ⁽⁴⁾	⁽⁵⁾	2015

(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.

(5) In the process of collection.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30				
	2015	2014	2013	2012	2011
Beginning Balance	\$ 37,524,500	\$ 37,406,622	\$ 36,026,567	\$ 44,058,981	\$ 43,380,373
Total Revenue	253,986,347	234,570,506	218,452,384	203,341,194	205,874,064
Total Expenditures	232,815,990	220,395,859	207,558,979	203,350,055	201,490,868
Transfer In (Out)	(12,760,801)	(14,056,769)	(9,513,350)	(8,023,553)	(3,704,588)
Ending Balance	\$ 45,934,056	\$ 37,524,500	\$ 37,406,622	\$ 36,026,567	\$ 44,058,981

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

Cliff Kavanaugh
Trey Cash
FirstSouthwest, a Division of
Hilltop Securities Inc.
700 Milam Street, Suite 500
Houston, Texas 77002
(713) 651-9850

COUNTY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Commissioners Court	Position	Length of Service	Term Expires December 31
Robert Hebert	County Judge	13 Years	2018
Richard Morrison	Commissioner - Precinct 1	7 Years	2016
Grady Prestage	Commissioner - Precinct 2	25 Years	2018
Andy Meyers	Commissioner - Precinct 3	19 Years	2016
James Patterson	Commissioner - Precinct 4	17 Years	2018

OTHER ELECTED AND APPOINTED OFFICIALS

Name	Position	Length of Service to County
Richard Stolleis	County Engineer	3 Years
Ed Sturdivant	County Auditor	12 Years
Jeff Council	County Treasurer	9 Years
Patsy Schultz	Tax Assessor/Collector	11 Years
Roy Cordes, Jr.	County Attorney	10 Years

CONSULTANTS AND ADVISORS

Auditor.....	Whitley Penn LLP Houston, Texas
Bond Counsel	Allen Boone Humphries Robinson LLP Houston, Texas
Financial Advisor	FirstSouthwest, a Division of Hilltop Securities Inc. Houston, Texas
Disclosure Counsel	Andrews Kurth LLP Houston, Texas

OFFICIAL STATEMENT

RELATING TO

\$75,340,000
FORT BEND COUNTY, TEXAS
UNLIMITED TAX ROAD AND REFUNDING BONDS
SERIES 2016A

\$94,420,000
FORT BEND COUNTY, TEXAS
LIMITED TAX AND REFUNDING BONDS
SERIES 2016B

INTRODUCTION

This Official Statement, which includes Schedule I and the appendices attached hereto, provides certain information regarding the issuance of \$75,340,000 Fort Bend County, Texas, Unlimited Tax Road and Refunding Bonds, Series 2016A (the "Series 2016A Bonds") and \$94,420,000 Limited Tax and Refunding Bonds, Series 2016B (the "Series 2016B Bonds," and together with the Series 2016A 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 2016A Bonds (the "Series 2016A Order") and the Series 2016B Bonds (the "Series 2016B Order," and together with the Series 2016A 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, FirstSouthwest, a Division of Hilltop Securities Inc., 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 2016A Bonds are being issued (i) for the construction, purchase, maintenance and operation of macadamized, graveled and paved roads and turnpikes and (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 2016A Bonds. The Series 2016B Bonds are being issued (i) for county parks and community center facilities, (ii) for buildings, parking and other improvements at the County fairgrounds, (iii) for county library facilities, (iv) for construction, acquisition and improvements to county facilities, including administration of justice and public safety facilities, (v) 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 (vi) to pay the costs of issuance of the Series 2016B Bonds.

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 2016A Escrow Agreement") between the County and Wells Fargo Bank, N.A., Minneapolis, Minnesota (the "Escrow Agent"). The Series 2016A 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 2016A Escrow Fund") and used to purchase direct obligations of the United States of America (the "Federal Securities"). Under the Series 2016A Escrow Agreement, the Series 2016A 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 2016A 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 2016A 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 2016A Escrow Agreement to make timely deposits to the Series 2016A 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 2016A 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 2016B Escrow Agreement") between the County and the Escrow Agent. The Series 2016B 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 2016B Escrow Fund") and used to purchase Federal Securities. Under the Series 2016B Escrow Agreement, the Series 2016B 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 2016B 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 2016B 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 2016B Escrow Agreement to make timely deposits to the Series 2016B 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 2016B 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:

	Series 2016A	Series 2016B
<i>Sources of Funds:</i>		
Principal Amount of Bonds	\$ 75,340,000.00	\$ 94,420,000.00
Net Reoffering Premium	16,623,888.40	17,532,381.95
Accrued Interest	62,070.84	72,713.34
Transfer from Debt Service Fund	454,241.67	793,927.92
Total Sources of Funds	<u>\$ 92,480,200.91</u>	<u>\$ 112,819,023.21</u>
<i>Uses of Funds:</i>		
Deposit to Escrow Fund	\$ 34,732,005.25	\$ 54,812,188.73
Deposit to Construction Fund	57,100,000.00	57,200,000.00
Accrued Interest	62,070.84	72,713.34
Underwriters' Discount	357,402.81	446,942.05
Costs of Issuance	228,722.01	287,179.09
Total Uses of Funds	<u>\$ 92,480,200.91</u>	<u>\$ 112,819,023.21</u>

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds are dated June 1, 2016 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, 2016. 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 2016A Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapters 1207 and 1471, Texas Government Code, an election held within the County on November 5, 2013, and the Series 2016A Order.

The Series 2016B Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapters 1207 and 1473, Texas Government Code, an election held within the County on November 3, 2015, and the Series 2016B Order.

SECURITY AND SOURCES OF PAYMENT

The Series 2016A 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 2016A Order.

The Series 2016B 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 2016B 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 2016B 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 2016A 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, 2027, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to (but not including) 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.

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 in the name of the County 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.

DEFERANCE

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 by either (i) 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, and (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.

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.

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.3d 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. Effective for tax years beginning January 1, 2015, political subdivisions may not reduce the amount of or repeal an optional homestead exemption granted for the 2014 tax year for a period running through December 31, 2019.

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 repealed 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" beginning 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:

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

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 15% attorney’s collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes 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 2015 was equal to approximately \$3.9 million, with additional payments due later in the summer.

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

[Remainder of page intentionally left blank]

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2015/2016 Certified Appraised Value by Fort Bend Central Appraisal District (excluding totally exempt property)		\$ 68,212,665,383
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead Exemptions	\$ 7,200,527,243	
Over 65 Exemptions	2,575,851,132	
Disabled & Deceased Veteran's Exemptions	418,812,812	
Lease Vehicle Exemption	7,467,370	
Abatements	284,835,325	
Productivity Loss	2,114,372,995	
Pollution	293,178,270	
House Bill 366	246,000	
Historical	13,368,037	
Solar	80,340	
Community Housing Development	4,889,000	
Prorated Exempt Property	10,285,783	
10% Homestead Cap Adjustment	<u>\$1,752,572,339</u>	<u>\$14,676,486,646</u>
2015/2016 Taxable Assessed Valuation		\$ 53,536,178,737
County Funded Debt Payable from Ad Valorem Taxes (as of June 1, 2016):		
Limited Tax Bonds ⁽¹⁾	\$203,090,000	
Unlimited Tax Road Bonds ⁽²⁾	207,470,000	
Unlimited Tax Toll Road Bonds ⁽³⁾	112,635,000	
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		\$678,280,000
Ratio Tax Supported Gross Debt to Taxable Assessed Valuation		1.27%
2016 Population Estimate - 685,345 ⁽⁵⁾		
Per Capita Taxable Assessed Valuation - \$78,116		
Per Capita Tax Debt - \$990		

- (1) Projected, includes the Series 2016B Bonds and excludes the Refunded Limited Tax Bonds. The Fort Bend Flood Control Water Supply Corporation (the "Corporation") was dissolved by action of the Corporation on October 28, 2015 and by the County on November 24, 2015, which resulted in the transfer of all assets and liabilities of the Corporation to the County, including all of the outstanding \$4,665,000 of the Corporation's Revenue Refunding Bonds, Series 2010, which were payable from the County's limited ad valorem taxes pursuant to a contract with the Corporation. This outstanding debt is now included in the Limited Tax Bonds totals. The bonds will continue to be paid from the same source of funds as prior to the dissolution.
- (2) Projected, includes the Series 2016A Bonds and excludes the Refunded Unlimited Tax Bonds.
- (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					
	2015		2014		2013	
	Amount	% of Total ⁽¹⁾	Amount	% of Total ⁽¹⁾	Amount	% of Total ⁽¹⁾
Real, Residential, Single-Family	\$ 48,210,660,622	70.68%	\$ 38,197,156,012	66.41%	\$ 34,939,222,040	66.00%
Real, Residential, Multi-Family	1,825,084,868	2.68%	1,492,817,879	2.60%	1,223,124,193	2.31%
Real, Vacant Lots/Tracts	846,058,635	1.24%	854,963,794	1.49%	910,690,568	1.72%
Real, Acreage (Land Only)	2,375,050,069	3.48%	2,455,020,886	4.27%	2,405,933,092	4.54%
Real, Farm and Ranch Improvements	403,688,459	0.59%	380,697,030	0.66%	368,553,330	0.70%
Real, Commercial and Industrial	8,082,106,852	11.85%	7,759,852,998	13.49%	7,241,630,477	13.68%
Real, Oil, Gas & Other Mineral Reserves	129,149,800	0.19%	256,495,180	0.45%	262,592,210	0.50%
Real and Tangible Personal, Utilities	808,967,279	1.19%	754,452,129	1.31%	627,521,930	1.19%
Tangible Personal, Commercial and Industrial	4,239,563,234	6.22%	4,181,424,859	7.27%	3,979,309,449	7.52%
Tangible Personal, Other	66,002,285	0.10%	62,049,925	0.11%	60,883,115	0.12%
Real, Inventory	1,082,771,520	1.59%	999,071,390	1.74%	793,911,390	1.50%
Special Inventory	127,126,210	0.19%	109,766,186	0.19%	102,899,736	0.19%
Intangible Property and/or Uncertified Property	16,435,550	0.02%	13,398,220	0.02%	25,039,550	0.05%
Total Appraised Value Before Exemptions	\$ 68,212,665,383	100.00%	\$ 57,517,166,488	100.00%	\$ 52,941,311,080	100.00%
Less Total Exemptions/Reductions	14,676,486,646		11,796,245,973		10,963,642,810	
Taxable Assessed Value	<u>\$ 53,536,178,737</u>		<u>\$ 45,720,920,515</u>		<u>\$ 41,977,668,270</u>	

Category	Tax Year			
	2012		2011	
	Amount	% of Total ⁽¹⁾	Amount	% of Total ⁽¹⁾
Real, Residential, Single-Family	\$ 32,696,769,609	65.21%	\$ 31,039,400,739	64.21%
Real, Residential, Multi-Family	1,038,540,000	2.07%	985,883,440	2.04%
Real, Vacant Lots/Tracts	961,783,939	1.92%	982,287,088	2.03%
Real, Acreage (Land Only)	2,535,052,048	5.06%	2,536,288,590	5.25%
Real, Farm and Ranch Improvements	348,241,112	0.69%	331,068,370	0.68%
Real, Commercial and Industrial	7,134,533,264	14.23%	7,050,117,340	14.58%
Real, Oil, Gas & Other Mineral Reserves	333,441,300	0.66%	273,529,460	0.57%
Real and Tangible Personal, Utilities	615,750,037	1.23%	661,509,515	1.37%
Tangible Personal, Commercial and Industrial	3,599,878,815	7.18%	3,611,035,498	7.47%
Tangible Personal, Other	55,486,280	0.11%	55,860,570	0.12%
Real, Inventory	730,016,310	1.46%	729,776,091	1.51%
Special Inventory	84,571,490	0.17%	74,140,120	0.15%
Intangible Property and/or Uncertified Property	9,027,243	0.02%	10,398,285	0.02%
Total Appraised Value Before Exemptions	\$ 50,143,091,447	100.00%	\$ 48,341,295,106	100.00%
Less Total Exemptions/Reductions	10,703,144,393		10,306,807,994	
Taxable Assessed Value	<u>\$ 39,439,947,054</u>		<u>\$ 38,034,487,112</u>	

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.

⁽¹⁾ Numbers may not add due to rounding.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended Sept 30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding at End of Year ⁽³⁾	Ratio of Tax Supported Debt to Taxable Assessed Valuation		Tax Supported Debt Per Capita	Tax Year
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	457,525,000	1.00%		675	2014
2016	685,345	53,536,178,737	78,116	678,280,000 ⁽⁴⁾	1.27% ⁽⁴⁾		990 ⁽⁴⁾	2015

(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.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended	Tax Rate	Tax Levy	% Current Collections ⁽¹⁾	% Total Collections ⁽²⁾
2012	\$0.49976	\$ 197,998,709	99.04%	99.77%
2013	0.49976	205,953,939	99.26%	99.71%
2014	0.49976	220,612,624	99.45%	99.40%
2015	0.49476	240,849,316	99.37%	99.40%
2016	0.48600	270,072,532	96.21%	⁽³⁾

(1) Collected within the Fiscal Year of the levy.

(2) As of September 30th for each respective year's levy.

(3) In the process of collection.

TABLE 5 - TAX RATE DISTRIBUTION ANALYSIS

	Tax Year				
	2015	2014	2013	2012	2011
General Fund	\$ 0.37300	\$ 0.37826	\$ 0.38076	\$ 0.37776	\$ 0.38184
Road & Bridge Fund	0.03200	0.02850	0.03100	0.02800	0.03032
Debt Service Fund ⁽¹⁾	0.06000	0.06600	0.07300	0.07500	0.06880
Drainage District	0.02100	0.02200	0.01500	0.01900	0.01880
Farm-to-Market & Lateral Road Fund	0.00000	0.00000	0.00000	0.00000	0.00000
County Total Tax Rate	\$ 0.48600	\$ 0.49476	\$ 0.49976	\$ 0.49976	\$ 0.49976

(1) The debt service fund tax includes a levy for unlimited tax bonds that 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	2015/2016 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
NRG Texas Power LLC	Electric Utility	\$ 929,570,820	1.74%
Centerpoint Energy Electric	Electric Utility	277,880,600	0.52%
Malls at Katy Mills LP ⁽¹⁾	Shopping Mall	121,548,330	0.23%
Niagara Bottling LLC	Water Supplier	119,341,870	0.22%
AmerisourceBergen Drug Corporation	Pharmaceuticals	98,619,650	0.18%
Tramontina USA Inc.	Manufacturing	91,571,580	0.17%
Lakepointe Assets LLC	Commercial	89,467,110	0.17%
Fairfield Industries	Oil & Gas	87,673,520	0.16%
Schlumberger Tech Corp	Oil & Gas	87,450,440	0.16%
Brazos Valley Energy LLC	Energy	87,212,170	0.16%
		<u>\$ 1,990,336,090</u>	<u>3.72%</u> ⁽²⁾

(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

(2) Numbers may not add due to rounding

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 2016B 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 2016A 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.

2016 Principal and Interest Requirements.....	\$ 50,126,419 ⁽¹⁾
\$0.09760 Tax Rate at 96% Collection Produces	\$ 50,161,258
Maximum Principal and Interest Requirements (2021).....	\$ 57,393,250 ⁽¹⁾
\$0.11170 Tax Rate at 96% Collection Produces	\$ 57,407,915
Average Principal and Interest Requirements (2016-2046).....	\$ 35,113,414 ⁽¹⁾
\$0.06840 Tax Rate at 96% Collection Produces	\$ 35,153,996

(1) Projected, includes the Bonds and excludes the Refunded Bonds.

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	\$ 678,280,000	(1) 100.00%	\$ 678,280,000 (1)
Cities			
Arcola	3,455,000	100.00%	3,455,000
Beasley	273,000	100.00%	273,000
Meadows Place	2,015,000	100.00%	2,015,000
Needville	1,710,000	100.00%	1,710,000
Richmond	24,015,000	100.00%	24,015,000
Rosenberg	72,689,000	100.00%	72,689,000
Sugar Land	290,775,675	100.00%	290,775,675
County-Line Cities			
Houston	3,268,340,000	0.45%	14,707,530
Katy	11,500,000	37.52%	4,314,800
Missouri City	146,205,000	95.56%	139,713,498
Pearland	307,345,000	3.92%	12,047,924
Total Cities			\$565,716,427.00
School Districts			
Fort Bend ISD	881,013,767	100.00%	881,013,767
Lamar Consolidated ISD	748,580,000	100.00%	748,580,000
Needville ISD	62,725,000	100.00%	62,725,000
County-Line School Districts			
Brazos ISD	15,009,987	68.28%	10,248,819
Katy ISD	1,264,885,662	39.38%	498,111,974
Stafford MS	59,090,000	99.66%	58,889,094
Brazos ISD	15,009,987	64.05%	9,613,897
Total School Districts			\$2,259,568,653.82
Special Districts			
Total Special Districts (2)			\$2,916,466,450.36
Other			
Houston Community College District	641,795,000	3.84%	24,644,928
Total Other			\$24,644,928.00
Summary of Total Estimated Overlapping Debt			
Cities			565,716,427
School Districts			2,259,568,654
Special Districts			2,916,466,450
Other			24,644,928
Estimated Overlapping Debt			\$5,766,396,459.18
Fort Bend County - Direct Obligations			678,280,000 (1)
Total Direct and Estimated Overlapping Debt			\$ 6,444,676,459.18

Source: The Municipal Advisory Council of Texas.

(1) County debt outstanding as of June 1, 2016. Includes the Bonds and excludes the Refunded Bonds.

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

(3) Numbers may not add due to rounding.

DEBT INFORMATION

TABLE 9 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Year End September 30	County Debt Paid From Ad Valorem Taxes				Fort Bend Grand Parkway Toll Road Authority	
	Limited Tax Bonds ⁽¹⁾	Unlimited Tax Bonds ⁽¹⁾	Total Debt Service Paid From Ad Valorem Taxes	Toll Road Unlimited Tax Bonds ⁽²⁾	Limited Contract Tax Bonds ⁽³⁾	Grand Total Requirements
2016	\$ 16,473,481	\$ 17,633,113	\$ 34,106,594	\$ 8,839,625	\$ 7,180,200	\$ 50,126,419
2017	19,494,475	20,753,888	40,248,363	9,346,625	7,180,200	56,775,188
2018	19,089,275	20,659,644	39,748,919	9,921,875	7,180,200	56,850,994
2019	18,745,575	20,253,375	38,998,950	10,157,625	7,180,200	56,336,775
2020	18,674,075	20,165,050	38,839,125	10,321,875	7,180,200	56,341,200
2021	18,618,275	20,062,525	38,680,800	10,333,000	8,379,450	57,393,250
2022	17,724,450	18,224,925	35,949,375	10,339,125	9,517,200	55,805,700
2023	17,721,450	18,212,800	35,934,250	10,320,250	10,481,325	56,735,825
2024	17,729,450	18,222,100	35,951,550	10,354,875	10,473,200	56,779,625
2025	17,722,075	18,219,900	35,941,975	10,332,250	10,461,200	56,735,425
2026	17,722,950	18,220,675	35,943,625	10,342,125	10,454,825	56,740,575
2027	17,725,200	16,067,325	33,792,525	10,347,875	10,443,575	54,583,975
2028	17,722,200	14,309,975	32,032,175	10,339,000	10,432,075	52,803,250
2029	17,724,775	14,319,525	32,044,300	10,329,875	10,423,050	52,797,225
2030	17,723,450	10,999,650	28,723,100	10,357,188	10,410,150	49,490,438
2031	12,821,450	11,001,950	23,823,400	10,317,375	10,401,700	44,542,475
2032	3,712,450	10,998,050	14,710,500	10,311,500	10,388,625	35,410,625
2033	3,715,675	6,502,225	10,217,900		10,378,375	20,596,275
2034	3,715,125	6,509,050	10,224,175		10,364,875	20,589,050
2035	3,716,763	6,508,300	10,225,063		10,352,500	20,577,563
2036	3,716,788	3,736,125	7,452,913		10,340,500	17,793,413
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>\$ 302,009,406</u>	<u>\$ 311,580,169</u>	<u>\$ 613,589,575</u>	<u>\$ 172,612,063</u>	<u>\$ 302,314,200</u>	<u>\$ 1,088,515,838</u>

- (1) Includes the debt service for the Bonds and excludes the debt service for the Refunded Bonds. The Fort Bend Flood Control Water Supply Corporation (the "Corporation") was dissolved by action of the Corporation on October 28, 2015 and by the County on November 24, 2015, which resulted in the transfer of all assets and liabilities of the Corporation to the County, including all of the outstanding \$4,665,000 of the Corporation's Revenue Refunding Bonds, Series 2010, which were payable from the County's limited ad valorem taxes pursuant to a contract with the Corporation. This outstanding debt is now included in the Limited Tax Bonds totals. The bonds will continue to be paid from the same source of funds as prior to the dissolution.
- (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.
- (4) Numbers may not add due to rounding.

TABLE 10 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Pledged Debt Service Requirements, Fiscal Year Ending September 30, 2016		\$ 50,126,419
Interest and Sinking Fund Balance, September 30, 2015	\$ 2,779,502	
Budgeted Interest and Sinking Fund Tax Levy	33,233,568	
Transfer from Toll Road Authority	8,839,625	
Transfer from FBGPTRA	7,180,200	
Projected Other Income	30,000	52,062,895
Estimated Balance, September 30, 2016		<u>\$ 1,936,476</u>

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Series 2016A Bonds	Series 2016B Bonds	Unissued Balance
Mobility Projects	11/5/2013	\$ 184,900,000	\$ 57,100,000	\$ -	\$ 127,800,000
Parks & Recreation	11/3/2015	9,900,000	-	2,900,000	7,000,000
Fairgrounds	11/3/2015	6,000,000	-	6,000,000	-
Library	11/3/2015	19,800,000	-	6,400,000	13,400,000
Justice Center	11/3/2015	62,900,000	-	41,900,000	21,000,000
		<u>\$ 283,500,000</u>	<u>\$ 57,100,000</u>	<u>\$ 57,200,000</u>	<u>\$ 169,200,000</u>

* Includes original issue premium counted against voted authorization

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 Senior Lien Toll Road Revenue Bonds in 2012, 2014 and 2016 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 taxes. The County may support non-toll portions of expansion to the Fort Bend Westpark Tollway, but presently anticipates that no ad valorem tax revenues will be used toward paying for the improvements. The County currently anticipates incurring approximately \$86,000,000 in project costs for such purposes, and expects to issue additional obligations in late 2016 for a portion of such costs. 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. Further extensions of the Toll Roads will be constructed in phases when financially feasible.

TABLE 12 - HISTORICAL TOLL ROAD OPERATING RESULTS AND COVERAGES

Fiscal Year	Revenues Available for Senior Lien Debt Service	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
9/30							
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
2015	27,163,455	2,536,940	10.707 x	8,729,148	15,897,367	8,813,001	1.804 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 sections of the Grand Parkway 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

In addition to the obligations discussed above under “FORT BEND COUNTY TOLL ROAD BONDS,” the County expects to issue approximately \$25,000,000 in general obligation debt this calendar year for energy efficiency improvements and for library and community center projects. The County does not anticipate using ad valorem tax revenues to pay for the obligations.

TABLE 13 – OTHER OBLIGATIONS

As of September 30, 2015, 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 TCDS (the “TCDS 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 TCDS 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>	<u>2015</u>
Rate:	10.83%	10.65%	11.12%	11.55%	12.21%	12.14%

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 12/31/2015 is not yet available):

Schedule of Funding Information

	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>
Actuarial valuation date					
Actuarial value of assets	\$257,926,802	\$277,022,916	\$293,944,235	\$317,963,410	\$347,781,092
Actuarial accrued liability (AAL)	\$307,767,507	\$334,116,854	\$356,860,353	\$378,799,769	\$405,487,656
Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL)	\$49,840,705	\$57,093,938	\$62,916,118	\$60,836,359	\$57,706,564
Funded ratio	83.81%	82.91%	82.37%	83.94%	85.77%
Annual covered payroll (actuarial)	\$106,041,139	\$108,712,740	\$109,715,087	\$112,043,745	\$119,513,775
UAAL or OAAL as % of covered payroll	47.00%	52.52%	57.35%	54.30%	48.28%

(For more detailed information concerning the retirement plan, see the County's Annual Financial Report for Fiscal Year Ending September 30, 2015 - 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, 2015. At September 30, 2015, there were 750 retirees receiving benefits and approximately 2,590 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 2015 are as follows:

For fiscal year 2015, the County's annual OPEB cost for the Plan (which includes the Fort Bend County Drainage District) was \$36,980,392. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the years ended September 30, 2011-2015, were as follows:

	Fiscal Year Ended 9/30/15	Fiscal Year Ended 9/30/14	Fiscal Year Ended 9/30/13	Fiscal Year Ended 9/30/12	Fiscal Year Ended 9/30/11
Determination of Annual Required Contribution					
Normal Cost at Fiscal Year End	\$ 20,168,775	\$ 20,168,775	\$ 18,173,276	\$ 18,173,276	\$ 17,130,282
Amortization of Unfunded Actuarial Accrued Liability	19,772,976	18,050,360	17,363,132	15,791,161	15,793,330
Annual Required Contribution (ARC)	39,941,751	38,219,135	35,536,408	33,964,437	32,923,612
Determination of Net OPEB Obligation					
Annual Required Contribution	39,941,751	38,219,135	35,536,408	33,964,437	32,923,612
Interest on prior-year Net OPEB Obligation	7,590,374	6,351,213	5,201,196	4,070,402	3,004,505
Adjustment to ARC	(10,551,733)	(8,829,118)	(7,230,426)	(5,658,455)	(4,176,703)
Annual OPEB Cost	36,980,392	35,741,230	33,507,178	32,376,384	31,751,414
Less Assumed Contributions Made	(5,458,390)	(4,762,204)	(4,756,756)	(4,106,516)	(5,104,000)
Estimated Increase in Net OPEB Obligation	31,522,002	30,979,026	28,750,422	28,269,868	26,647,414
Net OPEB Obligation - Beginning of Year	189,759,358	158,780,332	130,029,910	101,760,042	75,112,628
Net OPEB Obligation - End of Year	\$ 221,281,360	\$ 189,759,358	\$ 158,780,332	\$ 130,029,910	\$ 101,760,042
Percentage of OPEB Cost Contributed	14.76%	13.32%	14.20%	12.68%	16.07%

The following table shows the annual OPEB cost and net OPEB obligation for fiscal years 2008-2015 assuming the plan is not prefunded (4% discount).

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2011	4%	\$31,751,414	16.10%	\$101,760,042
2012	4%	32,376,384	12.70%	130,029,910
2013	4%	33,507,178	14.20%	158,780,332
2014	4%	35,741,230	13.32%	189,759,358
2015	4%	36,980,392	14.80%	221,281,360

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.

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.

[Remainder of page intentionally left blank]

FINANCIAL INFORMATION

TABLE 14 - CHANGES IN NET POSITION

	Fiscal Year Ended September 30,				
<u>Revenues:</u>	2015	2014	2013	2012	2011
Program Revenues					
Charges for Services	\$ 47,638,105	\$ 44,948,760	\$ 44,068,025	\$ 39,478,271	\$ 37,241,289
Operating Grants and Contributions	36,841,200	33,096,456	33,304,392	29,633,400	35,820,119
Capital Grants and Contributions	32,984,374	36,540,480	30,132,207	23,899,439	25,214,312
General Revenues					
Property Taxes	264,741,926	222,838,642	207,458,672	199,213,697	196,820,339
Sales Taxes	5,789,362	4,214,553	2,956,560	1,099,103	-
Earnings on Investments	904,359	880,712	963,652	2,584,776	2,925,202
Other	7,138,231	4,373,699	5,537,404	6,745,855	6,065,510
Total Revenues	<u>\$ 396,037,557</u>	<u>\$ 346,893,302</u>	<u>\$ 324,420,912</u>	<u>\$ 302,654,541</u>	<u>\$ 304,086,771</u>
<u>Expenditures:</u>					
General Administration	\$ 49,953,700	\$ 47,178,578	\$ 42,034,040 ⁽²⁾	\$ 39,614,537	\$ 40,835,503
Financial Administration	9,923,190	9,809,215	8,849,251 ⁽²⁾	8,344,714	9,441,048
Administration of Justice	97,317,659	96,510,853	94,210,925 ⁽²⁾	90,907,609	86,468,201
Construction & Maintenance	80,574,657	57,430,317	50,078,091 ⁽²⁾	46,468,925	45,632,055
Health & Welfare	36,721,273	34,976,018	34,630,163 ⁽²⁾	30,677,345	30,104,991
Cooperative Service	1,150,926	1,152,222	1,067,104	1,118,341	1,177,426
Public Safety	63,537,941	58,412,120	55,866,404 ⁽²⁾	54,954,201	55,315,591
Parks & Recreation	4,133,419	3,379,366	2,069,935 ⁽²⁾	2,578,555	2,917,574
Libraries & Education	17,638,589	17,170,818	16,156,200 ⁽²⁾	15,708,114	14,800,838
Interest on Long-Term Debt	14,108,075	14,836,824	15,536,759 ⁽²⁾	15,037,346	14,887,908
Total Expenditures	<u>\$ 375,059,429</u>	<u>\$ 340,856,331</u>	<u>\$ 320,498,872</u>	<u>\$ 305,409,687</u>	<u>\$ 301,581,135</u>
Change in Net Position	\$ 20,978,128	\$ 6,036,971	\$ 3,922,040	\$ (2,755,146)	\$ 2,505,636
Net Position, Beginning	721,922,036	715,885,065	711,963,025 ⁽²⁾	718,350,724	715,845,088
Change in Accounting Principles ⁽¹⁾	(21,429,052)		-	-	-
Change in Capital Assets	(88,736,725)		-	-	-
Ending Net Position	<u>\$ 632,734,387</u>	<u>\$ 721,922,036</u>	<u>\$ 715,885,065</u>	<u>\$ 715,595,578</u>	<u>\$ 718,350,724</u>

Source County's audited financial statements.

(1) During the fiscal year ended September 30, 2015, the County implemented GASB Statement No. 68 relating to the recognition of the net pension liability relating to the County's employee retirement plan administered by the Texas County and District Retirement System.

(2) Restated.

TABLE 14A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

Revenues:	Fiscal Year Ending September 30,				
	2015	2014	2013	2012	2011
Taxes	\$ 185,554,437	\$169,990,645	\$157,461,669	\$152,964,339	\$150,611,129
Fees and Fines	36,432,382	34,136,127	31,895,803	28,304,371	26,538,216
Intergovernmental	25,926,210	23,252,647	24,270,370	15,999,897	23,894,468
Earnings on Investments	660,788	589,520	590,025	1,376,442	1,457,487
Miscellaneous	5,412,530	6,601,567	4,234,517	4,696,145	3,372,764
Total Revenues	<u>\$ 253,986,347</u>	<u>\$234,570,506</u>	<u>\$218,452,384</u>	<u>\$203,341,194</u>	<u>\$205,874,064</u>
Expenditures:					
Current Operating					
General Administration	\$ 43,520,792	40,451,397	34,712,120	34,721,821	41,623,232
Financial Administration	8,367,301	7,883,935	7,169,404	7,216,068	7,158,932
Administration of Justice	60,223,750	57,156,400	56,060,130	56,676,737	54,210,526
Construction and Maintenance	2,613,642	2,497,848	2,699,036	2,804,010	2,843,242
Health & Welfare	30,504,559	27,026,085	24,940,619	22,806,164	17,345,040
Cooperative Service	973,026	944,039	883,324	960,392	986,392
Public Safety	52,633,249	46,011,792	43,775,844	44,403,985	42,751,912
Parks & Recreation	3,051,927	2,411,558	1,979,888	1,957,044	2,263,590
Libraries & Education	14,379,472	13,551,652	12,974,697	12,955,022	12,113,853
Capital Outlay	16,548,272	22,461,153	22,363,917	18,848,812	20,194,149
Total Expenditures	<u>\$ 232,815,990</u>	<u>\$220,395,859</u>	<u>\$207,558,979</u>	<u>\$203,350,055</u>	<u>\$201,490,868</u>
Revenues Over (Under) Expenditures	21,170,357	14,174,647	10,893,405	(8,861)	4,383,196
Transfer In (Out)	(12,760,801)	(14,056,769)	(9,513,350)	(8,023,553)	(3,704,588)
Beginning Fund Balance, January 1	37,524,500	37,406,622	36,026,567	44,058,981	43,380,373
Ending Fund Balance	<u>\$ 45,934,056</u>	<u>\$ 37,524,500</u>	<u>\$ 37,406,622</u>	<u>\$ 36,026,567</u>	<u>\$ 44,058,981</u>

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 December 31, 2015 the County's investable funds were invested in the following categories:

Description	Book Value	Market Value
Money Market Accounts - Prosperity	\$ 224,491,145	\$ 224,491,145
LOGIC State Pool	685,425	685,425
	<u>\$ 225,176,570</u>	<u>\$ 225,176,570</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 as described below.

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.

VERIFICATION OF ACCURACY OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by FirstSouthwest, a Division of Hilltop Securities Inc. 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 FirstSouthwest, a Division of Hilltop

Securities Inc. 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 and "AA+" by Fitch, respectively. 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.

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 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 Bracewell LLP and Bratton & Associates, 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 opened 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

FirstSouthwest, a Division of Hilltop Securities Inc. is retained 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. FirstSouthwest, a Division of Hilltop Securities Inc., 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 Loop Capital Markets LLC ("Loop Capital Markets"), have agreed, subject to certain conditions precedent, to purchase the Series 2016A Bonds from the County, at a price of \$91,606,485.59 (representing the \$75,340,000.00 original principal amount of the Series 2016A Bonds, plus a net original premium of \$16,623,888.40 and less an underwriting discount of \$357,402.81), plus accrued interest to the date of delivery of the Series 2016A Bonds. The Underwriters will be obligated to purchase all of the Series 2016A Bonds if any Series 2016A Bonds are purchased. The Series 2016A 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 2016A Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters, represented by Loop Capital Markets, have agreed, subject to certain conditions precedent, to purchase the Series 2016B Bonds from the County, at a price of \$111,505,439.90 (representing the \$94,420,000.00 original principal amount of the Series 2016B Bonds, plus a net original premium of \$17,532,381.95 and less an underwriting discount of \$446,942.05), plus accrued interest to the date of delivery of the Series 2016B Bonds. The Underwriters will be obligated to purchase all of the

Series 2016B Bonds if any Series 2016B Bonds are purchased. The Series 2016B 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 2016B 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.

Loop Capital Markets, one of the Underwriters of the Bonds, has entered into distribution agreements (each a "Distribution Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Deutsche Bank Securities Inc. ("DBS") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Distribution Agreement, each of UBSFS and DBS will purchase Bonds from Loop Capital Markets at the original issue prices less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Jefferies LLC ("Jefferies"), an Underwriter of the Bonds, has entered into an agreement (the "Agreement") with E*TRADE Securities LLC ("E*TRADE") for the retail distribution of municipal securities. Pursuant to the Agreement, Jefferies will sell Bonds to E*TRADE and will share a portion of its selling concession compensation with E*TRADE.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into a negotiated dealer agreement (each, a "Dealer Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of the CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA MPG") one of the underwriters of the Bonds, has entered into an agreement (the "Distribution Agreement") with its affiliate, Wells Fargo Advisors, LLC ("WFA"), for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA MPG will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA MPG also utilizes the distribution capabilities of its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA MPG pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA MPG, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, acting through its Municipal Products Group.

Wells Fargo Bank, National Association, acting through its Municipal Products Group is serving as co-managing underwriter for the Bonds. Wells Fargo Bank, National Association is also serving as Paying Agent for 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.

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 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.

COMPLIANCE WITH PRIOR UNDERTAKINGS

The County became obligated to file annual reports with the nationally recognized municipal securities information repository ("NRMSIR") in an offering that took place in 2007. The County's 2015 issuance added a required table, "Historical Toll Road Operating Results and Coverages", beginning with fiscal year end 2015. Due to an administrative oversight, this table was not included in the fiscal year end 2015 filing. All information has since been filed including a notice of late filing. The County has implemented procedures to ensure timely filing of all future financial information. Except for the foregoing late filing, the County has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

The 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

/s/ Robert Hebert
County Judge

ATTEST:

/s/ Laura Richard
County Clerk

SCHEDULE I
SCHEDULE OF REFUNDED BONDS

Refunded Unlimited Tax Bonds

Unlimited Tax Road Bonds, Series 2009

Maturity March 1	Interest Rate	Par Amount	Call Date	Call Price
2019	5.000%	\$ 2,265,000	3/1/2018	100.00%
2020	4.000%	2,370,000	3/1/2018	100.00%
2021	5.000%	2,480,000	3/1/2018	100.00%
2022	5.000%	2,610,000	3/1/2018	100.00%
2023	5.000%	2,740,000	3/1/2018	100.00%
2024	5.000%	2,880,000	3/1/2018	100.00%
2025	4.500%	3,020,000	3/1/2018	100.00%
2026	5.000%	3,170,000	3/1/2018	100.00%
2027	5.000%	3,330,000	3/1/2018	100.00%
2028	5.000%	3,500,000	3/1/2018	100.00%
2029	5.000%	3,680,000	3/1/2018	100.00%
		<u>\$ 32,045,000</u>		

Refunded Limited Tax Bonds

Limited Tax and Refunding Bonds, Series 2009

Maturity March 1	Interest Rate	Par Amount	Call Date	Call Price
2019	5.000%	\$ 3,115,000	3/1/2018	100.00%
2020	5.250%	3,280,000	3/1/2018	100.00%
2021	5.250%	3,455,000	3/1/2018	100.00%
2022	5.000%	3,635,000	3/1/2018	100.00%
2023	5.000%	3,820,000	3/1/2018	100.00%
2024	5.000%	4,020,000	3/1/2018	100.00%
2025	5.250%	2,625,000	3/1/2018	100.00%
2025	4.625%	1,600,000	3/1/2018	100.00%
2026	5.250%	4,450,000	3/1/2018	100.00%
2027	5.250%	4,685,000	3/1/2018	100.00%
2028	5.250%	4,940,000	3/1/2018	100.00%
2029	5.250%	5,205,000	3/1/2018	100.00%
2030	5.250%	5,485,000	3/1/2018	100.00%
		<u>\$ 50,315,000</u>		

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⁾

1960	1970	1980	1990	2000	2010	2020 ⁽²⁾
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

Calendar Year	Labor Force	Total Employment	Unemployment	Unemployment Rate
2005	235,000	222,687	12,313	5.2%
2006	244,549	233,014	11,535	4.7%
2007	252,965	242,849	10,116	4.0%
2008	265,383	253,772	11,611	4.4%
2009	276,806	257,050	19,756	7.1%
2010	298,162	275,453	22,709	7.6%
2011	308,363	286,479	21,884	7.1%
2012	319,413	300,416	18,997	5.9%
2013	334,166	315,965	18,201	5.4%
2014	347,022	331,362	15,660	4.5%
2015	348,935	333,922	15,013	4.3%

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, 2015

The information contained in this Appendix consists of excerpts from the Fort Bend County, Texas Annual Financial Report for the Year Ended September 30, 2015, 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.

INDEPENDENT AUDITOR'S 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, (the "County"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2015, 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.

Emphasis of Matter

As discussed in Note 2 and Note 16 to the financial statements, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date for the year ending September 30, 2015. Our opinions are not modified with respect to this matter.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 and other required supplementary information, as listed in the table of contents, on pages 68 through 83 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 the County's 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 31, 2016, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.


Houston, Texas
March 31, 2016

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, 2015. 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 and deferred inflows of resources at the close of the most recent fiscal year by \$632.7 million ("net position"). Of this amount, there is a deficit of \$126.3 million in unrestricted net position due to the continued liability increase for other post-employment benefits ("OPEB") that now totals \$221.3 million..
- The County's total net position increased by \$21.0 million.
- As of the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$104.4 million, an increase of \$25.2 million from the prior year.
- At the end of the current fiscal year approximately \$30.6 million is available for spending at the government's discretion in the General Fund (unassigned fund balance). This unassigned fund balance amounts to 13.1% of total General Fund expenditures.
- The County's total assets and deferred outflow of resources increased by \$109.2 million and total liabilities and deferred inflows of resources increased by \$88.2 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 67 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, the Mobility 2015 Projects Fund, and the Debt Service Fund, which are considered to be major funds. Data from the other 64 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 65 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 68 through 83 of this report.

Government-Wide Financial Analysis

The adoption of Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, for the year ended September 30, 2015, has resulted in the restatement of the County's beginning net position for the fiscal year 2015 government-wide financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of these statements. Due to the implementation of GASB No. 68, Net position as of October 01, 2014 was decreased by \$21.4 million (\$32.7 million of Net Pension Liability less deferred outflows and previous Net Pension Obligation of \$11.3 million). Refer to Note 8 for more information regarding the County's pension and Note 16 for more details about the restatement.

Net Position as of October 01, 2014 was also decreased by \$88.7 due to the restatement of capital assets. Refer to Note 16 for more details about the restatement.

The following table provides a summary of the County's net position at September 30, 2015 and 2014:

CONDENSED SCHEDULE OF NET POSITION

September 30, 2015 and 2014

	Primary Government Governmental Activities	
	2015	2014*
Current and other assets	\$ 181,965,423	\$ 120,055,303
Capital assets, net	1,115,829,448	1,091,392,569
Total Assets	1,297,794,871	1,211,447,872
Deferred outflows of resources	23,194,398	319,879
Long-term liabilities	639,298,197	565,433,842
Other liabilities	48,692,455	34,577,650
Total Liabilities	687,990,652	600,011,492
Deferred inflows of resources	264,230	
Net Position:		
Net investment in capital assets	757,211,714	751,094,000
Restricted	1,852,069	1,753,831
Unrestricted	(126,329,396)	(141,091,572)
Total Net Position	\$ 632,734,387	\$ 611,756,259

*As noted above, during the fiscal year ended September 30, 2015, the County implemented GASB Statement No. 68 relating to the recognition of the net pension liability relating to County's employee retirement plan administered by the Texas County and District Retirement System. Prior year liabilities have been presented in this schedule for comparative purposes. As noted above, during the fiscal year ended September 30, 2015, the County also restated the carrying value of its capital assets. Restated prior year capital asset values have been presented in this schedule for comparative purposes.

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 and deferred inflows of resources by \$632.7 million at the close of the most recent fiscal year.

The County's capital assets (e.g., land, buildings, vehicles, machinery and equipment, office furniture and equipment, infrastructure, and construction in progress), less any related debt used to acquire those assets that is still outstanding, total \$757.2 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, \$1.9 million, represents resources that are subject to external restrictions on how they may be used. The deficit balance for unrestricted net position of \$126.3 million was due primarily to the growing OPEB liability that now totals \$221.3 million.

The County's net position increased \$21.0 million from the prior year. This increase is primarily due to the following: increase in cash of \$31.7 million due to the issuance of bonds for road projects; increase in due from component units of \$4.8 million due to an increase of accounts payable transactions at the end of September; increase in receivables of \$23.4 million; increase in capital assets of \$24.4 million due to construction of new facilities and construction and contribution of new roads; increase in accounts payable of \$13.2 million due to an increase of transactions at the end of September; an increase in OPEB liability of \$31.5 million, a decrease in net pension items of \$9.5 million; and an increase of \$28.6 million in bonds payable and related premiums.

The following table provides a summary of the County's operations for the years ended September 30, 2015 and 2014:

SCHEDULE OF CHANGES IN NET POSITION

For the years ended September 30, 2015 and 2014

	Primary Government Governmental Activities	
	2015	2014**
Revenues		
Program revenues:		
Charges for services	\$ 47,638,105	\$ 44,948,760
Operating grants and contributions	36,841,200	33,096,456
Capital grants and contributions	32,984,374	36,540,480
General revenues:		
Property taxes	264,741,926	222,838,642
Sales taxes	5,789,362	4,214,553
Earnings on investments	904,359	880,712
Other	7,138,231	4,373,699
Total Revenues	396,037,557	346,893,302
Expenses		
General administration	49,953,700	47,178,578
Financial administration	9,923,190	9,809,215
Administration of justice	97,317,659	96,510,853
Construction and maintenance	80,574,657	57,430,317
Health and human services	36,721,273	34,976,018
Cooperative services	1,150,926	1,152,222
Public safety	63,537,941	58,412,120
Parks and recreation	4,133,419	3,379,366
Libraries and education	17,638,589	17,170,818
Interest on long-term debt	14,108,075	14,836,824
Total Expenses	375,059,429	340,856,331
Change in net position for the year	20,978,128	6,036,971
Net Position, Beginning - as originally presented	721,922,036	715,885,065
Change in accounting principles **	(21,429,052)	(21,429,052)
Change in capital assets **	(88,736,725)	(88,736,725)
Net Position, Ending	\$ 632,734,387	\$ 611,756,259

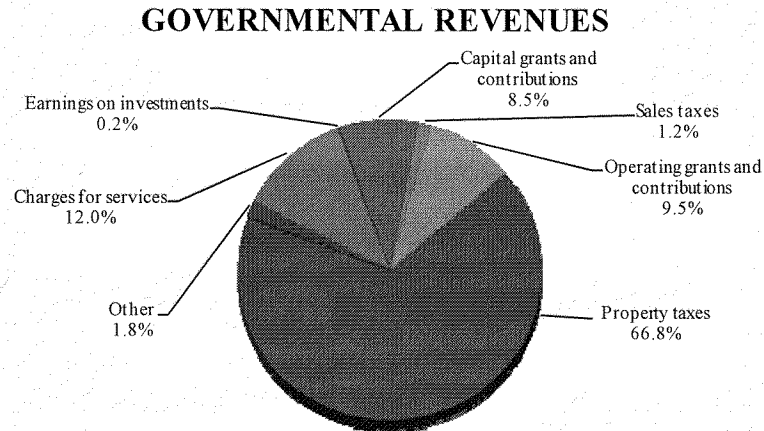
**During the fiscal year ended September 30, 2015, the County implemented GASB Statement No. 68 relating to the recognition of the net pension liability relating to the County's employee retirement plan administered by the Texas County and District Retirement System. Prior year liabilities have been added to the ending net position balance but pension related activities have not been presented in this schedule as the information is not available. Also during the fiscal year ended September 30, 2015, the County restated the carrying value of its capital assets. The restatement of prior year capital assets has reduced the ending net position balance but the related activities have not been presented in this schedule. See Note 16 for more information on both restatements.

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.

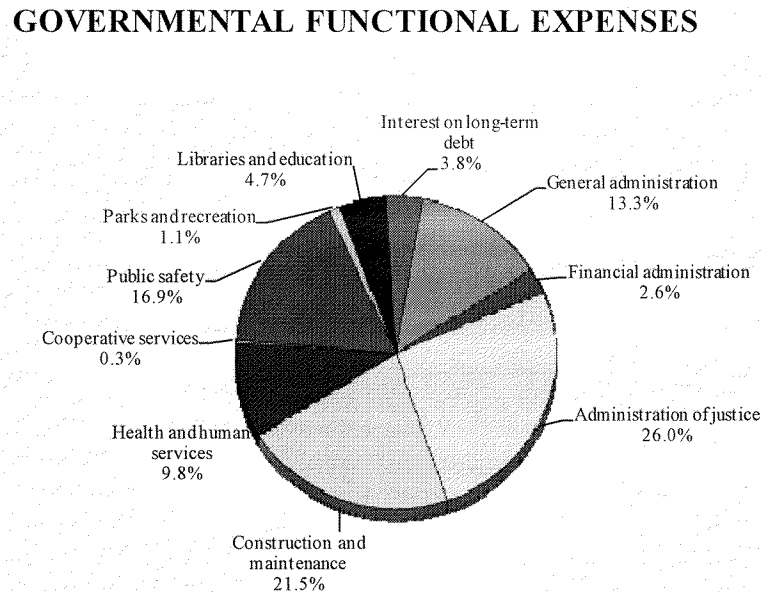
Governmental activities increased the County's net position by \$21.0 million. This increase is up from last year's increase of \$6.0 million. The key elements of this change in net position are as follows:

- Increase in charges for services of \$2.7 million due to an increase in services from all the governmental functions.
- Increase in operating grants and contributions of \$3.7 million due to an increase of \$2.8 in local funding on projects and grants and an increase of \$1.1 million in federal grant payments and reimbursements.
- Decrease in capital grants and contributions of \$3.6 million resulting from the absence of a \$3.5 million for the purchase of Jones Creek Ranch that was received in the prior year.
- Increase in property taxes of \$41.9 million due to an increase in property valuations.
- Increase in sales taxes of \$1.6 million due to an increase in sales from current and new businesses located in the County Assistance Districts.
- Increase in other revenue of \$2.8 million primarily due to \$2.0 million in sales proceeds from the sale of Regal Ranch property.
- General administration expenses increased by \$2.8 million primarily due to the following:
 - Increase of \$1.7 million in payroll and related costs.
 - Increase of \$0.4 million due to TIRZ payments made in the current year.
 - Decrease of \$0.5 million in allocation of the net operational activity of the Internal Service Funds.
 - Decrease of \$0.4 million in pension and retirement costs.
 - Increase of \$2.0 million in operating expenses.
 - Decrease of \$0.3 million in public assistance.
- Administration of justice expenses increased by \$0.8 million primarily due to the following:
 - Increase of \$3.7 million in payroll and related costs.
 - Decrease of \$1.7 million in allocation of the net operational activity of the Internal Service Funds.
 - Decrease of \$1.2 million in pension and retirement costs.
- Construction and maintenance expenses increased by \$23.1 million primarily due to the following:
 - Increase of \$24.5 million in fees due to an increase in payments made to other jurisdictions for contributions for infrastructure.
 - Decrease of \$1.9 million in depreciation due to the correction of assets erroneously capitalized in prior years.
- Health and human services expenses increased by \$1.7 million due to:
 - Increase of \$2.4 million in payroll and related costs.
 - Decrease of \$0.4 million in allocation of the net operational activity of the Internal Service Funds.
 - Decrease of \$0.3 million in pension and retirement costs.
- Public safety expenses increased by \$5.1 million primarily due to the following:
 - Increase of \$3.4 million in payroll and related costs.
 - Decrease of \$1.0 million in allocation of the net operational activity of the Internal Service Funds.
 - Decrease of \$0.8 million in pension and retirement
 - Purchase in the current fiscal year of \$2.7 million in radio replacements for the Sheriff's Office.
 - Increase in Emergency Management grant funded expenses of \$0.6 million.
- Parks and recreation expenses increased by \$0.8 million primarily due to the following:
 - Increase of \$3 million in payroll and related costs.
 - Increase in Parks project expenses of \$0.3 million.
- Interest on long-term debt decreased by \$0.7 million due to the scheduled reduction of outstanding debt.

Governmental revenues for fiscal year 2015 are graphically displayed as follows:



Governmental functional expenses for fiscal year 2015 are graphically displayed as follows:



Financial Analysis of the County's Funds

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

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

The combined governmental fund balance reached \$104.4 million. Of this, \$30.6 million is unassigned fund balance and available for day-to-day operations within the General Fund. \$14.8 million is committed fund balance for capital projects within the General Fund. \$58.6 million is restricted fund balance for General (\$0.2 million), Debt Service (\$2.8 million), Mobility 2015 Projects (\$12.0 million),

and the non-major governmental funds (\$43.6 million). \$0.4 million is non-spendable fund balance for the General Fund (\$0.4 million) and the non-major governmental funds (\$44.5 thousand).

There was an increase in the combined fund balance of \$25.2 million from the prior year for the governmental funds. This overall decrease was primarily due to an increase in the Mobility 2015 Projects capital project fund of \$12.0 million. Non-major funds increased by \$4.8 million, and General Fund balance increased by \$8.4 million which is up from the previous year's increase of \$0.1 million. This net increase in change in fund balance for General Fund of \$8.3 million is primarily due to the following factors:

- Increase in General Fund property tax allocation of \$15.6 million due to increased property valuations.
- Increase in fees of office collections of \$2.3 million due to increase in services from all the governmental functions.
- Increase in federal funds of \$2.6 million primarily due to an increase in uncompensated care reimbursement from Centers for Medicare and Medicaid Services for Emergency Management Services of \$0.8 million and an increase in grant funding of \$1.8 million.
- Decrease in state funds of \$0.7 million primarily due to a reduction of right of way funding from Texas Department of Transportation.
- Increase in local funds of \$0.9 million due to increased funding of road projects from local jurisdictions.
- Decrease in miscellaneous reimbursements of \$1.2 million primarily due to donations of \$3.5 million received in the prior fiscal year to purchase Jones Creek Park, offset by proceeds from the sale of Regal Ranch property of \$2.0 million in the current fiscal year.
- General administration expenditures increased by \$3.1 million primarily due to:
 - Increase in payroll and related costs of \$1.7 million due to added positions, cost-of-living adjustments, and an increase in funding for workers compensation and unemployment.
 - Increase of \$0.4 million in TIRZ payments.
 - Increase of \$1.3 million in operating expenditures.
 - Decrease of \$0.3 million in public assistance.
- Financial administration expenditures increased by \$0.5 million primarily due to an increase in payroll and related costs due to an added position, cost-of-living adjustments, and an increase in funding for workers compensation and unemployment.
- Administration of justice expenditures increase by \$3.1 million primarily due to added positions, cost-of-living adjustments, and an increase in funding for workers compensation and unemployment.
- Health and welfare expenditures increased by \$3.5 million primarily due to:
 - Increase in payroll and related costs of \$2.4 million due to added positions, cost-of-living adjustments, and an increase in funding for workers compensation and unemployment.
 - Increase in 1115 Waiver project expenses of \$1.0 million.
- Public safety expenditures increased by \$6.6 million primarily due to:
 - Increase in payroll and related costs of \$3.4 million due to added positions, cost-of-living adjustments, and an increase in funding for workers compensation and unemployment.
 - Purchase in the current fiscal year of \$2.7 million in radio replacements for the Sheriff's Office.
 - Increase in Emergency Management grant funded expenses of \$0.6 million.
- Parks and recreation expenditures increased by \$0.6 million primarily due to:
 - Increase in payroll and related costs of \$0.3 million due to added positions, cost-of-living adjustments, and an increase in funding for workers compensation and unemployment.
 - Increase in Parks project expenses of \$0.3 million.
- Libraries and education increased by \$0.8 million primarily due to:
 - Increase in payroll and related costs of \$0.6 million due to added positions, cost-of-living adjustments, and an increase in funding for workers compensation and unemployment.
 - Increase in maintenance costs of the Library facilities of \$0.2 million.

- Capital outlay decreased by \$5.9 million primarily due to a reduction of construction in progress and land acquisitions unrelated to right of way.
- Transfers out decreased by \$1.1 million primarily due to:
 - Increase in funding of the Juvenile Probation fund of \$1.3 million.
 - Increase in funding contribution to the Mobility Projects funds of \$0.4 million.
 - Absence of a \$2.7 million transfer in the prior year to the Other Self-Funded Insurance internal service fund of property/casualty/liability insurance due to an accounting change.

The Debt Service Fund balance increased by \$25.0 thousand which is \$253.8 thousand less than the previous year's increase of \$278.8 thousand primarily due to a decrease in the current year tax collection rate from the prior year tax collection rate. The Debt Service Fund balance was budgeted for the current year to decrease by \$423 thousand; however, there was an actual increase in fund balance of \$448 thousand. This variance was caused by an increase of \$264 thousand in tax revenues collected over budgeted amount, and a decrease in expenditures of \$515 thousand under budget, primarily due to debt refunding.

Proprietary Funds - The County's proprietary funds consist of insurance related internal service funds.

The Employee Benefits Fund had a deficit net position balance at fiscal year-end of \$0.2 million, which is a \$1.1 million decrease from the prior year's net position of \$0.9 million. This decrease was primarily caused by an increase of \$1.9 million in county allocation, a decrease of \$1.2 million in reimbursements, an increase of \$0.5 million in fees, an increase of \$0.5 million in stop loss insurance premiums, an increase of \$0.7 million in prescription claims, and an increase in incurred but not reported claims of \$0.7 million.

The Other Self-Funded Insurance Fund has a deficit net position balance of \$1.5 million at fiscal year-end, which is an improvement of \$1.3 million over the previous year's deficit net position balance of \$2.8 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 \$15.4 million in expenditure appropriations between the original and final amended budget. The main components of this decrease were based on the following: \$12.4 million decrease for general administration; \$0.9 million increase for administration of justice; \$2.3 million decrease for health and welfare; and \$1.2 million decrease for public safety.

General Fund revenues exceeded the amended budget by \$5.8 million for the year. The reasons for this surplus are detailed as follows:

- Property taxes resulted in a \$2.3 million excess over budget due to increased collection rate.
- Fees and fines resulted in \$1.8 million in excess revenues due to continued increased collections of fines, fees and court costs.
- Miscellaneous revenue resulted in \$1.3 million in excess primarily due to increase sales proceeds from real property.

General Fund expenditures fell short of the amended budget by \$0.2 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 Vehicle Maintenance of \$555,367. This shortfall did cause an overall budget deficit of \$487,939 within general administration. The final allocation of vehicle maintenance costs caused the shortfall,

therefore procedures have been put in place to prepare preliminary cost projections of the allocation to prevent this in the future.

- Administration of justice had one budget shortfall within individual budget categories for Sheriff Detention of \$12,928. This shortfall did not cause an overall budget deficit within administration of justice, however, procedures have been put in place to prevent this in the future.
- Health and welfare had two budget shortfalls within individual budget categories for Ambulance-EMS and Health and Human Services, of \$43,446 and \$32,430, 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.
- Other financing (uses) had a budget shortfall of \$123,642 in transfers (out) due to the omission of a final allocation to cover the costs for the internal service funds. Procedures have been put in place to prepare a preliminary projection of the internal service funding needs before the close of the fiscal year to prevent this in the future.

Capital Assets and Debt Administration

Capital Assets - At the end of fiscal year 2015, the County's governmental activities had invested \$1.1 billion in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents an increase of approximately \$24.4 million over the previous fiscal year.

	Governmental Activities	
	2015	2014*
Non-Depreciable Capital Assets		
Land	\$ 383,866,412	\$ 369,455,773
Construction in progress	26,583,072	31,423,924
Depreciable Capital Assets, Net		
Vehicles	14,484,339	13,056,625
Office furniture and equipment	6,290,410	7,178,373
Machinery and equipment	10,429,294	10,235,170
Buildings, facilities and improvements	259,833,336	264,709,968
Infrastructure	414,342,585	395,332,736
Totals	<u>\$ 1,115,829,448</u>	<u>\$ 1,091,392,569</u>

*as restated. See Note 16 for more information.

Construction in progress at year-end represents: Mobility Bond projects (\$16.8 million); Westpark B (\$5.0 million); and Utility Relocation-Greenbusch (\$1.5 million).

Long-Term Debt - The County had total bonds outstanding of \$341.6 million at fiscal year-end. This is an increase of \$11.5 million from the prior year due to the issuance of the 2015 Unlimited Tax Road Bonds offset by scheduled debt service payments made during fiscal year 2015. OPEB liability increased by \$31.5 million based on the actuarial valuation dated September 30, 2015, to a total balance of \$221.3 million.

	Governmental Activities	
	2015	2014*
General obligation bonds	\$ 341,640,000	\$ 330,110,000
Premiums on bonds	34,625,782	17,598,537
Accrued compensated absences	6,948,338	6,536,895
Other post-employment benefits ("OPEB") obligation	221,281,360	189,759,358
Net pension liability	34,802,717	21,429,052
Totals	<u>\$ 639,298,197</u>	<u>\$ 565,433,842</u>

*as restated. See Note 16 for more information.

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 Aa1 from Moody's and AA+ from Fitch.

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, 2015, approximately \$9.2 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, 2015, approximately \$131.4 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 685,345 in 2015 and is expected to grow to 804,228 by 2020.

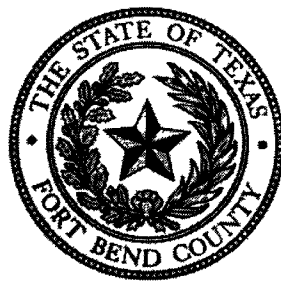
The number of households has increased to 221,896 in 2015 and is expected to grow to 260,307 by 2020. Average household income for 2015 is \$119,163 and is estimated to rise to \$134,687 by 2020.

The Commissioners Court approved a \$318.4 million total budget for the 2016 fiscal year. This is a 9.71% increase over the adopted 2015 fiscal year budget. The increase in the budget is primarily due to payroll costs of \$30.3 million as a result of a county-wide cost of living increase along with 82 new positions. These increases were offset by an increase in debt service of \$1.9 million and a decrease in capital outlay \$ 4.0 million. The overall tax rate decreased from \$0.49476 per \$100 of assessed valuation for 2015 to \$0.486 per \$100 valuation for 2016.

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, 2015

	Primary Government Governmental Activities	Component Units
Assets		
Cash and cash equivalents	\$ 122,948,622	\$ 100,243,169
Investments		7,124,028
Receivables:		
Property taxes, net	6,781,398	
Sales taxes	1,093,639	
Grants	11,046,870	
Fines and fees	25,703,230	
Notes receivable		657,600
Other	5,926,497	7,753,405
Prepaid items	407,438	
Due from component units	8,057,729	
Capital assets, not being depreciated	410,449,484	54,879,104
Capital assets, net of accumulated depreciation	705,379,964	280,429,466
Total Assets	1,297,794,871	451,086,772
Deferred Outflows of Resources		
Deferred charges-debt refunding	6,193,557	10,240,356
Deferred outflows related to pension activities	17,000,841	
Total Deferred Outflows of Resources	23,194,398	10,240,356
Liabilities		
Accounts payable and accrued expenses	41,866,794	3,900
Retainage payable	630,873	1,373,714
Accrued interest payable	1,336,048	1,328,265
Unearned revenues	4,002,370	
Due to primary government		8,057,729
Due to other governments	856,369	
Long-term Liabilities:		
Long-term liabilities due within one-year	20,217,085	4,645,000
Long-term liabilities due in more than one-year	584,278,395	379,983,218
Net pension liability	34,802,717	
Total Liabilities	687,990,651	395,391,826
Deferred Inflows of Resources		
Deferred inflows related to pension activities	264,230	
Total Deferred Inflows of Resources	264,230	
Net Position (Deficit)		
Net investment in capital assets	757,211,714	(9,913,190)
Restricted for:		
Debt service	1,852,069	9,986,302
Unrestricted	(126,329,396)	65,862,190
Total Net Position	\$ 632,734,387	\$ 65,935,302

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

FORT BEND COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General administration	\$ 49,953,700	\$ 8,579,034	\$ 3,849,997	\$
Financial administration	9,923,190	7,541,956		
Administration of justice	97,317,659	8,485,619	10,292,737	
Construction and maintenance	80,574,657	7,078,136	1,713,376	32,920,374
Health and human services	36,721,273	7,762,002	16,106,462	
Cooperative services	1,150,926		350	
Public safety	63,537,941	7,721,948	4,427,337	64,000
Parks and recreation	4,133,419	188,437	346,283	
Libraries and education	17,638,589	280,973	104,658	
Interest on long-term debt	14,108,075			
Total Primary Government	\$ 375,059,429	\$ 47,638,105	\$ 36,841,200	\$ 32,984,374
Component Units:				
FBC Surface Water Supply Corporation	\$	\$	\$	\$
FBC Toll Road Authority	22,041,450	26,859,669		780,842
FB Grand Parkway Toll Road Authority	16,955,686	18,731,285		481,907
FBC Housing Finance Corporation	22,718	76,759		
FBC Industrial Development Corporation	15,797			
Total Component Units	\$ 39,035,651	\$ 45,667,713	\$	\$ 1,262,749

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

Prior period adjustments

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	

\$ (37,524,669)	\$
(2,381,234)	
(78,539,303)	
(38,862,771)	
(12,852,809)	
(1,150,576)	
(51,324,656)	
(3,598,699)	
(17,252,958)	
(14,108,075)	
<u>(257,595,750)</u>	

5,599,061
2,257,506
54,041
(15,797)
<u>7,894,811</u>

264,741,926	
5,789,362	
904,359	363,288
7,138,231	167,556
<u>278,573,878</u>	<u>530,844</u>
20,978,128	8,425,655
721,922,036	57,509,647
(110,165,777)	
<u>\$ 632,734,387</u>	<u>\$ 65,935,302</u>

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

FORT BEND COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2015

	General Fund	Debt Service Fund	Mobility 2015 Projects	Non-major Governmental Funds	Totals Governmental Funds
Assets					
Cash and cash equivalents	\$ 49,742,268	\$ 2,765,366	\$ 18,508,241	\$ 47,286,238	\$ 118,302,113
Taxes receivable, net	3,606,005	370,224		1,782,925	5,759,154
Penalties and interest receivable on delinquent taxes, net	1,787,158	38,390		290,335	2,115,883
Grants receivable	10,485,631			561,239	11,046,870
Fines and fees receivable	25,703,230				25,703,230
Other receivables	3,686,190	14,136		1,883,621	5,583,947
Due from other funds	11,512,050			69,413	11,581,463
Due from component units	8,057,729				8,057,729
Prepaid items	359,792			44,468	404,260
Total Assets	\$ 114,940,053	\$ 3,188,116	\$ 18,508,241	\$ 51,918,239	\$ 188,554,649
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 28,621,070	\$	\$	\$	\$ 28,621,070
Accrued payroll	6,799,361				6,799,361
Retainage payable	52,872		545,575	32,427	630,874
Due to other funds			5,931,565	4,839,561	10,771,126
Due to other governments	763,323			93,047	856,370
Unearned revenues	1,672,978			2,329,392	4,002,370
Total Liabilities	37,909,604		6,477,140	7,294,427	51,681,171
Deferred Inflows of Resources					
Unavailable revenue-property taxes	3,606,005	370,224		689,286	4,665,515
Unavailable revenue-other	27,490,388	38,390		290,335	27,819,113
Total Deferred Inflows of Resources	31,096,393	408,614		979,621	32,484,628
Fund Balances					
Nonspendable	359,792			44,468	404,260
Restricted	217,488	2,779,502	12,031,101	43,601,606	58,629,697
Committed	14,766,773				14,766,773
Unassigned	30,590,003			(1,883)	30,588,120
Total Fund Balances	45,934,056	2,779,502	12,031,101	43,644,191	104,388,850
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 114,940,053	\$ 3,188,116	\$ 18,508,241	\$ 51,918,239	\$ 188,554,649

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, 2015

Total fund balances, governmental funds	\$ 104,388,850
---	----------------

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.	1,115,219,971
---	---------------

Other long-term assets are not available to pay for current period expenditures and are therefore deferred in the funds.	32,484,628
--	------------

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.	(1,654,985)
---	-------------

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	(341,640,000)
Deferred charges on debt refunding	6,193,557
Compensated absences	(6,948,338)
Other post-employment benefits ("OPEB") obligation	(221,281,360)
Premiums on issuance of debt	(34,625,782)

Net pension liability and related deferred outflows and inflows do not represent assets or liabilities in the current period and are not recognized in the governmental fund financial statements.	(18,066,106)
--	--------------

Accrued interest is not due and payable in the current period and therefore not reported in the funds.	<u>(1,336,048)</u>
--	--------------------

Net Position of Governmental Activities	<u><u>\$ 632,734,387</u></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, 2015

	General Fund	Debt Service Fund	Mobility 2015 Projects	Non-major Governmental Funds	Totals Governmental Funds
Revenues					
Property taxes	\$ 185,554,437	\$ 32,376,090	\$	\$ 24,513,585	\$ 242,444,112
Sales taxes				5,789,362	5,789,362
Fines and fees	36,432,382			11,370,901	47,803,283
Intergovernmental	25,926,210		1,483,264	12,495,313	39,904,787
Earnings on investments	660,788	30,925	19,885	167,382	878,980
Miscellaneous	5,412,530		100,000	2,033,185	7,545,715
Total Revenues	<u>253,986,347</u>	<u>32,407,015</u>	<u>1,603,149</u>	<u>56,369,728</u>	<u>344,366,239</u>
Expenditures					
Current:					
General administration	43,520,792			1,177,928	44,698,720
Financial administration	8,367,301			2,620	8,369,921
Administration of justice	60,223,750			21,187,781	81,411,531
Construction and maintenance	2,613,642		24,379,801	32,791,958	59,785,401
Health and human services	30,504,559			1,931,872	32,436,431
Cooperative services	973,026				973,026
Public safety	52,633,249			1,018,971	53,652,220
Parks and recreation	3,051,927				3,051,927
Libraries and education	14,379,472			80,947	14,460,419
Capital Outlay	16,548,272		6,605,902	5,757,454	28,911,628
Debt Service:					
Principal		16,750,000			16,750,000
Interest and fiscal charges		14,391,964			14,391,964
Bond issuance costs		903,237	304,023		1,207,260
Total Expenditures	<u>232,815,990</u>	<u>32,045,201</u>	<u>31,289,726</u>	<u>63,949,531</u>	<u>360,100,448</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>21,170,357</u>	<u>361,814</u>	<u>(29,686,577)</u>	<u>(7,579,803)</u>	<u>(15,734,209)</u>
Other Financing Sources (Uses)					
Transfers in	159,135		442,610	12,915,760	13,517,505
Transfers (out)	(12,919,936)		(34,428)	(563,141)	(13,517,505)
General obligation bonds issued			37,365,000		37,365,000
Premium on general obligation bonds issued			3,944,496		3,944,496
Refunding bonds issued		108,225,000			108,225,000
Payment to refunded bond escrow agent		(126,676,501)			(126,676,501)
Premium on refunding bonds issued		18,114,658			18,114,658
Total Other Financing Sources (Uses)	<u>(12,760,801)</u>	<u>(336,843)</u>	<u>41,717,678</u>	<u>12,352,619</u>	<u>40,972,653</u>
Net Change in Fund Balances	8,409,556	24,971	12,031,101	4,772,816	25,238,444
Fund Balances, Beginning of Year	37,524,500	2,754,531		38,871,375	79,150,406
Fund Balances, End of Year	<u>\$ 45,934,056</u>	<u>\$ 2,779,502</u>	<u>\$ 12,031,101</u>	<u>\$ 43,644,191</u>	<u>\$ 104,388,850</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, 2015*

Net change in fund balances - total governmental funds	\$ 25,238,444
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 depreciation expense (\$32,484,907) exceeded capital outlay (\$28,911,628) in the current period.	(3,573,279)
Capital contributions of infrastructure are reported in the government-wide financial statements but not in the fund financial statements.	29,614,643
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.	(1,575,131)
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 and refunding bonds	(145,590,000)
Premium on bonds issued	(22,059,154)
Repayments:	
Principal repayments	16,750,000
Payment to escrow agent for refunding	126,676,501
Pension contributions made during the year, are treated as expenditures in the governmental funds but are treated as a reduction in pension liability in government wide financial statements.	15,314,629
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	(411,443)
Accrued interest	(47,937)
Pension expense for the pension plan measurement year	(11,951,683)
Other post-employment benefit ("OPEB") obligation	(31,522,002)
Amortization of bond premiums	1,763,776
Amortization of deferred charge on refunding	(224,691)
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.	22,297,813
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.	277,642
Change in net position of governmental activities	<u>\$ 20,978,128</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, 2015

	Governmental Activities Internal Service Funds
Assets	
Current Assets:	
Cash and cash equivalents	\$ 4,646,509
Prepaid expenses	3,178
Due from other funds	110,288
Other receivables	342,549
Total Current Assets	<u>5,102,524</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	609,479
Total Noncurrent Assets	<u>609,479</u>
Total Assets	<u>5,712,003</u>
Liabilities	
Current Liabilities:	
Benefits payable	6,446,363
Due to other funds	920,625
Total Current Liabilities	<u>7,366,988</u>
Total Liabilities	<u>7,366,988</u>
Net Position (Deficit)	
Net investment in capital assets	609,479
Unrestricted	<u>(2,264,464)</u>
Total Net (Deficit)	<u>\$ (1,654,985)</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, 2015

	Governmental Activities Internal Service Funds
Operating Revenues	
Charges for services	\$ 40,696,917
Total Operating Revenues	<u>40,696,917</u>
Operating Expenses	
Current operations - general administration	2,672,052
Benefits provided	37,772,604
Total Operating Expenses	<u>40,444,656</u>
Operating Income	252,261
Non-Operating Revenues	
Earnings on investments	25,381
Total Non-Operating Revenues	<u>25,381</u>
Change in Net (Deficit)	277,642
Total Net (Deficit), Beginning of Year	<u>(1,932,627)</u>
Total Net (Deficit), End of Year	<u><u>\$ (1,654,985)</u></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, 2015

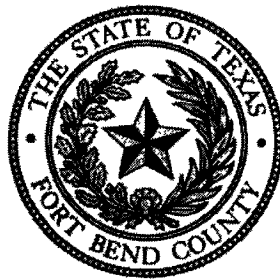
	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities	
Charges for services	\$ 41,742,994
Payment of benefits	(38,430,163)
Payment of general administration expenses	(2,638,673)
Net Cash Provided by Operating Activities	<u>674,158</u>
Cash Flows from Investing Activities	
Interest earned on investments	25,381
Net Cash Provided by Investing Activities	<u>25,381</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(5,805)
Net Cash (Used) by Capital and Related Financing Activities	<u>(5,805)</u>
Net Increase in Cash and Cash Equivalents	693,734
Cash and Cash Equivalents, Beginning of Year	<u>3,952,775</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,646,509</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 252,261
Adjustments to operations:	
Depreciation	35,157
Change in assets and liabilities:	
(Increase) in prepaid expenses	(1,778)
(Increase) in other receivables	(194,428)
Decrease in due from other funds	536,460
Increase in due to other funds	704,045
(Decrease) in benefits payable	(657,559)
Total Adjustments	<u>421,897</u>
Net Cash Provided by Operating Activities	<u><u>\$ 674,158</u></u>

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

FORT BEND COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2015

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 35,717,386
Miscellaneous receivables	<u>1,127,420</u>
Total Assets	<u><u>\$ 36,844,806</u></u>
Liabilities	
Due to other governments	<u>\$ 36,844,806</u>
Total Liabilities	<u><u>\$ 36,844,806</u></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, 2015

	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	\$ 7,754	\$ 80,124,411	\$ 19,680,211	\$ 204,727	\$ 226,066	\$ 100,243,169
Investments		4,821,817	2,302,211			7,124,028
Notes receivable				657,600		657,600
Miscellaneous receivables		4,578,566	3,174,839			7,753,405
Capital assets, not being depreciated		49,421,323	5,457,781			54,879,104
Capital assets, net of accumulated depreciation		148,184,382	132,245,084			280,429,466
Total Assets	<u>7,754</u>	<u>287,130,499</u>	<u>162,860,126</u>	<u>862,327</u>	<u>226,066</u>	<u>451,086,772</u>
Deferred Outflows of Resources						
Deferred charges-debt refunding		10,240,356				10,240,356
Total Deferred Outflows of Resources		<u>10,240,356</u>				<u>10,240,356</u>
Liabilities						
Accounts payable				3,900		3,900
Retainage payable		561,975	811,739			1,373,714
Due to primary government		5,432,912	2,624,770		47	8,057,729
Accrued interest payable		729,915	598,350			1,328,265
Long-term liabilities:						
Due within one year		4,645,000				4,645,000
Due in more than one year		207,801,904	172,181,314			379,983,218
Total Liabilities		<u>219,171,706</u>	<u>176,216,173</u>	<u>3,900</u>	<u>47</u>	<u>395,391,826</u>
Net Position (Deficit)						
Net investment in capital assets		18,837,565	(28,750,755)			(9,913,190)
Restricted for:						
Debt service		7,679,464	2,306,838			9,986,302
Unrestricted	7,754	51,682,120	13,087,870	858,427	226,019	65,862,190
Total Net Position (Deficit)	<u>\$ 7,754</u>	<u>\$ 78,199,149</u>	<u>\$(13,356,047)</u>	<u>\$ 858,427</u>	<u>\$ 226,019</u>	<u>\$ 65,935,302</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, 2015*

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Capital Grants and Contributions
Fort Bend County Surface Water Supply Corporation			
Health and welfare	\$	\$	\$
Total Fort Bend County Surface Water Supply Corporation			
Fort Bend County Toll Road Authority			
Toll road operations	13,665,581	26,859,669	780,842
Interest on long-term debt	8,375,869		
Total Fort Bend County Toll Road Authority	<u>22,041,450</u>	<u>26,859,669</u>	<u>780,842</u>
Fort Bend Grand Parkway Toll Road Authority			
Toll road operations	10,317,466	18,731,285	481,907
Interest on long-term debt	6,638,220		
Total Fort Bend Grand Parkway Toll Road Authority	<u>16,955,686</u>	<u>18,731,285</u>	<u>481,907</u>
Fort Bend County Housing Finance Corporation			
General administration	22,718	76,759	
Total Fort Bend County Housing Finance Corporation	<u>22,718</u>	<u>76,759</u>	
Fort Bend County Industrial Development Corporation			
General administration	15,797		
Total Fort Bend County Industrial Development Corporation	<u>15,797</u>		
Totals Component Units	<u>\$ 39,035,651</u>	<u>\$ 45,667,713</u>	<u>\$ 1,262,749</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
\$	\$	\$	\$	\$	\$
	13,974,930				13,974,930
	(8,375,869)				(8,375,869)
	5,599,061				5,599,061
		8,895,726			8,895,726
		(6,638,220)			(6,638,220)
		2,257,506			2,257,506
			54,041		54,041
			54,041		54,041
				(15,797)	(15,797)
				(15,797)	(15,797)
	5,599,061	2,257,506	54,041	(15,797)	7,894,811
25	294,397	67,869	273	724	363,288
	3,281	164,275			167,556
25	297,678	232,144	273	724	530,844
25	5,896,739	2,489,650	54,314	(15,073)	8,425,655
7,729	72,302,410	(15,845,697)	804,113	241,092	57,509,647
\$ 7,754	\$ 78,199,149	\$ (13,356,047)	\$ 858,427	\$ 226,019	\$ 65,935,302

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. FBFCWSC was dissolved on October 28, 2015. 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. 68, *Accounting and Financial Reporting for Pensions* (“GASB 68”), replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirement of Statement No. 50, *Pension Disclosures*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Implementation of GASB 68 is reflected in the financial statements, notes to financial statements, and required supplemental information.

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 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 Bonds Series 2009, Unlimited Tax Road Bonds Series 2012, Unlimited Tax Road Refunding Bonds Series 2014, Unlimited Tax Road and Refunding Bonds Series 2015, and Facilities Refunding Bonds Series 2015. 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.

Mobility 2015 Projects Fund

This fund is used to account for the proceeds of the Unlimited Tax Road Bonds Series 2015, which are being used to finance the construction and/or expansion of numerous roads in the County. These funds are restricted pursuant to bond covenant.

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 65 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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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:

Asset Description	Estimated Useful Life
Vehicles	5 to 7 years
Office furniture and equipment	5 to 7 years
Machinery and equipment	7 to 15 years
Buildings, facilities and improvements	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 has two items that qualify for reporting in this category:

- Deferred charges on refunding - 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.
- Deferred outflows of resources for pension items - This deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently 6 years for the County plan.

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 only has two items that qualifies for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension – Reported by the County in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.

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. The General Fund is the only fund that reports a positive unassigned fund balance.

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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's defined benefit pension plan (the "Plan") administered by the statewide Texas County and District Retirement System ("TCDRS") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

S. Date of Managements' Review

In preparing the financial statements, the County has evaluated events and transactions for potential recognition or disclosure through March 31, 2016, 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, 2015.

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, 2015, 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	\$ 117,909,972	\$4,646,509	\$ 122,556,481	\$ 99,950,314	\$222,506,795
Investment pools:					
Texas CLASS	386,764		386,764	290,832	677,596
TexasTERM	2,350		2,350	1,008	3,358
LOGIC	3,027		3,027	1,015	4,042
Totals cash and cash equivalents	118,302,113	4,646,509	122,948,622	100,243,169	223,191,791
Governmental securities.					
FHLB				2,302,211	2,302,211
FHLB				2,811,978	2,811,978
FFCB				2,009,839	2,009,839
Totals Cash and Investments	\$ 118,302,113	\$4,646,509	\$ 122,948,622	\$ 107,367,197	\$230,315,819

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.

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>
Investment pools:			
Texas CLASS	\$ 677,596	53	8.8%
TexasTERM	3,358	37	0.0%
LOGIC	4,042	33	0.1%
Governmental securities:			
FHLB	2,302,211	142	29.5%
FHLB	2,811,978	758	36.0%
FFCB	2,009,839	933	25.7%
Total Fair Value	<u>\$ 7,809,024</u>		
Portfolio weighted average maturity		<u>560</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, 2015, the County's investments in Texas CLASS, TexasTERM, and LOGIC were rated "AAAm" by Standard and Poor's.

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:

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

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

NOTE 3 - RECEIVABLES

Receivables, including applicable allowances for uncollectible accounts, as of September 30, 2015, were as follows:

	Governmental Activities			
	General Fund	Debt Service Fund	Non-major Governmental Funds	Totals
Receivables:				
Property taxes	\$ 4,006,672	\$ 411,360	\$ 765,873	\$ 5,183,905
Sales taxes			1,093,639	1,093,639
Penalties and interest on delinquent taxes	1,985,731	42,656	322,595	2,350,982
Grants	10,485,631		561,239	11,046,870
Fines and fees	78,485,778			78,485,778
Other	3,686,190	14,136	1,883,621	5,583,947
Gross receivables	98,650,002	468,152	4,626,967	103,745,121
Less: allowance for uncollectibles	(53,381,788)	(45,402)	(108,847)	(53,536,037)
Totals	\$ 45,268,214	\$ 422,750	\$ 4,518,120	\$ 50,209,084

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, 2015, the various components of unavailable revenue reported in the governmental funds are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes (General Fund)	\$ 3,606,005	\$
Delinquent property taxes (Road and Bridge Fund)	502,809	
Delinquent property taxes (Drainage District Fund)	186,477	
Delinquent property taxes (Debt Service Fund)	370,224	
Penalties and interest on delinquent taxes	2,115,883	
Fines and fees (General Fund)	25,703,230	
Grant funds received prior to meeting all eligibility requirements		4,002,370
Total unavailable/unearned revenue for governmental funds	<u><u>\$ 32,484,628</u></u>	<u><u>\$ 4,002,370</u></u>

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. 2014 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 2015 fiscal year (2014 tax year), the County levied property taxes of \$0.49476 per \$100 of assessed valuation. The 2014 rates resulted in total adjusted tax levies of approximately \$231.4 million based on a total adjusted valuation of approximately \$45.6 billion. The total tax rate in the 2014 tax year was prorated as follows:

	<u>2014 Rate</u>	<u>2014 Limit</u>
General, certain Special Revenue and Debt Service Funds	\$ 0.47276	\$ 0.80000
Fort Bend County Drainage District	\$ 0.02200	\$ 0.25000
Total Tax Rate	<u><u>\$ 0.49476</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, 2015, the interfund receivables and payables were as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 11,512,050	\$
Mobility 2015 Projects		5,931,565
Non-major Governmental Funds	69,413	4,839,561
	<u>11,581,463</u>	<u>10,771,126</u>
Internal Service Funds	110,288	920,625
Total Governmental Activities	<u>\$ 11,691,751</u>	<u>\$ 11,691,751</u>

Transfers totaling approximately \$13.5 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.

	Transfers In	Transfers (Out)
General Fund	\$ 159,135	\$ 12,919,936
Mobility 2015 Projects	442,610	34,428
Non-major Governmental Funds	12,915,760	563,141
Total Governmental Activities	<u>\$ 13,517,505</u>	<u>\$ 13,517,505</u>

NOTE 6 – CAPITAL ASSETS

A summary of changes in the primary government's capital assets for the year ended September 30, 2015, is as follows:

	Primary Government		
	Balances 10/1/14*	Increases	Decreases
			Balances 9/30/15
Governmental activities:			
Capital assets not being depreciated:			
Land	\$ 369,455,773	\$ 14,478,152	\$ (67,513)
Construction in progress	31,423,924	16,597,348	(21,438,200)
Total capital assets not being depreciated	400,879,697	31,075,500	(21,505,713)
Depreciable capital assets:			
Vehicles	33,865,062	5,550,115	(2,325,958)
Office furniture and equipment	32,032,441	2,427,714	(4,145,419)
Machinery and equipment	26,290,150	1,755,664	(634,763)
Buildings, facilities and improvements	348,103,988	4,203,790	(5,000)
Infrastructure	548,856,628	35,023,994	(1,439,090)
Total other capital assets	989,148,269	48,961,277	(8,550,230)
Accumulated depreciation for:			
Vehicles	(20,808,437)	(4,094,538)	2,298,095
Office furniture and equipment	(24,854,068)	(3,095,172)	3,924,914
Machinery and equipment	(16,054,980)	(1,496,928)	570,151
Buildings, facilities and improvements	(83,394,020)	(9,075,922)	500
Infrastructure	(153,523,892)	(14,757,504)	182,449
Total accumulated depreciation	(298,635,397)	(32,520,064)	6,976,109
Depreciable capital assets, net	690,512,872	16,441,213	(1,574,121)
Total governmental activities capital assets, net	\$1,091,392,569	\$ 47,516,713	\$ (23,079,834)

*as restated. See Note 16 for more information.

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

Fiscal Year 2015 Depreciation Expense	
General administration	\$ 1,970,014
Financial administration	337,001
Administration of justice	5,375,488
Construction and maintenance	16,776,038
Health and welfare	2,025,219
Cooperative services	70,827
Public safety	3,417,874
Parks and recreation	811,011
Library	1,701,435
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	35,157
Total Depreciation Expense	\$ 32,520,064

Construction in progress and remaining commitments under related construction contracts for general government construction projects as of September 30, 2015, is as follows:

2015 CONSTRUCTION COSTS

Project	Balances 10/1/14 *	Increases- Retainage Included	Decreases Capitalizations	Balances 9/30/15	Remaining Commitments
Mobility Projects - Bonds	\$ 23,580,993	\$ 7,928,692	\$ (14,750,121)	\$ 16,759,564	\$ 11,027,913
Wespark B Frontage Roads	2,367,809	2,596,998		4,964,807	
Utility Relocation - Greenbusch	1,496,929			1,496,929	
Ft Bend Senior Meals On Wheels	77,420	1,007,145		1,084,565	84,247
Crabb River Rd Expansion	673,747	253,030		926,777	21,643
Gordon Ranch	82,636	330,484		413,120	893
2011 Public Transportation Grant	183,175	62,725		245,900	
FM762 Landscaping	221,754			221,754	
Bud O'Sheiles Bldg Fdn Rep	122,800			122,800	23,600
Juvenile Probation Gym Renovation		94,875		94,875	14,881
Bridge Construction	48,347	23,084		71,431	12,063
Odyssey Judges Sessions Software		239,887	(177,440)	62,447	9,342
Jail West Tower Remodel		37,857		37,857	
Justice Center Security Upgrade		26,310		26,310	17,710
Four Corners Community Center		25,976		25,976	
Road & Bridge-Crabb Roof Replacement		18,600		18,600	
Justice Center Courtrooms Buildout		9,360		9,360	
Facilities Tracking Software					21,950
IT Hardware Infrastructure	63,978		(63,978)		2,878
Library Admin Building - George Fnd Grant					67,763
Sienna Parkway Project					11,180
Stafford Run Project	715,037	205,050	(920,087)		2,711
Big Creek		9,946	(9,946)		438,032
Traffic Signals		513,157	(513,157)		73,506
Drainage Facility Carpet Replacement		13,593	(13,593)		3,977
Parks Infrastructure		12,200	(12,200)		6,775
Precinct 4 Renovations					763
Projects Completed in FY2015	<u>1,789,299</u>	<u>3,188,379</u>	<u>(4,977,678)</u>		
Totals	\$ 31,423,924	\$ 16,597,348	\$ (21,438,200)	\$ 26,583,072	\$ 11,841,827

*as restated. See Note 16 for more information.

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, 2015, is as follows:

	Discretely Presented Component Units			
	Balances 10/1/14*	Increases	Decreases	Balances 9/30/15
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 12,497,428	\$ 14,007,699	\$	\$ 26,505,127
Construction in progress	6,022,171	30,751,848	(8,400,042)	28,373,977
Total capital assets not being depreciated	18,519,599	44,759,547	(8,400,042)	54,879,104
Depreciable capital assets:				
Office furniture and equipment		29,902		29,902
Infrastructure	317,512,836	9,839,132		327,351,968
Total other capital assets	317,512,836	9,869,034		327,381,870
Accumulated depreciation for:				
Office furniture and equipment		(2,990)		(2,990)
Infrastructure	(38,785,669)	(8,163,745)		(46,949,414)
Total accumulated depreciation	(38,785,669)	(8,166,735)		(46,952,404)
Depreciable capital assets, net	278,727,167	1,702,299		280,429,466
Total Governmental Activities capital assets, net	\$ 297,246,766	\$ 46,461,846	\$ (8,400,042)	\$ 335,308,570

*as restated. See Note 16 for more information.

Depreciation expense for the Fort Bend County Toll Road Authority and the Fort Bend Grand Parkway Toll Road Authority totaled \$8,166,735 for fiscal year 2015.

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, 2015, are as follows:

2015 CONSTRUCTION COSTS					
Project	Balances 10/1/14	Increases- Retainage Included	Decreases Capitalizations	Balances 9/30/15	Remaining Commitments
Fort Bend County Toll Road Authority	\$ 5,999,750	\$ 23,783,468	\$ (6,671,028)	\$ 23,112,190	\$ 23,332,022
Fort Bend Grand Parkway Toll Road Authority	22,421	6,968,380	(1,729,014)	5,261,787	1,989,019
Totals	\$ 6,022,171	\$ 30,751,848	\$ (8,400,042)	\$ 28,373,977	\$ 25,321,041

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, 2015, is as follows:

Primary Government				
Original Issue	Description	Interest Rate %	Matures	Debt Outstanding
General Obligation Bonds				
\$ 26,000,000	Unlimited Tax Road Bonds, Series 2007	4.00 - 4.25	2027	\$ 1,190,000
126,675,000	Facilities Limited Tax Bonds, Series 2007	4.00 - 5.00	2031	9,455,000
48,940,000	Unlimited Tax Road Bonds, Series 2009	3.00 - 5.00	2029	38,300,000
73,430,000	Justice Center Limited Tax Bonds, Series 2009	3.00 - 5.25	2030	59,220,000
20,780,000	Unlimited Tax Road Refunding Bonds, Series 2009	3.00 - 5.00	2021	10,995,000
9,675,000	Fort Bend Flood Control Water Supply Refunding Bonds, Series 2010	2.50 - 4.00	2021	5,640,000
58,220,000	Unlimited Tax Road Bonds, Series 2012	2.00 - 5.00	2032	52,350,000
18,900,000	Unlimited Tax Road Refunding Bonds, Series 2014	1.00 - 5.00	2026	18,900,000
52,220,000	Unlimited Tax Road and Refunding Bonds, Series 2015A	2.00 - 5.00	2035	52,220,000
93,370,000	Facilities Limited Tax Refunding Bonds, Series 2015B	4.00 - 5.00	2031	93,370,000
Total General Obligation Bonds				\$ 341,640,000

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 May 13, 2015, Fort Bend County issued \$52,220,000 of Unlimited Tax Road and Refunding Bonds, of which \$14,855,000 was to refund and defease a material portion of the Unlimited Tax Road Bonds, Series 2006 of \$16,840,000. This advance refunding was undertaken to reduce total debt service payments over the next 12 years by \$1,847,024, and resulted in an economic gain of \$1,740,634. The remaining \$37,365,000 of this issue was new funding for County mobility projects.

On May 13, 2015, Fort Bend County issued \$93,370,000 of Limited Tax Bonds to refund and defease a material portion of the Limited Tax Bonds, Series 2006 of \$100,470,000. This advance refunding was undertaken to reduce total debt service payments over the next 16 years by \$12,654,338, and resulted in an economic gain of \$11,695,375.

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, 2015, follows:

	Balance 10/1/14	Additions	Retirements	Balance 9/30/15	Amounts Due Within One Year
Bonds payable:					
General obligation bonds	\$ 330,110,000	\$ 145,590,000	\$ (134,060,000)	\$ 341,640,000	\$ 18,480,000
Premiums on bonds	17,598,537	22,059,154	(5,031,909)	34,625,782	
Total bonds payable	347,708,537	167,649,154	(139,091,909)	376,265,782	18,480,000
Accrued compensated absences	6,536,895	7,528,029	(7,116,586)	6,948,338	1,737,085
Other post-employment benefits ("OPEB") obligation	189,759,358	36,980,392	(5,458,390)	221,281,360	
Total Long-Term Liabilities	\$ 544,004,790	\$ 212,157,575	\$ (151,666,885)	\$ 604,495,480	\$ 20,217,085

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:

	Principal	Interest	Totals
2016	\$ 18,480,000	\$ 15,684,087	\$ 34,164,087
2017	18,470,000	14,929,325	33,399,325
2018	18,780,000	14,115,881	32,895,881
2019	19,500,000	13,237,662	32,737,662
2020	20,280,000	12,284,963	32,564,963
2021-2025	104,670,000	46,444,413	151,114,413
2026-2030	111,425,000	19,311,931	130,736,931
2031-2035	30,035,000	1,906,925	31,941,925
Totals	\$ 341,640,000	\$ 137,915,187	\$ 479,555,187

Discretely presented component units long-term bonded debt as of September 30, 2015, is listed below:

Discretely Presented Component Units				
Original Issue	Description	Interest Rate %	Matures	Debt Outstanding
<u>Fort Bend County Toll Road Authority:</u>				
Revenue Bonds				
\$ 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	115,885,000
45,000,000	Senior Lien Toll Road Revenue Bonds, Series 2014	2.00 - 5.00	2042	45,000,000
Total Revenue Bonds				<u>\$ 191,660,000</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, 2015, follows:

	Balance 10/1/14	Additions	Retirements	Balance 9/30/15	Amounts Due Within One Year
Revenue bonds	\$ 149,235,000	\$ 45,000,000	\$ (2,575,000)	\$ 191,660,000	\$ 4,645,000
Premiums on bonds	18,934,290	3,316,125	(1,175,988)	21,074,427	
Discounts on bonds	(299,180)		11,657	(287,523)	
Total Long-Term Liabilities	<u>\$ 167,870,110</u>	<u>\$ 48,316,125</u>	<u>\$ (3,739,331)</u>	<u>\$ 212,446,904</u>	<u>\$ 4,645,000</u>

	Balance 10/1/14	Additions	Retirements	Balance 9/30/15	Amounts Due Within One Year
Revenue bonds	\$ 155,085,000	\$	\$	\$ 155,085,000	\$
Premiums on bonds	17,649,294		(552,980)	17,096,314	
Total Long-Term Liabilities	<u>\$ 172,734,294</u>	<u>\$</u>	<u>\$ (552,980)</u>	<u>\$ 172,181,314</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>
2016	\$ 4,645,000	\$ 8,680,025	\$ 13,325,025
2017	5,390,000	8,508,175	13,898,175
2018	6,260,000	8,276,288	14,536,288
2019	6,820,000	8,011,187	14,831,187
2020	7,345,000	7,714,575	15,059,575
2021-2025	43,235,000	32,823,866	76,058,866
2026-2030	55,040,000	21,070,888	76,110,888
2031-2035	36,510,000	8,416,256	44,926,256
2036-2040	20,885,000	3,296,478	24,181,478
2041-2042	5,530,000	223,400	5,753,400
Totals	\$ 191,660,000	\$ 107,021,138	\$ 298,681,138

Fort Bend Grand Parkway Toll Road Authority:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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		7,180,200	7,180,200
2021-2025	14,945,000	34,367,375	49,312,375
2026-2030	22,585,000	29,578,675	52,163,675
2031-2035	27,785,000	24,101,075	51,886,075
2036-2040	35,270,000	16,312,500	51,582,500
2041-2045	44,490,000	6,768,375	51,258,375
2046	10,010,000	200,200	10,210,200
Totals	\$ 155,085,000	\$ 147,229,200	\$ 302,314,200

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, 2015, \$9,205,268 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, 2015, \$131,428,477 of total bonds are outstanding.

C. Defeasance of Debt

In fiscal year 2015, the County defeased a large portion of the Unlimited Tax Road Bonds, Series 2007 and a large portion of the Facilities Limited Tax Bonds, Series 2007 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, 2015, the outstanding balance of the Unlimited Tax Road Bonds, Series 2007 bonds was \$16,840,000, and the outstanding balance of the Facilities Limited Tax Bonds, Series 2007 was \$100,470,000.

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM

General Information about the Pension Plan

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.

B. Benefits Provided

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.

All employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal two times the employee's final full-year salary. An employee who leaves County service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are one-half of the change in the Consumer Price Index, limited to a maximum increase in retirement allowance of 2 percent for general employees and 3 percent for public safety employees. The Commissioners Court considers providing an additional cost-of-living adjustment after the employee's retirement date beyond the terms of the plan during the budget process if sufficient funds are available.

C. Employees Covered by Benefit Terms

As of September 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	506
Inactive employees entitled to but not yet receiving benefits	1,557
Active employees	<u>2,181</u>
Total	<u><u>4,244</u></u>

D. 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 12.14% for calendar year 2015. 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 2015 was \$127.2 million and the County’s contributions were based on a payroll of \$125.3 million. Contributions made by employees totaled \$8.8 million, and the County made contributions of \$15.3 million during the fiscal year ended September 30, 2015.

Net Pension Liability

The County’s net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

A. Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.00%
Salary Increases	3.50%
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Fort Bend County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Mortality	
Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

B. Discount rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.

2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability ("UAAL") shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

C. Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2015 information for a 7-10 year time horizon. Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected minus Inflation) (2)
US Equities	Dow Jones U S Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (3)	12.00%	8.35%
Global Equities	MSCI World (net) Index	1.50%	5.65%
International Equities - Developed	50% MSCI World Ex USA (net) + 50% MSCI World ex USA 100% Hedged to USD (net) Index	11.00%	5.35%
International Equities - Emerging	50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	9.00%	6.35%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships ("MLPs")	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (4)	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. ("HFRI") Fund of Funds Composite Index	25.00%	5.15%

(1) Target asset allocation adopted at the April 2015 TCDRS Board meeting.

(2) Geometric real rates of return in addition to assumed inflation of 1.7%, per Cliffwater's 2015 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

D. Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of December 31, 2013	\$ 471,236,923	\$ 438,552,226	\$ 32,684,697
Changes for the year:			
Service cost	16,523,133		16,523,133
Interest on total pension liability	38,158,329		38,158,329
Effect of economic/demographic gains or losses	(317,076)		(317,076)
Refund of contributions	(1,453,683)	(1,453,683)	
Benefit payments	(15,368,142)	(15,368,142)	
Administrative expenses		(351,781)	351,781
Member contributions		8,374,898	(8,374,898)
Net investment income		29,818,164	(29,818,164)
Employer contributions		14,592,621	(14,592,621)
Other		(187,536)	187,536
Balances as of December 31, 2014	<u>\$ 508,779,484</u>	<u>\$ 473,976,767</u>	<u>\$ 34,802,717</u>

Sensitivity Analysis

The following presents the net pension liability of the county/district, calculated using the discount rate of 8.10%, as well as what the Fort Bend County net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 578,477,760	\$ 508,779,484	\$ 451,459,640
Fiduciary net position	<u>473,976,767</u>	<u>473,976,767</u>	<u>473,976,767</u>
Net pension liability / (asset)	<u>\$ 104,500,993</u>	<u>\$ 34,802,717</u>	<u>\$ (22,517,127)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the County recognized pension expense of \$11,951,683 as follows:

Pension Expense	January 1, 2014 to December 31, 2014
Service cost	\$ 16,523,133
Interest on total pension liability	38,158,329
Administrative expenses	351,781
Member contributions	(8,374,898)
Expected investment return net of investment expenses	(36,097,149)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(52,846)
Recognition of investment gains or losses	1,255,797
Other	187,536
Pension expense	<u><u>\$ 11,951,683</u></u>

Deferred Inflows / Outflows of Resources

As of December 31, 2014, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 264,230	
Net difference between projected and actual earnings		\$ 5,023,188
Contributions made subsequent to measurement date	N/A	\$ 11,977,653

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2015	\$ 1,202,951
2016	1,202,951
2017	1,202,951
2018	1,202,951
2019	(52,846)
Total	<u><u>\$ 4,758,958</u></u>

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, 2015, there were 750 retirees receiving benefits and approximately 2,590 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 2015 are as follows:

C. Annual OPEB Costs and Net OPEB Obligation

For fiscal year 2015, the County's annual OPEB cost for the Plan was \$36,980,392. 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, 2015, were as follows:

	Fiscal Year Ending 9/30/15
Determination of Annual Required Contribution	
Normal Cost at Fiscal Year End	\$ 20,168,775
Amortization of Unfunded Actuarial Accrued Liability	19,772,976
Annual Required Contribution ("ARC")	<u>39,941,751</u>
Determination of Net OPEB Obligation	
Annual Required Contribution	39,941,751
Interest on prior-year Net OPEB Obligation	7,590,374
Adjustment to ARC	<u>(10,551,733)</u>
Annual OPEB Cost	36,980,392
Less Assumed Contributions Made	<u>(5,458,390)</u>
Estimated Increase in Net OPEB Obligation	31,522,002
Net OPEB Obligation - Beginning of Year	<u>189,759,358</u>
Net OPEB Obligation - End of Year	<u><u>\$ 221,281,360</u></u>
Percentage of OPEB Cost Contributed	14.8%

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):

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2013	4%	\$ 33,507,178	14.2%	\$ 158,780,332
2014	4%	\$ 35,741,230	13.3%	\$ 189,759,358
2015	4%	\$ 36,980,392	14.8%	\$ 221,281,360

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 amortization period and method utilized was a 30 year level dollar closed period. 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-EMPLOYMENT BENEFITS FUNDING IN PRIOR YEARS

The governmental funds that have been used to fund the net pension obligation and other post-employment benefit obligations in prior years have been 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, 2015, were distributed as follows:

	General Fund	Debt Service Fund	Mobilities 2015 Projects	Non-major Governmental Funds	Totals
Nonspendable:					
Prepaid items	\$ 359,792	\$	\$	\$ 44,468	\$ 404,260
Subtotal	359,792			44,468	404,260
Restricted for:					
General administration	1,889			3,566,742	3,568,631
Financial administration				1,973	1,973
Administration of justice	190,194			1,600,362	1,790,556
Construction and maintenance			12,031,101	34,490,180	46,521,281
Health and welfare	25,405			170,602	196,007
Public safety				2,472,230	2,472,230
Library				1,299,517	1,299,517
Debt service		2,779,502			2,779,502
Subtotal	217,488	2,779,502	12,031,101	43,601,606	58,629,697
Committed to:					
Facility construction/renovation	1,722,067				1,722,067
Mobility road projects	2,008,424				2,008,424
Community development	58,444				58,444
Contract Management	165,200				165,200
Parks and Fairgrounds renovations	410,412				410,412
Highway 36 Rail Corridor	162,683				162,683
IT Infrastructure	406,183				406,183
Vehicles	843,126				843,126
Wetlands Mitigation	455,065				455,065
Willow Fork Drainage Project	34,381				34,381
Special Projects-Commissioners Court	626,046				626,046
Software projects	3,064,801				3,064,801
Right-of-way acquisitions	4,809,941				4,809,941
Subtotal	14,766,773				14,766,773
Unassigned	30,590,003			(1,883)	30,588,120
Total Fund Balances	\$ 45,934,056	\$ 2,779,502	\$ 12,031,101	\$ 43,644,191	\$ 104,388,850

NOTE 13 – CONTINGENCIES AND COMMITMENTS

A. Construction Contract Commitments

The County had several capital improvement commitments as of September 30, 2015. 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, 2015.

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, 2015 and 2014 is as follows:

Employee Benefits:

	<u>Year ended</u> <u>9/30/15</u>	<u>Year ended</u> <u>9/30/14</u>
Unpaid claims, beginning of year	\$ 3,653,931	\$ 3,083,926
Incurred claims (including IBNRs)	34,888,587	34,912,114
Claim payments	(35,572,067)	(34,342,109)
Unpaid claims, end of year	<u>\$ 2,970,451</u>	<u>\$ 3,653,931</u>

Other Insurance:

	<u>Year ended</u> <u>9/30/15</u>	<u>Year ended</u> <u>9/30/14</u>
Unpaid claims, beginning of year	\$ 3,449,991	\$ 3,477,874
Incurred claims (including IBNRs)	2,884,017	4,285,227
Claim payments	(2,858,096)	(4,313,110)
Unpaid claims, end of year	<u>\$ 3,475,912</u>	<u>\$ 3,449,991</u>

NOTE 15 – DEFICIT NET POSITION

As of September 30, 2015, the Fort Bend Grand Parkway Toll Road Authority has a deficit net position of \$13,356,047. 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

Implementation of New Accounting Standards

The County has implemented the GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for the year ending September 30, 2015. As a result, the beginning net position of the County's governmental activities has been restated on the Statement of Activities to reflect the net pension liability and deferred outflows of resources relating to

pension contributions made after the prior measurement date of the plan. The impact of the implementation of GASB 68 is a decrease of \$21,429,502 in beginning net position. The detail of this restatement is as follows:

Net Pension Liability (measurement date as of 12/31/2013)	\$(32,684,697)
Deferred Outflow of Resources (contributions made prior to measurement date)	11,255,645
Net restatement due to change in accounting principles	<u><u>\$(21,429,052)</u></u>

Restatement of Capital Assets

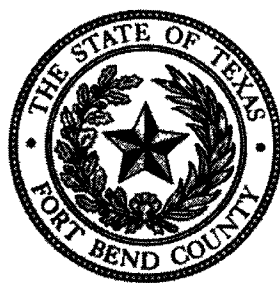
During the 2015 fiscal year, it was discovered that in prior years, the County had erroneously capitalized right-of-way, construction in progress, and infrastructure that was owned and/or maintained by Texas Department of Transportation and various municipalities within the County. Therefore, during the 2015 fiscal year, the County made adjustments to its capital asset records to correct for these overstatements, as well as minor adjustments to other capital assets due to misclassifications. As a result of these adjustments, the County has restated its beginning capital asset amounts and accumulated depreciation, decreasing beginning net position by \$88,736,725. The detail of this restatement is as follows:

Capital Assets:	
Land	\$(13,589,477)
Construction in progress	(3,371,996)
Vehicles	(346,098)
Office furniture and equipment	9,002
Machinery and equipment	81,835
Buildings, facilities and improvements	8,841
Infrastructure	<u>(82,593,433)</u>
	(99,801,326)
Accumulated Depreciation:	
Vehicles	(20,118)
Office furniture and equipment	27,804
Machinery and equipment	32,618
Buildings, facilities and improvements	442
Infrastructure	<u>(11,105,347)</u>
	<u>(11,064,601)</u>
Net restatement due to capital assets	<u><u>\$(88,736,725)</u></u>

NOTE 17 – SUBSEQUENT EVENTS

The Fort Bend County Toll Road Authority issued \$64,440,000 in first lien revenue bonds in February, 2016 to finance the construction of Authority's obligation for phase one and phase two of the Westpark Toll Way extension.

Fort Bend County plans to issue approximately \$60 million in unlimited tax road bonds from the 2013 Mobility bond authorization in May 2016 to continue funding the County's mobility projects.



Required Supplementary Information

FORT BEND COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS
For the Year Ended September 30, 2015

page 1 of 10

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
Revenues				
Property taxes	\$ 183,245,081	\$ 183,245,081	\$ 185,554,437	\$ 2,309,356
Fines and fees	26,785,675	26,791,667	28,550,736	1,759,069
Intergovernmental	5,806,616	6,559,891	6,874,390	314,499
Earnings on investments	601,700	601,700	660,788	59,088
Miscellaneous	3,650,100	3,672,223	4,984,208	1,311,985
Total Revenues	220,089,172	220,870,562	226,624,559	5,753,997
Expenditures				
General Administration				
County Judge:				
Salaries and personnel costs	632,651	629,151	629,100	51
Operating costs	14,927	14,703	13,534	1,169
Information technology costs	200	424	289	135
Capital acquisitions		5,320	5,320	
Commissioner Precinct 1:				
Salaries and personnel costs	426,150	426,350	423,844	2,506
Operating costs	12,705	9,505	8,670	835
Commissioner Precinct 2:				
Salaries and personnel costs	569,722	555,122	555,066	56
Operating costs	27,236	28,698	27,129	1,569
Information technology costs		138	137	1
Commissioner Precinct 3:				
Salaries and personnel costs	555,944	456,377	455,944	433
Operating costs	33,215	22,315	22,092	223
Information technology costs		1,100	810	290
Commissioner Precinct 4:				
Salaries and personnel costs	404,475	397,360	397,266	94
Operating costs	11,498	11,498	10,445	1,053
Information technology costs		1,515	1,515	
County Clerk:				
Salaries and personnel costs	3,461,997	3,391,904	3,391,765	139
Operating costs	74,098	71,098	70,729	369
Information technology costs		1,560	1,560	
Non-Departmental:				
Salaries and personnel costs	3,545,660	4,245,660	4,245,660	
Operating costs	9,347,300	7,138,137	7,137,126	1,011
Information technology costs		2,180	950	1,230
Capital acquisitions		1,130,277	1,130,277	
Risk Management/Insurance:				
Salaries and personnel costs	679,514	679,819	679,817	2
Operating costs	201,202	134,602	133,332	1,270
Information technology costs		600	595	5
Capital acquisitions		26,431	26,431	

FORT BEND COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS
For the Year Ended September 30, 2015

page 2 of 10

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
Elections Administrator:				
Salaries and personnel costs	617,163	606,025	605,986	39
Operating costs	131,697	129,597	129,117	480
Elections Services:				
Salaries and personnel costs	292,556	292,556	291,938	618
Operating costs	257,300	268,452	268,198	254
Information technology costs	9,000	9,000	8,847	153
Human Resources:				
Salaries and personnel costs	778,957	782,192	780,733	1,459
Operating costs	134,800	116,300	115,879	421
Information technology costs		2,500	2,211	289
Vehicle Maintenance:				
Salaries and personnel costs	822,898	822,778	784,390	38,388
Operating costs	(826,738)	(1,328,615)	(773,248)	(555,367)
Information technology costs		7,025	6,939	86
Capital acquisitions	5,455	898		898
Records Management:				
Salaries and personnel costs	364,217	361,717	361,647	70
Operating costs	16,292	8,212	8,142	70
Information technology costs		280	269	11
Central Mailroom:				
Salaries and personnel costs	191,502	183,702	183,633	69
Operating costs	541,688	548,388	550,898	(2,510)
Facilities Management and Planning:				
Salaries and personnel costs	596,012	591,818	591,817	1
Operating costs	39,232	31,457	34,780	(3,323)
Information technology costs		5,575	5,433	142
Facilities Maintenance:				
Salaries and personnel costs	796,780	740,395	740,224	171
Operating costs	751,391	681,391	679,591	1,800
Information technology costs	7,500	7,500	7,178	322
Capital acquisitions	47,400	44,600	44,600	
Facilities Operations:				
Salaries and personnel costs	204,804	202,404	202,357	47
Operating costs	4,133,764	4,063,970	4,062,238	1,732
Capital acquisitions		7,700	7,700	
Janitorial:				
Salaries and personnel costs	559,049	532,632	532,488	144
Operating costs	528,758	596,448	595,858	590
Jail Maintenance:				
Salaries and personnel costs	553,148	522,763	521,883	880
Operating costs	692,212	635,212	634,062	1,150
Information technology costs	21,000	15,000	14,883	117
Interdepartmental Construction:				
Salaries and personnel costs	981,970	972,970	972,539	431
Operating costs	63,191	51,491	51,837	(346)
Capital acquisitions	97,600	68,735	68,735	

FORT BEND COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS
For the Year Ended September 30, 2015

page 3 of 10

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
County Attorney:				
Salaries and personnel costs	2,019,842	2,041,784	2,041,543	241
Operating costs	128,585	98,585	97,702	883
Information technology costs	3,297	4,297	3,512	785
Information Technology:				
Salaries and personnel costs	4,394,338	4,291,521	4,291,135	386
Operating costs	2,483,917	2,177,172	2,175,354	1,818
Information technology costs	422,554	317,699	316,738	961
Capital acquisitions		19,872	19,871	1
Purchasing:				
Salaries and personnel costs	826,526	825,735	825,666	69
Operating costs	26,536	32,481	28,539	3,942
Information technology costs	1,500	2,155	907	1,248
Capital Outlay-General Fund:				
Capital acquisitions	10,105,551			
Total General Administration	53,821,738	41,776,213	42,264,152	(487,939)
Financial Administration				
County Auditor:				
Salaries and personnel costs	1,994,401	1,950,489	1,950,423	66
Operating costs	24,756	19,839	19,642	197
Information technology costs	906	7,610	7,561	49
Capital acquisitions	5,787			
County Treasurer:				
Salaries and personnel costs	724,948	713,948	713,903	45
Operating costs	176,410	161,864	161,798	66
Information technology costs	4,000	4,000	2,030	1,970
Capital acquisitions	7,200	5,846	5,333	513
Court Collections:				
Salaries and personnel costs	118,454	112,464	109,834	2,630
Operating costs	15,563	15,488	14,616	872
Information technology costs		75	61	14
EMS Collections:				
Salaries and personnel costs	403,361	407,461	407,174	287
Operating costs	150,867	98,617	98,614	3
Information technology costs		250		250
Tax Assessor/Collector:				
Salaries and personnel costs	4,036,347	4,023,625	4,023,585	40
Operating costs	286,100	266,336	264,860	1,476
Information technology costs	1,000	20,764	20,743	21
Budget Office:				
Salaries and personnel costs	538,932	537,494	536,720	774
Operating costs	15,966	12,166	12,132	34
Information technology costs	3,446	3,446	2,310	1,136
Total Financial Administration	8,508,444	8,361,782	8,351,339	10,443

FORT BEND COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS
For the Year Ended September 30, 2015

page 4 of 10

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
Administration of Justice				
County Court-at-Law #1:				
Salaries and personnel costs	533,905	519,535	519,443	92
Operating costs	238,751	441,736	441,734	2
Information technology costs	906	906	811	95
County Court-at-Law #2:				
Salaries and personnel costs	531,742	515,272	515,268	4
Operating costs	229,630	390,147	390,147	
Information technology costs	205	215	214	1
County Court-at-Law #3:				
Salaries and personnel costs	538,094	517,904	517,895	9
Operating costs	229,325	665,170	665,169	1
Information technology costs	255	315	315	
County Court-at-Law #4:				
Salaries and personnel costs	523,902	513,032	512,902	130
Operating costs	227,253	947,249	947,247	2
Associate County Court-at-Law:				
Salaries and personnel costs	236,646	235,328	234,239	1,089
Operating costs	15,660	18,061	18,061	
240th District Court:				
Salaries and personnel costs	260,104	248,104	247,933	171
Operating costs	221,596	868,421	868,419	2
268th District Court:				
Salaries and personnel costs	260,044	257,044	256,885	159
Operating costs	241,552	572,607	572,607	
328th District Court:				
Salaries and personnel costs	424,406	419,806	419,709	97
Operating costs	225,000	433,121	433,121	
387th District Court:				
Salaries and personnel costs	421,502	416,502	416,417	85
Operating costs	155,650	172,303	172,302	1
Information technology costs		450	372	78
400th District Court:				
Salaries and personnel costs	261,708	257,270	257,174	96
Operating costs	220,400	591,069	591,067	2
Information technology costs		940	940	
434th District Court:				
Salaries and personnel costs	260,940	258,940	258,845	95
Operating costs	227,700	993,418	993,418	
505th District Court:				
Salaries and personnel costs		19,635	19,634	1
Operating costs		2,000	1,811	189
Child Support:				
Salaries and personnel costs	441,065	439,465	439,443	22
Operating costs	17,033	15,763	15,761	2

FORT BEND COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS
For the Year Ended September 30, 2015

page 5 of 10

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
District Clerk:				
Salaries and personnel costs	3,774,456	3,722,770	3,721,998	772
Operating costs	186,793	170,523	169,908	615
Information technology costs		6,270	6,135	135
District Clerk Jury Payments:				
Operating costs	250,000	239,000	238,531	469
Justice of the Peace Precinct #1, Place 1:				
Salaries and personnel costs	475,910	475,910	473,753	2,157
Operating costs	11,450	11,450	10,980	470
Justice of the Peace Precinct #1, Place 2:				
Salaries and personnel costs	645,793	620,053	620,019	34
Operating costs	16,350	16,350	15,548	802
Justice of the Peace Precinct #2:				
Salaries and personnel costs	507,123	482,534	481,565	969
Operating costs	19,216	21,526	20,445	1,081
Justice of the Peace Precinct #3:				
Salaries and personnel costs	584,839	584,839	582,706	2,133
Operating costs	12,800	17,450	16,824	626
Justice of the Peace Precinct #4:				
Salaries and personnel costs	457,953	452,553	452,483	70
Operating costs	13,330	13,330	12,667	663
Bail Bond Board:				
Salaries and personnel costs	86,785	86,785	86,618	167
Operating costs	2,234	2,234	1,750	484
District Attorney:				
Salaries and personnel costs	8,108,873	7,991,854	7,991,652	202
Operating costs	480,760	315,521	287,143	28,378
Information technology costs	8,775	3,975	3,945	30
Capital acquisitions	90,340	85,340	84,088	1,252
Public Defender - Mental Health:				
Salaries and personnel costs	637,487	637,487	632,739	4,748
Operating costs	23,520	23,520	25,864	(2,344)
Information technology costs	50	50	39	11
District Judges Fees/Services:				
Operating costs	2,500,000			
Sheriff Detention Operating:				
Salaries and personnel costs	22,788,537	22,575,155	22,575,061	94
Operating costs	5,476,932	5,513,438	5,526,366	(12,928)
Information technology costs	12,950	9,850	6,901	2,949
Capital acquisitions	236,550	437,507	432,906	4,601
Sheriff - Bailiffs:				
Salaries and personnel costs	2,615,554	2,632,206	2,632,206	
Operating costs	50,444	42,944	42,899	45
Information technology costs	5,620	5,620	4,669	951
Capital acquisitions	10,000	10,000	9,391	609

FORT BEND COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS
For the Year Ended September 30, 2015

page 6 of 10

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
240th,400th Dist Ct Assoc Jdg:				
Salaries and personnel costs	257,384	266,639	266,639	
Operating costs	9,748	15,026	15,027	(1)
Information technology costs		250	156	94
Indigent Defense Program:				
Salaries and personnel costs	204,931	204,931	202,745	2,186
Operating costs	45,801	45,713	45,318	395
Information technology costs		88	87	1
Behavioral Health Services:				
Salaries and personnel costs	248,466	194,266	194,232	34
Operating costs	6,562	10,062	9,907	155
Information technology costs		1,200	1,193	7
268th,434th Dist Ct Assoc Jdg:				
Salaries and personnel costs	162,229	162,229	161,605	624
Operating costs	19,253	7,987	7,826	161
Death Investigators:				
Operating costs	24,350	24,350	22,353	1,997
Adult Probation Operating:				
Salaries and personnel costs	62,254	72,206	72,204	2
Operating costs	75,622	74,862	52,828	22,034
Information technology costs		760	760	
CSR Program:				
Salaries and personnel costs	292,693	283,693	282,840	853
Operating costs	11,091	6,091	12,496	(6,405)
Drug Court - County:				
Operating costs	55,000	55,000	48,046	6,954
Juvenile Probation Operating:				
Operating costs		25,000	24,205	795
Juvenile Truancy Court:				
Salaries and personnel costs	321,076	315,445	308,348	7,097
Operating costs	10,080	10,080	5,802	4,278
Total Administration of Justice	58,842,938	59,715,650	59,631,719	83,931
Construction and Maintenance				
Engineering:				
Salaries and personnel costs	2,009,354	1,930,089	1,929,950	139
Operating costs	352,862	279,111	271,237	7,874
Information technology costs	15,250	12,050	11,893	157
Capital acquisitions	50,000	61,113	61,113	
Landfill:				
Salaries and personnel costs	40,174	33,174	33,118	56
Operating costs	89,370	62,735	61,769	966
Capital acquisitions	100,000	108,635	108,635	
Recycling Center:				
Salaries and personnel costs	117,506	110,319	107,419	2,900
Operating costs	35,085	24,085	23,899	186

FORT BEND COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS
For the Year Ended September 30, 2015

page 7 of 10

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual . Amounts Budgetary Basis</u>	<u>Variance from Final Positive (Negative)</u>
Household/Ag Waste Program:				
Salaries and personnel costs	36,128	31,728	31,683	45
Operating costs	85,190	35,149	34,747	402
Total Construction and Maintenance	2,930,919	2,688,188	2,675,463	12,725
Health and Human Services:				
Ambulance - EMS:				
Salaries and personnel costs	8,129,336	8,847,381	8,847,114	267
Operating costs	1,243,813	1,086,185	999,497	86,688
Information technology costs	40,501	26,407	26,392	15
Capital acquisitions	500,835	683,789	727,235	(43,446)
Public Transportation:				
Operating costs	2,438,346	25,448	25,785	(337)
Capital acquisitions		31,113	31,105	8
Health Department - County:				
Salaries and personnel costs	445,086	376,086	375,605	481
Operating costs	40,223	27,903	26,982	921
Information technology costs		2,320	2,307	13
Clinical Health Immunization:				
Salaries and personnel costs	341,340	330,146	330,145	1
Operating costs	23,200	17,400	17,383	17
Animal Control:				
Salaries and personnel costs	778,857	707,974	707,459	515
Operating costs	151,890	179,695	174,956	4,739
Information technology costs		6,020	6,005	15
Capital acquisitions	18,500	17,475	17,090	385
Health and Human Services:				
Salaries and personnel costs	481,519	476,719	476,625	94
Operating costs	622,156	549,116	581,546	(32,430)
Information technology costs		5,040	4,721	319
Senior Center:				
Salaries and personnel costs	237,801	233,901	233,814	87
Operating costs	44,760	43,748	41,163	2,585
Information technology costs		900	882	18
Environmental Services:				
Salaries and personnel costs	1,319,312	1,260,662	1,259,854	808
Operating costs	131,170	130,070	116,172	13,898
Information technology costs	623	623	617	6
Capital acquisitions	42,800	46,715	46,593	122
CIHC Coordinator - County:				
Salaries and personnel costs	550,675	515,744	515,123	621
Operating costs	1,826,427	1,486,427	1,485,385	1,042
Social Services:				
Salaries and personnel costs	733,039	722,123	722,064	59
Operating costs	243,638	263,638	263,206	432
Information technology costs	1,467	1,467	1,456	11
Total Health and Welfare	20,387,314	18,102,235	18,064,281	37,954

FORT BEND COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS
For the Year Ended September 30, 2015

page 8 of 10

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
Cooperative Services				
Extension Service:				
Salaries and personnel costs	498,727	468,299	468,281	18
Operating costs	320,122	297,437	293,828	3,609
Information technology costs		1,685	1,557	128
Capital acquisitions	25,000	24,650	24,650	
Veterans Service:				
Salaries and personnel costs	202,963	202,963	202,602	361
Operating costs	10,151	6,616	6,235	381
Information technology costs		35	35	
Total Cooperative Services	1,056,963	1,001,685	997,188	4,497
Public Safety				
Civil Service Commission:				
Salaries and personnel costs	81,021	81,021	80,744	277
Operating costs	10,250	5,950	5,891	59
Fire Marshal:				
Salaries and personnel costs	1,033,381	986,728	986,727	1
Operating costs	1,647,834	1,637,025	1,632,004	5,021
Information technology costs	2,477	6,242	6,241	1
Capital acquisitions	76,550	73,323	73,081	242
Department of Public Safety:				
Salaries and personnel costs	117,829	117,829	117,589	240
Operating costs	22,506	22,506	22,011	495
Information technology costs	4,511	4,511	4,429	82
DPS - License and Weight:				
Operating costs	3,552	3,552	3,242	310
Information technology costs	75	75	56	19
Constable Precinct #1:				
Salaries and personnel costs	1,493,835	1,445,518	1,445,192	326
Operating costs	175,231	175,042	142,003	33,039
Information technology costs		512	512	
Capital acquisitions	125,193	100,997	100,997	
Constable Precinct #2:				
Salaries and personnel costs	1,441,202	1,436,502	1,436,493	9
Operating costs	167,611	146,666	137,283	9,383
Information technology costs		945	697	248
Capital acquisitions	99,040	76,240	74,818	1,422
Constable Precinct #3:				
Salaries and personnel costs	1,038,402	1,062,510	1,062,500	10
Operating costs	161,830	156,600	128,803	27,797
Information technology costs	2,616	1,871	1,870	1
Capital acquisitions	33,613	14,466	14,466	

FORT BEND COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS
For the Year Ended September 30, 2015

page 9 of 10

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
Constable Precinct #4:				
Salaries and personnel costs	913,999	922,763	922,764	(1)
Operating costs	194,571	127,801	112,509	15,292
Information technology costs	800	800	80	720
Capital acquisitions	95,683	86,653	86,531	122
Sheriff Enforcement Operating:				
Salaries and personnel costs	28,492,181	27,777,373	27,776,159	1,214
Operating costs	3,827,423	3,552,398	3,151,382	401,016
Information technology costs	32,577	38,998	36,683	2,315
Capital acquisitions	1,166,169	1,047,850	1,043,142	4,708
Commissary Administration:				
Operating costs		16,404	16,404	
Capital acquisitions		110,356	110,226	130
Emergency Management - County:				
Salaries and personnel costs	488,534	488,534	488,432	102
Operating costs	111,504	86,850	82,543	4,307
Information technology costs	100	800	1,097	(297)
Capital acquisitions		297		297
Total Public Safety	43,062,100	41,814,508	41,305,601	508,907
Parks and Recreation				
Fairgrounds:				
Salaries and personnel costs	468,181	431,649	431,648	1
Operating costs	62,986	91,892	95,252	(3,360)
Information technology costs	906	906	906	
Jones Creek Ranch:				
Salaries and personnel costs	410,905	343,812	342,955	857
Operating costs	96,300	99,837	98,904	933
Information technology costs	25,000	2,000	1,084	916
Capital acquisitions	99,400	87,178	86,372	806
Parks Department:				
Salaries and personnel costs	1,225,845	1,116,210	1,115,781	429
Operating costs	642,731	571,446	553,276	18,170
Information technology costs	2,992	2,992	1,417	1,575
Capital acquisitions	147,400	206,372	204,423	1,949
Total Parks and Recreation	3,182,646	2,954,294	2,932,018	22,276
Libraries and Education				
County Library Operating:				
Salaries and personnel costs	11,238,115	11,042,710	11,041,921	789
Operating costs	3,188,670	3,161,400	3,152,347	9,053
Information technology costs	171,398	120,863	120,839	24
Capital acquisitions	80,910	323,090	319,479	3,611
Total Libraries and Education	14,679,093	14,648,063	14,634,586	13,477
Total Expenditures	206,472,155	191,062,618	190,856,347	206,271

FORT BEND COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND - BUDGETARY BASIS
For the Year Ended September 30, 2015

page 10 of 10

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance from Final Positive (Negative)
Excess of Revenues Over Expenditures	13,617,017	29,807,944	35,768,212	5,960,268
Other Financing (Uses)				
Transfers in		17,186	24,439	7,253
Transfers (out)	(12,407,864)	(12,353,684)	(12,477,326)	(123,642)
Total Other Financing (Uses)	(12,407,864)	(12,336,498)	(12,452,887)	(116,389)
Net Change in Fund Balance- Budgetary Basis	1,209,153	17,471,446	23,315,325	5,843,879
Net Adjustment to Reflect Operations in Accordance with GAAP (a)			(14,905,769)	
Fund Balance, Beginning of Year	37,524,500	37,524,500	37,524,500	
Fund Balance, End of Year	\$ 38,733,653	\$ 54,995,946	\$ 45,934,056	\$ 5,843,879

(a) See reconciliation on page 79.

FORT BEND COUNTY, TEXAS
NOTES TO BUDGETARY REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2015

Budgets

Formal budgets are legally adopted on a GAAP basis for the General Fund, certain Special Revenue Funds and all Debt Service Funds except for the Fort Bend Parkway Road District Unlimited Tax Bonds Debt Service Fund. The debt service requirements relating to the Parkway bonds are funded solely from property taxes levied on property within the Road District. The County does not present any major Special Revenue Funds as of September 30, 2015, regardless of whether there is a legally adopted budget.

Formal budgets (annualized budgeting) are not adopted in the Capital Projects Funds. Effective budgetary control in those funds is achieved through individual project budgeting in conformance with the provisions of bond orders and other sources.

The County Budget Officer prepares the proposed budget and submits the data to the Commissioners Court. A public hearing is held on the budget before finalizing it. The 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 at October 1, plus the estimated revenues for the ensuing year. During the year, the Court may increase budgeted revenues and expenditures for unexpected revenues or beginning fund balances in excess of budget estimates, provided the Court rules that a state of emergency exists. The legal level of budgetary control takes place at the major operating group level within each department. The four major operating groups are: salary and personnel costs, operating and training costs, information technology costs, and capital acquisition costs. Budgetary transfers between major operating groups within each department require Commissioners Court approval.

Amounts reported in the accompanying financial statements represent the original budgeted amount plus all supplemental appropriations.

Budgetary Basis

Fort Bend County budgets for operational and capital activity through the fiscal year budget process for the General Fund, Road & Bridge, Drainage, and Debt Service Fund. The General Fund includes a multi-year budget that is not confined to the fiscal year ending September 30. This multi-year budget is used to account for capital projects, grants, and other activity expanding beyond the fiscal year. The funding for these projects and grants originates from a prior or current fiscal year budget allocation that is then transferred to the multi-year project budget. The following schedule shows a reconciliation of the actual activity in the General Fund in the fiscal year from a budgetary to GAAP basis.

	Actual Amounts Budgetary Basis	Actual Multi-Year	Actual Amounts GAAP Basis
General Fund			
Revenues	\$ 226,624,559	\$ 27,361,788	\$ 253,986,347
Expenditures	190,856,347	41,959,643	232,815,990
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,768,212	(14,597,855)	21,170,357
Other Financing Sources (Uses)			
Transfers in	24,439	134,696	159,135
Transfers (out)	(12,477,326)	(442,610)	(12,919,936)
Total Other Financing Sources (Uses)	(12,452,887)	(307,914)	(12,760,801)
Net Change in Fund Balance	23,315,325	(14,905,769)	8,409,556
Fund Balance, Beginning of Year			37,524,500
Fund Balance, End of Year			<u>\$ 45,934,056</u>

Excess of Expenditures over Appropriations

For the year ended September 30, 2015, significant variances where expenditures exceeded appropriations in the following budget categories are detailed below:

General Fund:

General Administration:

Vehicle Maintenance - Operating costs \$ 555,367

Administration of Justice:

Sheriff Detention Operating - Operating costs 12,928

Health and Welfare:

Ambulance - EMS - Capital acquisitions 43,446

Health and Human Services - Operating costs 32,430

Other Financing (Uses)

Transfers (out) 123,642

The excess expenditures for the Sheriff Detention Operating – Operating costs, Ambulance – EMS – Capital acquisitions, and Health and Human Services – Operating costs were funded from other available budgets within each governmental function. The excess expenditures for the Vehicle Maintenance – Operating costs caused an overall budget deficit in general administration, therefore the shortfall was funded by surplus budgets from the other governmental functions within General Fund. The excess Transfers (out) over budget above was also funded with surplus budgets from the other governmental functions within General Fund. Procedures have been put in place to prevent these excess expenditures and transfers (out) over budget in the future.

FORT BEND COUNTY, TEXAS
REQUIRED PENSION SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
September 30, 2015

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (UNAUDITED)
Schedule of Changes in Net Pension Liability and Related Ratios

	Measurement Year 2014
Total pension liability:	
Service cost	\$ 16,523,133
Interest on total pension liability	38,158,329
Effect of economic/demographic gains or losses	(317,076)
Benefit payments, including refunds of employee contributions	(16,821,825)
Net change in total pension liability	37,542,561
Total pension liability - Beginning of Year	471,236,923
Total pension liability - End of Year (a)	<u>\$ 508,779,484</u>
Plan fiduciary net position:	
Member contributions	\$ 8,374,898
Employer contributions	14,592,621
Net investment income	29,818,164
Benefit payments, including refunds of employee contributions	(16,821,825)
Administrative expenses	(351,781)
Other	(187,536)
Net change in plan fiduciary net position	35,424,541
Plan fiduciary net position - Beginning of Year	438,552,226
Plan fiduciary net position - End of Year (b)	473,976,767
Net pension liability - End of Year (a) - (b)	<u>\$ 34,802,717</u>
Plan fiduciary net position as a percentage of total pension liability	93.16%
Covered employee payroll (measurement year)	\$ 119,513,775
Net pension liability as a percentage of covered employee payroll	29.12%

Note: GASB 68 requires 10 years of net pension liability and related ratios information. This information is not available and has not been calculated prior to the first measurement year ended December 31, 2014. In the future, such information will be used to populate this schedule as it becomes available.

FORT BEND COUNTY, TEXAS
REQUIRED PENSION SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
September 30, 2015

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (UNAUDITED)
Schedule of Contributions
Last Ten Fiscal Years

<u>Year ending September 30</u>	<u>Actuarially determined contribution</u>	<u>Actual contributions</u>	<u>Contribution deficiency (excess)</u>	<u>Covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
2015	\$ 15,314,629	\$ 15,314,629	\$	\$ 125,320,314	12.2%
2014	14,592,621	14,592,621		119,513,775	12.2%
2013	12,941,053	13,292,893	(351,840)	112,043,745	11.9%
2012	12,200,319	12,200,319		109,715,087	11.1%
2011	11,577,406	11,577,406		108,712,740	10.6%
2010	11,484,255	11,484,255		106,041,139	10.8%
2009	10,729,265	10,729,265		104,983,019	10.2%
2008	9,329,418	9,329,418		92,096,921	10.1%
2007	8,418,474	8,418,474		81,337,915	10.3%
2006	7,352,957	7,352,957		73,899,065	10.0%

FORT BEND COUNTY, TEXAS
NOTES TO PENSION REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2015

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.00%
Salary Increases	3.50%
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Fort Bend County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Mortality	
Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

FORT BEND COUNTY, TEXAS
REQUIRED OTHER POST EMPLOYMENT BENEFIT SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FORT BEND COUNTY EMPLOYEE BENEFIT PLAN
September 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Discount Rate	Actuarial Accrued Liability ("AAL") (b)	Unfunded Actuarial Accrued Liability ("UAAL") (b-a)	Funded Ratio (a/b)	Covered Payroll	UAAL as % of Covered Payroll
10/1/2007	\$ 0	4.0%	\$ 207,157,655	\$ 207,157,655	0.0%	\$ 92,096,921	224.9%
10/1/2009	\$ 0	4.0%	\$ 240,282,297	\$ 240,282,297	0.0%	\$ 104,983,019	228.9%
10/1/2011	\$ 0	4.0%	\$ 255,897,447	\$ 255,897,447	0.0%	\$ 108,712,740	235.4%
10/1/2013	\$ 0	4.0%	\$ 283,630,840	\$ 283,630,840	0.0%	\$ 112,043,745	253.1%

Note: Actuarial information is only available for Fort Bend County back to fiscal year 2008, the year that the County implemented GASB 45.

APPENDIX C

FORM OF BOND COUNSEL'S OPINIONS

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

June 7, 2016

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 2016A, dated June 1, 2016, in the total authorized amount of \$75,340,000.

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 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. We further have relied on the Report with

regard to the mathematical accuracy of certain computations. If such representations or Report 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

June 7, 2016

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 LIMITED TAX AND REFUNDING BONDS, SERIES 2016B, dated June 1, 2016, in the total authorized amount of \$94,420,000.

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, 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 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.

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. We further have relied on the Report with regard to the mathematical accuracy of certain computations. If such representations Report 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.